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Cuts Without Policy

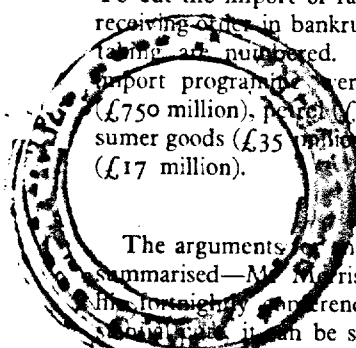
WHATEVER the Government's decision to cut certain imports from the dollar areas, announced by Mr Dalton in the House of Commons on Monday, was intended to do, it cannot have been put forward as a solution to the crisis engendered by Britain's shortage of dollars. To suggest otherwise would be less than just to Mr Dalton. When a total is made of all the dollars involved in the import cuts proposed, the resulting saving cannot be more than some £25 million over a twelve months' period. This is a tiny sum beside the yawning and widening gap in Britain's balance of payments and the rapid exhaustion of the dollar credits. Since the fuel crisis, dollars have been drawn from the American credit at three-weekly intervals, generally at the rate of £50 million. The latest three-weekly drawing, however, was for £25 million. This welcome reduction, and certain other indications, suggest that the rate of drawing is not necessarily the rate of actual dollar expenditure. But when all allowances of this kind are made, the cuts announced on Monday will do no more than extend the life of the dollar loan for a week or two, and there is nothing at all, in any view of the situation, to justify a claim that another week or so, whether in June or January, 1948, will save Britain from the crisis that stares it in the face.

The Cabinet are in the position of the defenders of a beleaguered city. The supplies of food and munitions available to the garrison can be augmented, but never so rapidly as they are consumed. Somewhere at hand is a friendly force capable of raising the siege—when it is impossible to say. Shall the commander of the garrison decide that rations must be cut and, if so, by how much? Will a cut weaken the defenders so much that the city can be carried by a sudden assault? Will a cut enable them to hold out until relief comes? Or, grimmest possibility of all, must they after all try to survive on their own resources alone? These are decisions that have faced many men in the past. The analogy is not, however, complete, because the Cabinet suffer from an additional handicap. It is by no means certain that the friendly force in the vicinity has any intention of relieving this particular city at all. But the parallel is true to this extent: history teaches that delay in making a decision is never justified. Procrastination is in itself a decision, a decision to go on consuming at the old rate.

The basic facts of the dollar crisis have, by now, been so often set out in these pages that no excuse is offered for not repeating the details on this occasion. All that has been said is still true. The summer is reaching its climax with coal output still below the indispensable minimum, and so long as that danger signal is present, every other alarm bell must continue to ring. The new element in the crisis is Mr Marshall's speech and the events in Paris that have followed.

Clearly the Government have had two decisions to make: what cuts in imports to make and when to make them. In both cases they had to balance two considerations of prime importance: the effect of their decisions on public opinion in Britain and the effect on public opinion in the United States.

The second decision, the timing of the announcement, has proved to be the easier, largely because the decision has been made for the Government by events. The United States Administration cannot have disregarded the possibility that the Paris Conference would develop in the way it has, that the conflict between East and West would become more open, more intense and more localised in those countries, Italy, Austria and Germany, which are now the marches where East and West meet. As the situation developed that way, the claims for help to those three countries, and the results that follow such help, must of necessity have become more important in American eyes than aid to Britain. Mr Clayton must have passed on such views to the Cabinet last week. And whatever effect the counter-arguments may have had on Mr Clayton, it was natural that Mr Dalton should remind Washington, by specific action, of Britain's special needs and policies.

There remained the other decision, the size of the cuts made. It must be granted at once that there are strong arguments against any cuts in the import of raw materials and of machinery at any time before the twelfth hour itself. To cease the purchase of productive machinery now would be an act of despair, a denial that Britain can and will stand on her own feet eventually. Such supplies are as essential as the aircraft orders were in 1940. To cut the import of raw materials is, in effect, to apply for a receiving order in bankruptcy; to say that the days of an under-

 import program were food and supplies for agriculture (£750 million), petrol (£60 million), tobacco (£55 million), consumer goods (£35 million), and the "invisible" film remittances (£17 million).

The arguments for and against a cut in imports can easily be summarised—Mr Morrison himself dealt with some of them at the Foreign Office Conference on Wednesday. In favour of substantial cuts it can be said that, at least for a short time, they give a monetary shock—and the maximum shock would be achieved at a moment when Britain is, compared with Europe, relatively well-fed, fully employed and not distracted by internal political strife. The shock of the cuts would reach the miners at a moment when a stimulation in their output could still achieve a good deal. It would drive home to everyone the lessons, on staggering hours, on more production, on the improvidence of a further reduction in hours that the TUC Executive is endeavouring to teach to its constituent members with no marked success. It might well precipitate a beneficial fall in the world prices of primary products. The British people respond to disaster as to a tonic. The water never gets warmer while you wait. If eventually, why not now?

The arguments against substantial cuts are these: there is no inevitability about them; the Marshall offer is not meaningless, and the United States cannot afford to collect all the world's dollars back again inside its own boundaries and leave it at that; there may be wheat from Russia, more dairy produce from the Dominions, more petrol from the Middle East. But all these have their part in an expansionary world. As against this there is the point emphasised by Mr Morrison—that large cuts might inaugurate a policy of trade restriction that would spread throughout the world. Granted that public opinion in the United States and Britain needs a shock, it is not essential that the shock should extend to the main ingredients of the working-class diet. Indeed, it is a very strong argument that, over a long period, a big reduction in food would reduce output and, therefore, exports. And when all possible food imports save basic rations, are cut, what is saved? A hundred million pounds instead of three months' extension of the dollar loan instead of three weeks'?

No doubt these arguments, and many others, have tormented the Cabinet for the past month or so. It is apparent that

many threads of opinion have with difficulty been woven into a pattern of policy. It is possible, too, if the speculation is worth while, to identify the differing voices—there is, for example, a noticeable contrast between the caution of Mr Dalton, in expressly declaring that his announcement must be considered as an interim decision, and the confident ring in Mr Strachey's voice when he talked of the food prospects for Britain in Tuesday's debate. Then, too, there is the need to navigate between the Scylla of a pessimism that overwhelms and the Charybdis of an opportunism that stupifies, and American charts will not place those two traps in a position identical with that given by their British counterparts. But when due allowance is made for all the difficulties that face the Cabinet, can it yet be said that they have, in fact, decided anything? Who is to have less petrol and when? What American films are to be turned back? As for tobacco, has not Mr Dalton already cut consumption to the amount he requires? The Government may have intended to do no more than fire a warning shot across the bows of public opinion, but have they even loaded the gun?

It may be that the Cabinet have been swayed by the consideration that increasing exports to dollar countries will help to close the gap by increasing the dollars earned, in contradistinction to a policy of reducing the dollars spent. Mr Dalton's reference to increased exports of textiles bears this out. Obviously, all that can be done to increase exports should be done, even at the expense of the home market. But in the immediate future, exports cannot reduce the gap. The dollar market is not an easy one for British products to enter. The set-back to total production earlier in the year is still not made good, and the President of the Board of Trade believes that the sellers' market is nearing its end. The Cabinet cannot surely believe that exports can solve the problem.

In the end, it is impossible to escape the feeling that the Cabinet collectively are still in a woolly, sentimental state of mind. They seem to believe Britain in some way to be a most favoured nation in the eyes of Providence, as well as in certain trade treaties. Nothing could be more dangerous to the future of the country. Mr Marshall may have kindly feelings towards Britain. The average American Congressman has not. In the United States there is an Italian vote and a German vote, a Polish vote and an Irish vote. There is no British vote. The only safe assumption for Britain to make is that, for the average American, external affairs have a commercial significance and a strategic significance, and that the death of Unrra on Monday meant exactly what it seemed to mean. Is Britain a commercial risk? Are its people capable of enterprise and initiative, and of standing up to the hardships that are part of pioneering a new future? Is the economic system of which Britain is the centre in need of fresh loan capital or can it get by without, if it pulls the belt a little tighter? Those are hard thoughts, but they are very relevant ones. When the American Congressman reads Mr Dalton's statement, will his reaction be "Britain is again trying to get away with giving up as little as possible"?

Mr Marshall's proposals are a challenge to Britain to give up a great deal for a common end. So, in another field, are the facts that come from the dollar shortage. By what route, even supposing more dollar aid is forthcoming, is Britain to ensure that eventually it can manage without them? The incisive gesture on imports makes no contribution at all to the solution of that—the one crucial problem. Mr Morrison this week again promised a long-term economic plan. Will this, when it appears, support the Government's claim to economic statesmanship? At the moment it seems that they are still hoping for a favourable miracle. It was in that mood that they approached the fuel shortage last autumn. They gambled on their luck, and they lost. Blizzards may repeat themselves, but excuses never.

Knife Edge in Greece

THE arrival of the American Commission in Greece to administer American economic aid under the Truman proposals has coincided with a deterioration in the Greek situation. Guerilla warfare has become more widespread. At the same time, the United Nations Commission of Enquiry into the frontier troubles has reported, with Russia and Poland abstaining, that Albania, Yugoslavia and Bulgaria have armed and assisted the Greek guerillas. The Security Council must now decide whether or not to adopt the Commission's recommendations—the negotiation of new frontier conventions and their oversight by a standing body until August, 1949. But the American delegate to the Security Council, Mr Warren Austin, has already taken the crisis a stage further by suggesting that the Greek affair, so far considered under Article 6 of the Covenant dealing with the settlement of disputes, may have to be taken under Article 7 which is concerned with action to meet a breach of the peace. Such a proposal would clearly bring the Security Council face to face with an entirely new situation.

Whatever the immediate outcome of Mr Austin's strong stand, its deeper significance is clear. Bolstering up the Greek economy, arming and training the Greek Army, championing the Greek cause in the assemblies of the world, the United States is now the prime mover in Greek policy. This point may seem too obvious to stress, but it must be stressed because of a danger into which American statesmen have fallen before and may fall again—that of conducting their policy through intermediaries, through a Darlan, or a Roxas, or a Chiang-Kai-shek, and allowing local interest, and not decisions taken at the centre, to determine what American policy shall be. Such a course is tempting to a nation with no strong or continuous traditions in foreign policy. But, as American critics, chief among them Mr Walter Lippmann, have not ceased to point out, it is always extremely dangerous. In the case of Greece, it is vital that the United States Government should be clear about its purposes and about the methods it proposes to achieve them. First of all, there is present in Greece the possibility that a local conflict might—in Europe's present state of tension—become the lighted fuse of a great conflagration. Again many, all too many, people in Greece are not averse to lighting the fuse. The extreme Right Wing, which dominates the Government, greeted the announcement of the "Truman Doctrine" as a prelude to war with Russia, and politicians and newspapers announced complacently that "the atom bomb will look after Stalin." Finally, as the British discovered in their three years' connection with the Greeks, it is by no means easy to guide and influence Greek policy. Traditions of honest and responsible administration are scant. The occupation and the civil war have left their legacy of intense political passions and hatreds. In two years, however good the intentions of the British advisory missions may have been, the quality of each successive government has declined and today the Maximós Government is certainly no advertisement for Western democracy or "Anglo-Saxon" influence. The Americans may assume that this decline is simply due to the ineptitude of the British. They would be well advised to see what is in fact the real reason, that in spite of, not because of, British efforts, the Greek political situation has drifted out of control and that the drift will continue in the same sense: towards further repression, more violence, more economic misery for the masses, more exploitation and corruption and, above all, a deepening risk of war—unless Mr Marshall in Washington and Governor Griswold with his Mission in Athens take over genuine control.

But may it not be already too late? Inside Greece "ban-

ditry" is a euphemism for the real situation which is growing to the scale of civil war. The support the guerillas receive from Greece's northern neighbours has been proved and those northern neighbours would not take action unless the Russians permitted them to do so. What can the United States do if the Russians are determined to take over Greece by Communist attack and infiltration? A fully equipped and brutally determined German army of occupation could not suppress the partisans. American military advisers have infinitely less chance. This argument, however, assumes two factors which are by no means certain. The first is that the Russians are determined to push the frontier incidents to the point of war. The second is that the Communist guerillas have behind them the kind of popular support which the partisans enjoyed during the war. On the first point—Russian policy—there has been little in the last two years to suggest that the Russians seek more than nuisance value in the frontier incidents. The amount of aid given by Albania, Bulgaria and Yugoslavia has been strictly limited—enough to keep the guerillas active, not enough to organise them for a full-scale campaign. That their activities have greatly increased since the announcement of the Truman Doctrine can as easily be explained on defensive as on offensive grounds.

The second point—the amount of popular support enjoyed by the guerillas—is more difficult to assess. Correspondents tend to argue that it is growing. Immediately after the civil war in 1944, the excesses committed by the Communists reduced them to a small and hated minority. They hardly restored their popularity by falling in with Moscow's pan-Slavism and advocating the dismemberment of Northern Greece to the benefit of Greece's Slav neighbours. Unhappily, the Greek Government, by moving steadily to the Right and rallying behind itself more and more right-wing extremists, has gradually permitted the Communists to recapture some lost support. The kind of general radical association which EAM represented before it fell under Communist domination and which broke to pieces after the civil war is tending to reappear. Eighteen months ago, a year ago, the people of Greece were so solidly anti-Communist that they could even accept an unpopular Monarchy as a bulwark against Communism. The activities of the Government police and the gendarmerie, the passage in the summer of 1946 of an emergency law suppressing most civil liberties, above all the steady deterioration in the economic situation, are reversing the position. Once again, men and women with no Communist sympathies are beginning to look to the guerillas as their only hope against a corrupt and tyrannical government. If the trend is not reversed, the guerillas may come to have in time the kind of mass support which would make their suppression impossible. Nevertheless, the most important and most hopeful factor is that the Communists are still a small minority and can again become an intensely unpopular minority if the people of Greece are given some relief from their present discontents.

This then is the situation. Inside Greece the futility and savagery of the Government have re-created a measure of popular support for the guerillas, but it is negative support, the turning to a *pis aller*. Outside Greece, the Russians and the satellites are ready to exploit this internal situation but are almost certainly unwilling to push it to the point where general war might follow. What, then, should American policy be? Clearly, to check and play down the frontier incidents on the one hand and to work fast to reduce internal tension inside Greece on the other. In the international field the proposal to take action under Article 7 of the Covenant seems ill advised. It will

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expose the United Nations' inability to act and leave the Americans with the need to take some strong action—but what? A more fruitful line would lie in strengthening and increasing the boundary commission and giving it authority to exercise a perpetual surveillance along the Greek frontier. Its establishment should precede, not follow, the negotiation of frontier conventions and it should be given all the prestige and, if necessary, the police functions necessary for its work. If the Russians refuse to accept such a body, there is no reason why the Greek Government should not invite an international Commission drawn from the nations willing to co-operate to exercise roughly the same functions. Meanwhile, it is in Greece itself that the major effort of pacification should be made.

It cannot be accomplished in a day. For two years, Greece has drifted towards anarchy. A long and patient effort is needed to reverse the trend but at least some of the steps on the long journey have already been mapped out. In the economic field, the first task of the US mission is to undo and reverse the policy introduced in February, 1946. The Porter Report, issued after the visit of an American Economic Mission in the spring, lays down the means—an end to gold sales, strict taxation, strict control of imports and exports, the diversion of capital to reconstruction, agricultural revival and industrialisation, a measure of rationing and price control, budgetary stability. Six months of such a programme could begin to restore the faith of the Greek masses in a more tolerable economic future and would begin to undermine the attraction of popular revolt. But it is also vital to

realise that the present Government, in spite of undertaking to observe precisely this programme in its Note to the United States of June 15th, is almost certainly incapable of doing so. A measure of political reorganisation is as essential as a new economic approach. The Americans should make their assistance conditional upon a broadening of the Government to include the Liberal opposition—with men such as Sophoulis and Sofianopoulos—and later if possible the moderate fringe of what was once EAM. A useful model might be the shortlived Sophoulis Government which in October, 1945, almost managed to secure all party support. If the predominantly Populist assembly refuses, they should be offered the alternative of an American withdrawal and no loan.

These policies are perhaps less sensational and emotionally satisfying than banging on the big drum, proclaiming that Greece is "the frontier of freedom" and drifting in a flurry of fine words and ill-considered actions into a conflict which the world must seek by every means to avoid. The Americans will find no responsibility in Greece. They must take what there is with them. They will find no policy in Greece save a mixture of sloth and violence. They must create the policy. They will get little support from either side, for both are extremists. They must create their own moderates. They must expect dislike, ingratitude and double-dealing. But surely they can find their own reward—in seeking the peace of the world and preventing one small inflamed and diseased corner of the body politic from spreading its contagion to all the rest.

Manpower for Public Office

(By a Correspondent)

IT is perhaps an exaggeration to say that Britain is becoming a nation of people who sit on committees to mind other people's affairs—living by taking in each other's dirty linen, to put it more shortly—but almost every other new Act of Parliament that reaches the Statute Book calls for the appointment of a fresh tribunal to adjudicate on this or that problem which the Act attempts, or neglects, to solve. So far, the only overt acts suggesting recognition by the Government that any problem connected with these lay tribunals exists is the appointment of a Royal Commission to report on the magistracy in general and the Report of an Inter-Departmental Committee on Expenses of Members of Local Authorities (Cmd. 7126). The problem is far more general than that. Manpower shortage is not confined to the basic requirements of industry. It extends into every aspect of social activity, and it is a question today whether the country has enough people available and competent to man these tribunals as they are set up.

Tribunals of this kind may be composed of professional or non-professional members. An example of the professional kind is the series of tribunals appointed under the Pensions Appeals Tribunals Act 1943. They too need manpower, but their difficulty is less complex, if equally serious. Either the experts exist or they do not, and, if they are in short supply, the deficiency can only be made good over a long period. Shortage of qualified men for a professional tribunal is only one aspect of a general shortage of experts in that particular profession. What is of more general interest, and concern, is the problem of staffing the non-professional tribunal, where one of the qualifications for appointment is the fact that the person appointed is not an expert.

To take one example. The Furnished Houses (Rent Control) Act 1946, as is well known, provides for the setting up of district tribunals to review rents of furnished houses in their area and gives these tribunals wide powers to reduce or increase rents, which are otherwise fixed by agreement. Each

tribunal is to consist of a chairman and two other members. No qualifications for office are laid down by the Act. It is left to the Minister of Health to find suitable people to fill these positions (incidentally this Act provides for payment to the members of the tribunals). There are many other cases of similar bodies set up for special purposes. Their numbers grew greatly during the war. They are not likely to diminish now. They range from hospital boards under the health service to juries for the law courts, from consumers' councils under the Coal Industry Act to tribunals under the Reinstatement in Civil Employment Act. When to that is added all the other activities in which a public-spirited man or woman can engage, from employers' associations to councils of social service, the claims on the time of the few with leisure become overwhelming. At some time or other, preferably soon, the community will need to find some way in which to augment their numbers.

Is there any common denominator for those who are best qualified to serve on these tribunals? There is, but it is one that is much easier to recognise than it is to define. The main attribute required is a certain balance of experience, prudence and sympathy which is generally called common sense. They exist independently of social status or business experience, and they give the person in possession of them that essential ability to stand outside himself on occasion and to judge facts, and the actions of other people, with a blend of the common standards of behaviour and of the actual mixture of standards and emotions that govern the behaviour of the individual who is before him.

These qualities are needed on every tribunal of this kind, from the jury to the magistracy. The quantity required may vary but a minimum must be present. It is not essential to be a practical psychologist to be a jurymen, but it is very desirable to have some common sense. A jury is concerned with truth. Each member should decide for himself which

evidence is the most accurate recollection of fact, and that is no simple task. But on some tribunals something more is needed—experience of the actual tribunal itself. To become a good magistrate it is necessary to learn from experience on the magistrate's bench. It is impossible to teach that experience before appointment, but it is necessary to appoint people who are capable of learning.

At the moment, the selection of people for these positions is haphazard. The methods of recruitment vary. There is the political field, directly and indirectly the principal source of supply for the magistracy. Political activity is not necessarily a bad test of a person's capability as a judge of others. To make his or her way in politics a man or woman must be capable of working with others and so of understanding something about them. But politicians have their defects. They tend to be exhibitionists, to be better talkers than listeners, and nothing is more likely to obscure truth in any court than a much-talking judge.

Another route to the magistracy is the social one, which has less to commend it; when they are good, men and women appointed for social eminence are very very good; the difficulty is to devise a scheme which will keep out the bad. To continue a scheme under which appointment to the Commission of the Peace follows automatically on ownership of a particular property, almost as a territorial title, is to introduce too high a proportion of dead wood into the bench. For other tribunals other methods of recruitment are used, equally unsystematically. For one, prominence in the trade union world is the qualification; for another dutiful attendance at Chamber of Commerce meetings, or Rotarian gatherings. All these may be good methods of selecting the best fish in the net, but is the mesh always the right size?

There are two problems. The first is to select the right people, regardless of whether they can afford to give up time to public affairs or not, a task no more difficult than the problem of finding officers for an army. The selection of the first list must be an arbitrary one. In an army the practical details are easy to arrange. There is always some one man to be found who knows the capabilities of any given collection of possible candidates. In a district or a town there is rarely any one person who could compile a comprehensive list, for the whole of his area, but there do exist people each of whom could compile a section of such a preliminary list. The actual selection must involve an individual test. To find a good member of a tribunal it would not be necessary to go to quite the same lengths as the personnel selection boards did in the army, but it is desirable that some estimate should be made of individual capabilities for the responsibility. These methods, if applied systematically, would result in the compilation of a rota of people

fitted for this work. The next problem is the financial considerations in the way of practical work in public affairs. The answer cannot be in professionalising public service. The majority report of the Inter-Departmental Committee on the position of members of local authorities is in favour of payment not only of expenses but also of payments, a maximum of £1 for a full day and 10s. for half a day, to meet loss of remunerative time. Yet even these proposals go some way towards professionalising public service. The minority member quoted an example from Scotland (where such payments are already permitted) of members who attended over 400 meetings a year, on 200 days. The real sufferer is the man who is paid by the hour or by piece rate. Few employers would cut down a monthly salary cheque by the amount represented by, say, one afternoon spent at a rent tribunal. If the compensation payment for public work were fixed on an hourly basis, and at a rate which equalled the higher industrial rates, the problem would be met. Employers might claim that a man's absence on this kind of work at irregular intervals dislocated the smooth running of their works, but a similar dislocation arises every time any such person is kept in bed for a day by a cold, and that is a problem most factories have solved.

Finally, there is the question of the housewife, where the problem is not so much one of payment as of providing a substitute pair of hands. It is practically the most difficult problem of all, and there is probably no one quick answer. But the problem must be solved, for on many tribunals the daily experience of life that the housewife acquires (whether she likes it or not) is very much the kind of experience that is of most use.

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It is to be hoped that the Royal Commission will suggest a plan for the magistracy that will be equally applicable to all such tribunals, for this is not a question that can be dismissed as one of minor detail in public administration. It strikes at the root of public administration. The country is not at present utilising all the talent that is available, and required—required it is, for these tribunals will grow in number and importance, and it is right that they should. It is an essential part of democracy that local administration should be local. The country does not want everything to be decided by civil servants of the Central Government solely because the authorities, or the public, are too lazy to work out a scheme by which the work involved in making those decisions is spread out fairly between those citizens competent to do it. Democracy does not mean having a large supply of masterful civil servants. It is almost the reverse.

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This reasoning leads directly to the second conditioning factor—the economic one. Social and economic maladjustment constitutes a serious threat to British-Middle East relations to-day. It presents British Governments with a dilemma which, in spite of Mr Bevin's awareness, they have not yet found means to solve. Social change is necessary if Middle East states are to be viable and self-reliant. It is a British interest that they should be so. But equally Britain must refrain from anything which might look like intervention in any state's internal affairs. This is the disadvantage of paramountcy: Britain being responsible for peace and order must not take sides in Middle

In these conditions it seems certain that British and American economic assistance and advice must be given primarily country by country—and cautiously at that. There are great openings for both, although the Middle East as a whole is, in the words of one expert, “not an inherently rich area, agriculturally or industrially.” The cultivable area may amount to less than five per cent of the whole, while the agricultural productivity of the land is less than one-fifth to one-sixth of that in the United Kingdom or the United States. The density of the rural population

In Syria the Government is still studying the report of the British firm of consulting engineers which has carried out an economic survey of the country at its request. If contracts are subsequently awarded to this or other firms, they will be the best answer to opposition criticisms of neglect. In Persia the surveying has been done by an American firm, which may reasonably hope to get a share of any contracts that result. In Saudi-

Breakdown in Paris

August 15th.

A plan of this sort is so general that clearly its attractiveness must depend entirely upon the subjective standards applied to it by the various Ministers concerned. To Mr Bevin and M. Bidault it offers Europe the opportunity of agreeing—freely—on a reasonable measure of self-help, of securing in return substantial American aid, and incidentally of breaking the deadlock on reparations by ensuring at last that Germany will have some production out of which "mutual aid" (or reparations) can be drawn. But to Mr Molotov, riddled with the suspicions the atom bomb and the Truman Doctrine have created, hide-bound in ideology and disastrously ignorant of the real conditions prevailing in America and the Western World the Bevin plan was a plot—a plot to deliver the smaller countries of Europe to their powerful neighbours, to subordinate their national needs and plans to the greedy interests of the capitalist Leviathans, and, above all, to shelve reparations and to substitute the restoration of a powerful German economy.

The reasons for Russia's fears and suspicions (which are fully discussed in an article on page 21) would carry more weight were

It may be foreseen that the social strains which are already characteristic of the region will be aggravated by this increase of wealth. Oil will intensify the need, while it multiplies the means, of social reform. The problem of the Middle East is thus different from that of Europe ; it is not reconstruction but development, not recovery of lost values but the adjustment of an obsolete social framework to an economic process which is under way. Its people will need all the clear thinking and wisdom which they and their British and American advisers can muster if they are to come safely through.

it not for three points which stand out clearly as grim facts far outside the turgid circle of Russian suspicion, interpretation and ideology. The first is the fact that when one nation has more than any other to contribute to a common pool, and is apparently ready to make the contribution, the less favoured nations can only benefit by its co-operation. Such was the experience of Lend-Lease, and there is at least a chance of the experience being repeated under the Marshall Plan. The second point is that the danger of political and economic conditions imposed by "American imperialism" which Mr Molotov seems to fear can be tested only in the event. But Mr Molotov assumes in advance that the conditions will be imposed and refuses *a priori* the proffered help. The third point is, however, the most damning. The methods of which Mr Molotov complains—subordination of small Power interests to those of great neighbours, interference by more powerful economies in local production plans and the like—are precisely the methods by which large sections of East European industry and agriculture have been subordinated to the Soviet Five-Year Plan.

But no one should underestimate the difficulty of achieving this "example." The French are likely to be handicapped at every turn by the Communist Opposition and by their own intense fear of seeing Europe's division mirrored within their own community. A big stumbling block will be met early in the dis-

cussions in the problem of redeveloping the Ruhr's resources—a problem on which neither British, French nor Americans see eye to eye. But perhaps the greatest difficulty lies in the fact that Mr Bevin and M. Bidault are not, in the long run, masters of the situation. The attractiveness or otherwise of the plan they elaborate depends upon America's readiness to back it speedily and upon the methods of American support. The scale of economic help needs to be very great. The political and economic conditions should not be such as to produce an acute crisis of conscience in every Socialist breast. And the United States must be persuaded to modify its present mood in which ex-enemies—German, Italy and Japan—appear to enjoy more consideration than tried allies and friends. Mr Bevin and M. Bidault can only lay the stones of the altar of European reconstruction. The divine fire will descend from the American firmament or not at all.

* * *

Those Calories

Unlike last week's debate on consumers' goods, commented on in another Note, the debate on food supplies took place under the shadow of Mr Dalton's statement on imports on the preceding day. It might have been expected, therefore, that the debate would have largely turned on this statement. Instead, with one or two exceptions, members trod the usual ground and aired the usual grievances—the high price of vegetables, the shortage of potatoes, queues and, as usual, the amount of calories in the nation's diet.

Mr Strachey's speech was mainly taken up with a defence of bulk purchasing and with the present system of food distribution, which are discussed elsewhere in this week's paper. He also dealt at some length with what Dr Summerskill later called "the great calorie controversy." As usual, he gave a figure of 2,880 to 2,890 calories consumed on an average per head per day, a figure which is based on the amount of food going into civilian consumption and eaten at home and in canteens, restaurants and so on. Actually, as is well known, this is a very inadequate measure of the people's diet because individual needs of calories vary so considerably. One wants to know whether each member of representative families is actually obtaining—at home, at work and at school—the calories that are required at his particular age and in his particular occupation. Mr Strachey was also misleading when he compared figures of calories consumed in the home now with those consumed in 1941, 1942 and 1943. In the earlier years, particularly in 1943, the needs of calories were reduced by the absence from home of so many men whose needs are high. The return of ex-Servicemen from the armed forces, where they were fed amply and well, to their own homes is probably a large factor in the present discontent about the supply of food. If they do not draw more than their fair share from the family pool, they feel the contrast with the supply of food in the armed forces severely. If they do, someone else is the sufferer.

But it is unrealistic to discuss the amount of calories at the present time. Even if it were true that the national diet is inadequate—and, in spite of individual hardships, the commonsense opinion is that this is not so—it is certainly as adequate as the country's balance of payments can afford. The most damaging part of Mr Strachey's speech was his assurance that there is no food crisis and that the country will be able to "obtain an ample food supply in the coming year." For the time being he may have won the battle in the Cabinet over the purchase of food abroad. But, in view of Mr Dalton's statement, this was hardly the time to be so complacent and blatant about it.

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Cost of Food Distribution

The debate a week ago on the adjournment in the Commons, on the methods and costs of food distribution, provided some interesting evidence on the gap between wishes and their fulfilment. The debate was opened by Mr Brammall, Labour MP for Bexley, Kent, and he quoted three examples of cases in which, he claimed, the cost of food to the consumer was unnecessarily raised by payments made by the Ministry of Food in excess of the value of the services rendered by the recipient of the payment. The cases he quoted were those of tomatoes, flour and meat. In the case of tomatoes, the payments to which he referred were the commissions of 1s. 6d. and 1s. 9d. per 26 lb. paid respectively to the first-hand salesman and to the wholesaler (who may in fact be the same person). In the case of flour it was a guaranteed profit, amounting over six years to an average of 13 per cent on their capital, paid to flour millers,

although the risk in their business had been eliminated by the financial arrangements made by the Ministry of Food with the trade as a whole. In the case of meat it was the commission paid to the Wholesale Supply Association based on the 1938 turnover of each member. But the substance of Mr Brammall's case was this: it is justifiable to guarantee a man's profit if you take over his business as a temporary measure in an emergency; it is not justifiable to build up a permanent system of food distribution which includes the continued payments of money indefinitely, for services no longer performed.

The debate was, in effect, continued on Tuesday in the Ministry of Food Supply vote, which was a good thing, since it cannot be said that Dr Summerskill gave any convincing reply, certainly no reply to the point of principle involved on the previous Friday. In effect her speech was an admission that payments of this kind were made, that they could only be eliminated by an overhaul of the whole of the distribution machinery and that her Ministry had not had the time to devise and promote any better system than that which exists at the moment. She concluded with the sad but true statement that it is very difficult to control, except by rationing, both the price and the distribution of an article that is in short supply.

On Tuesday, Mr Strachey had something to say on food distribution. He was candid and frank. The existing organisation, he said, in essence a partnership between the Ministry and the private trading concerns, does distribute food, and had carried out that task throughout the war without serious failure. But he did not regard the present organisation as ideal. Controls were no permanent solution, and a series of rings or cartels of traders more or less protected by the state from competition was a policy of de-control. But on the long-term solution he, too, fell back into generalisations.

It is impossible, in fact, to escape the conclusion that the Ministry may have regarded itself as indispensable but its duties as mainly temporary. The Minister has a duty to all housewives (without the capital letter) to give the trade an ultimatum. If it desires to remain in being as organised at present, it should be asked so to arrange the functions of those in it that a fair remuneration is paid for work that is essential in the collection, transport and marketing of food, and that nothing is paid to those who render no service in any of those fields. Then, perhaps, the gap between the rod that is paid for the pound of onions by the consumer and the half-penny per pound that is received by the producer will be appreciably less.

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The Consumers' Grievances

In the light of Mr Dalton's statement on Monday on the import programme, last week's debate on the Board of Trade vote, giving as it did an opportunity to air the grievances of frustrated housewives and business men, now looks more like the performance of the proverbial ostrich, and a comparatively sleek, well-feathered one at that. No doubt the speakers felt the better for it directly afterwards, but the whole future of the consumer has been once more ringed by doubts as the result of the new cuts in imports and the proposed changes in exports. Not that Mr Dalton's immediate proposals, discussed in a leading article on page 1, are nearly as drastic as they might have been, but their implications shows only too clearly that to complain of present shortages is to concentrate mainly on surface difficulties rather than to probe the fundamental problems of increased production and the balance of payments.

But even if the perspective has changed since last week some of the points made in that debate deserve attention. Sir Stafford Cripps and Mr Belcher dealt easily enough with the parliamentary counterparts of the screechings of the Housewives' League. But they had no adequate answer to the much more sober complaints about the regional maldistribution of retail goods and industrial raw materials, and the shortages of such particular key materials as carbon black and sodium chloride, which are key factors in the production of tyres and textiles, and which the Opposition claim to be in short supply owing to lack of Government foresight. It is just in matters of this kind that a Socialist Government devoted to planning should be at its most careful in replying to criticism, for it is here, if anywhere, that they should be able to justify themselves. Mr Webb also commented very pertinently on the disgraceful quality of many consumer goods, which makes nonsense of any soothing statistics of quantity. To applaud an output increased by 50 per cent over pre-war is merely silly if the goods last only half as long as the pre-war product—as anyone who has lately bought children's shoes or perambulators can testify.

Mr Dalton's announcement allowed the housewife to expect no worsening of her food problems, but on clothing the future is black, in spite of the Chancellor's careful attempts at reassurance. If a larger proportion of textiles is to be exported, the home market will only not suffer if production is increased, and this is a very big if. Labour shortages in the textile industry are well known. Yet clothing is almost as essential as food, and distasteful as further controls must be there is here a case for again cutting out all the inessential luxuries and concentrating only on the essentials to keep the nation warm and weatherproof.

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A Voice for Germans?

The Economic Council of Germans which is to direct the reconstruction of the British and American Zones does not really get down to business for another fortnight. But its first meetings have already shown its political possibilities—possibilities which the British had denounced in advance, lest the Russians should accuse them of rearing a western German government in Frankfurt, and which the Americans had also denounced because of their tender feelings for the independence and sovereignty of Bavaria, Hesse and Württemberg-Baden. And now the new Economic Commission of the Soviet Zone has met and is running the gauntlet of contradictory accusations—on the one hand that it is a future zonal government and on the other that it really has no powers at all. Divided Germany is taking shape.

There is no doubt about the scale on which power and authority are being concentrated in Frankfurt. Some 10,000 German and Allied personnel are to be found living accommodation in and around the city; a new bi-zonal executive group has been created to deal with them alone. Their task has been described by General Macready, joint head of the Allied control group which is the point of the Frankfurt pyramid, as the economic reconstruction of the two zones with "an overall German outlook." It will be very surprising indeed if they get on with that task without continuing and developing the political arguments and manoeuvres which were heard and seen last week. For the Right predominates in the Economic Council of 54 members and the Left has a clear majority in the Executive Committee of eight. It is quite possible that the eight will be able to prevent the Executive Directors under them, who run the bi-zonal economic agencies, from doing what the fifty-four want done. It will be some time before this machinery can pump new blood into the economic life of the two zones.

Now that such a body exists the British and Americans—particularly the Americans—must expect to hear from it a demand that the German representatives should take part in discussions of the answer to be made to the Marshall offer. Recent rumours that the Americans want to put fresh capital into the Ruhr and to make its revival the central point of a European recovery plan must have reached the Germans; and it is quite obvious that the part Germany is to play in such a plan cannot just be settled by an Anglo-French-American debate. The right to take part in the technical committees which will assess European needs should be accorded to German representatives; on their performances there and on the record of the Economic Council three or four months hence should depend the possibility of a German or Germans taking a more prominent and responsible role. Such a concession would be a tonic to all responsible politicians and administrators in western Germany, among whom the sense of futility and isolation is as demoralising as the low ration.

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Challenge of the Ruhr

Meanwhile, the problem of getting coal out of the Ruhr is as baffling and exasperating as ever. Production has come nowhere near the 250,000 tons a day on which all industrial plans for June were based. There was a rise from 211,000 tons in the first week of the month to 222,000 tons in the last week, but no-one can explain why. Perhaps there were more hopes about rations, more pickings to be had from the countryside; but if the connection between production and rations is decisive, then there is another fall in production ahead, not only in the immediate future, but in the whole foreseeable future.

It needs to be frankly admitted, and said again and again, that unless extraordinary efforts are made now to build up food stocks in Western Germany, rations will be as bad and as low next winter as they were last. And if coal production does remain at between 200,000 and 220,000 tons a day, then the old bitter tug-of-war will

begin again: the French will ask for the increased deliveries they were led to hope for by the autumn, and the Germans will complain that their vital industries cannot recover unless coal exports are cut. The French may find the Americans pulling on the same end of the rope as the Germans, for shortage of coal has begun again to threaten the electricity supplies to the whole West German grid and the output of the chemical plants; and it is to those plants that the Allies in Frankfurt look for valuable export goods and essential materials for fertilisers. The Leverkusen works of I.G. Farben are still getting only a quarter of the coal they need, and a fortnight ago there was talk of their closing down for two months.

The need to increase production in the Ruhr mines is as urgent as any that now faces the British Government. They are being judged all over Western Europe by their efforts to get more coal, British as well as German. Their hard-won right to run this industrial area will be challenged from every side; and it will be asked whether every effort has been made to ensure that there is no avoidable inefficiency, no political sabotage, no passive resistance by German technicians. The paramount need for more food should not prevent Lord Pakenham and his advisers from preparing an answer to this question.

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A Peace Treaty for Japan

General MacArthur, in his recent allocation to a group of American publishers and journalists visiting Tokyo, has disclosed a policy which, whether it is Washington's or only the General's own, must now be taken into account in the international field. The General said that a peace treaty must be concluded with Japan "within a year or 18 months at the most"; he would return to the United States as soon as it was signed, that is to say, in any case by the end of next year. The United States, he declared, must possess the Ryukyu and Bonin Islands as a "strategic frontier" and also to protect a disarmed Japan against possible aggression; the occupation army should be withdrawn after the signing of the treaty, but there should still be some supervision of Japan which might be entrusted to the United Nations. The Soviet Union was not expected to make "extensive opposition" in the negotiation of the treaty, as Soviet claims had already been met by the cession of the Kuriles.

General MacArthur may be over-optimistic if he thinks that Russia will consent to American possession of the Ryukyus without demanding a fresh *quid pro quo*; the Kuriles were given away long ago without any guarantee for American claims and the Americans cannot now use their cession for bargaining purposes. But there are some indications that, if they meet with obstruction in the drafting of the treaty, the Americans may go ahead on their own. The Foreign Editor of *Newsweek* on his return from a trip to Tokyo has urged his fellow-countrymen: "Call the conference, set a time limit, and sign the treaty whether or not other nations agree. That treaty should provide for the continuance of paramount American interest in the guidance and administration of Japan for a long period of time." Such a course, as the writer admits, "could mean leaving out not only the Russians, but the Australians, the Chinese, the Filipinos and the other six nations on the Far Eastern Commission."

The Australians, indeed, are at the moment feeling rather sore at the overruling of their two recent protests against unilateral American acts of favour to Japan outside the Japanese homeland—the one permitting Japan to send a second whaling expedition to the Antarctic and the other allowing a resumption of Japanese mining of phosphate rock in Angaur, one of the former Mandated Islands. The American attitude is that, as the deficiency in Japan's food supply is at present being made up by the American taxpayer, it is for the American Government to take unfettered decisions in such questions. A complete breakdown of Allied agreement on policy towards Japan would, however, be a serious matter, and it is much to be hoped that the forthcoming Canberra Conference will help to produce a better understanding and co-ordination between the United States and the other nations whose interests are liable to be affected by measures for the economic rehabilitation of Japan.

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No Reply from Mr Paling

It is doubtful if a full dress inquiry into the efficiency of the Post Office, as was suggested by Mr Keeling in a debate on the Post Office vote on Wednesday, would be justified, for the questions he raised could be answered perfectly straightforwardly by

the Postmaster-General if he chose to do so. These questions were first whether the small savings in manpower, effected by the recent cuts, was worth while in view of the slowing down of business; secondly, whether improvements could not be effected by reorganisation; thirdly, how far the breakdown was due to unreasonable behaviour of the staff and fourthly, whether the staff had any just grievances.

The first of these questions goes to the heart of the matter. The Post Office administers services which are of supreme importance in a modern industrial community if its efficiency is to be maintained. A rapid letter and telephone service are now the prerequisites of ordinary business life, and delays are a waste of manpower just as much as the physical presence of an extra postman or telegraph boy—indeed, the waste is probably proportionately greater owing to the type of person whose time is being wasted. Has the Post Office made any serious efforts to relate the waste of productive efficiency owing to delays in essential services with the manpower savings in the staff reductions which have been made? If they have, Mr Paling said nothing about them. He was equally silent about the negotiations over the reduction of hours of Post Office workers. At the present time such reductions cannot be justified, and Mr Paling should certainly have given more information about the effects these cuts would have on the evening services of the Post Office, and what staff difficulties there have already been in increasing the numbers of collections and deliveries. It is possible that all these considerations have been considered and correctly weighed, but if so, the public is entitled to know. Instead, both Mr Paling and Mr Burke concentrated a great deal of unnecessary attention on helicopter services and other innovations of the future when what is wanted is an improvement in the main services now. The Post Office did so well during the war, under very abnormal conditions that it is doubly disappointing that the services are now deteriorating.

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Representation of Interests

The case of Mr W. J. Brown, MP, brings out into the light of day a very ticklish problem of parliamentary representation. Although the Committee of Privileges decided that there had been no breach of privilege, and that no further action was necessary, the facts of the case and the Committee's observations upon them show how dangerous can be any arrangements which link the actions of a Member of Parliament with any sectional group or vested interest unconnected with his duties as the representative of a constituency. In the present case Mr Brown was elected to Parliament in 1942 as an Independent member for the constituency of Rugby. But he also undertook duties as Parliamentary Secretary of the Civil Service Clerical Association, a large Civil Service trade union, with which he had been connected for many years as General Secretary. In return for a salary of £1,000 a year and expenses allowances Mr Brown agreed to handle the parliamentary business of the association, which he has indeed done most energetically. The contract which set out these arrangements expressly states that he should "be entitled to engage in his political activities with complete freedom."

The trouble arose because Mr Brown's perfectly justifiable exercise of this freedom caused him to express views which were often strongly critical of the Labour Party and the Trades Union Congress, and which did not accord with the views of the executive committee of his association. As a result the executive committee sought to terminate the connection, but without any financial disadvantage whatever to Mr Brown, on the ground that his political views were not in line with theirs, and that it was not always realised that his appointment as Parliamentary General Secretary left him complete political freedom.

As events have turned out there has been no damage done to the public interest (nor incidentally to Mr Brown's private interests) as the result of the dispute, since Mr Brown very properly refused to temper his views to those of his association. But the Report (HMSO, 118, 3s.) shows the delicacy and danger which must surround any contractual arrangement between a Member of Parliament and a trade union, trade association or any other vested interest. Not all Members of Parliament are necessarily as independent of mind as Mr Brown, nor have all of them contracts which protect them so well if disagreements occur. It is well known that many Members have their income supplemented or their election expenses paid, or both, by organisations for whose interests they undertake to be spokesmen. Do they sometimes temper their tune to suit those who pay them as pipers?

A parliamentary salary of a thousand pounds a year is, of course, a considerable safeguard. But as the time-table of the

House of Commons becomes more and more congested there is less and less time for members to supplement this thousand pounds by part-time work elsewhere, and so a greater and greater temptation to combine representation of their constituencies with other conveniently arranged duties inside the House. Only in glaring cases can the corrective of the Committee of Privileges be brought to bear. For the rest, public opinion both inside and outside Parliament must do this work. It is of vital importance that political integrity should be maintained.

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The Regional Hospital Boards

At the end of last week, the names of the chairmen and other members of the regional hospital boards, set up under the National Health Service Act, were announced. Mr Bevan always made it quite clear that although, as is laid down in the Act, the various interested bodies were to be consulted before any appointments were made, they would not consist of nominees of these bodies. The members of the boards were to be experts, not representatives, and a study of the names of the chairmen and other members shows that this aim has been fulfilled. The chairmen are, in some cases, chairmen of public health committees of local authorities, in others officials of voluntary hospitals, in others high officers of a university. The other members of the boards include many practising doctors—specialists and general practitioners—some Members of Parliament, members of local authority health committees, university officers, nurses and ex-nurses, and persons with no particular qualifications, but with wide experience and ability. The number of members, other than the chairmen, varies between 31, in the Welsh region, and 21, in the north-east metropolitan region.

The composition of the regional boards is in contrast to the usual equal representation with an independent chairman that is characteristic of many public boards and committees today. Whether the members will be able to act as independently as is intended remains to be seen. It is probable, however, in view of the manner of their appointment, directly by the Minister, and the fact that they will only give part-time service, that they will wish to get on with the job as quickly and efficiently as possible. That job is, in the next twelve months, the co-ordination and grouping of hospitals in their regions and the appointment of specialists and other staff to serve them. In exactly a year's time, on the appointed day, the organisation should be so complete that if a comprehensive hospital service is not available for everyone, it is because of physical shortages of building, equipment and staff, not because of a failure of planning.

If they have done their job of planning properly, the regional boards' work, after July 5, 1948, should consist mainly of keeping their services up to the mark. They will continue to make appointments, but the day-to-day running of the hospitals will be the concern of the hospital management committees which the boards will appoint when they have drawn up their plans. Here, too, a study of the composition of the boards bears out another of Mr Bevan's assurances—that the management committees will be given a real job to do. There are so many practising doctors and others with full-time employment on the boards that they will be physically unable to concern themselves with the detailed running of the hospitals. They will have to delegate a great deal to the people on the spot—which is all to the good.

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Waiting in Indonesia

Negotiations between the Dutch and the Indonesian Republicans have dragged on with such endless procrastination and delay that the world finds it hard to remember what they are all about. In Washington, however, there has been a growing impatience at a deadlock which is preventing a resumption of production of commodities very important for world supplies at the present time. The United States is prepared to provide financial aid for the restoration of Indonesian economy, but only after a definite Dutch-Indonesian settlement has been reached and a stable administration set up. Not long ago the American Government was inclined to blame the Dutch for an intransigent colonialism and failure to face the realities of the new situation; more recently, however, Washington opinion has turned in favour of the Dutch, partly, perhaps, because of a growing disillusionment about Asiatic nationalisms, but mainly because the recent Republican Note to the Dutch Commission-General goes back in several respects on the Linggadjati agreement which was supposed to be the starting-

point of the discussions, and this has created the impression that the Republicans are not acting in good faith. The Dutch were so exasperated at the lack of progress that it was rumoured in the last days of June that they were about to renew military operations and make a serious effort to crush the Republic altogether. At this point an American Note was sent both to the Republican Government in Jogjakarta and to the Dutch Acting Governor-General, Dr Van Mook; it urged the Indonesian Republic to "co-operate without delay" in setting up an Interim Federal Government for Indonesia—to cover both the territory of the Republic, consisting of Java and Sumatra, and other parts of Indonesia—and emphasised that Dutch sovereignty would be recognised in accordance with the Linggadjati agreement until the end of 1948.

It seems probable that Dr Sjahrir would long ago have reached agreement with the Dutch but for the pressure of the extremists in Jogjakarta, who have accused him of betraying the national cause every time he has made a concession. As a consequence of this conflict Dr Sjahrir has now thrown in his hand and resigned, and up to the time of writing President Soekarno has not been able to form a new Government. The Republic certainly will not be able to put its relations with the Dutch on a firm basis until it has ministers who can make binding agreements without risk of being repudiated by up-country zealots.

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"Unfinished Business"

On June 30th Unrra came to its official end and the Director-General marked its demise by publishing a statement on its four years' work. This is a modest little document pointing out one or two of the more obvious facts connected with Unrra's operations—the scale of assistance it provided (nearly 3 billion dollars worth of supplies, or three times the value of relief provided after the last war), the proof it offers that "an operating agency depending upon international organisation can function efficiently and effectively," the fact that an immense work of direct assistance and salvage was accomplished, starvation held at bay and disease warded off. As the Director put it: "Although serious need still exists . . . recovery from the devastation of war can proceed from the base created by Unrra."

There will no doubt be some disappointment that Unrra's last report does not include some appreciation of the wider issues raised by this first world-wide experiment in international co-operation, especially since one fact is plain beyond doubt. Unrra's work is "unfinished business." By implication, the Director-General's report admits it. Only if the nations continue to co-operate effectively can the recovery already made be sustained, and there is no sign at all of such a spirit—in Moscow or Washington. Worse, the gains made by Unrra may even be dissipated if instead of further co-operation a complete division both in Europe and the Far East takes its place. Unrra until its ending last week continued almost alone in the international field to straddle the chasm.

The heavy blame borne by the Russians for Europe's growing cleavage is known to all. But for the record, it may here be recalled that it was the United States, exercising its "economic veto," that decreed Unrra's end last December, although every nation voted against the decision, save only Britain. To-day, looking back over the six months that have elapsed since that momentous decision, can it be said that Europe or the world has gained by it? A Marshall Plan which might have found East and West still effectively co-operating within Unrra on the basis of some pooling of resources, an Economic Commission for Europe which might have taken over its international machinery ready made—these possibilities have gone out of the world through the dreamers' Gate of Ivory. The American veto was understandable. Its consequences are disastrous, none the less.

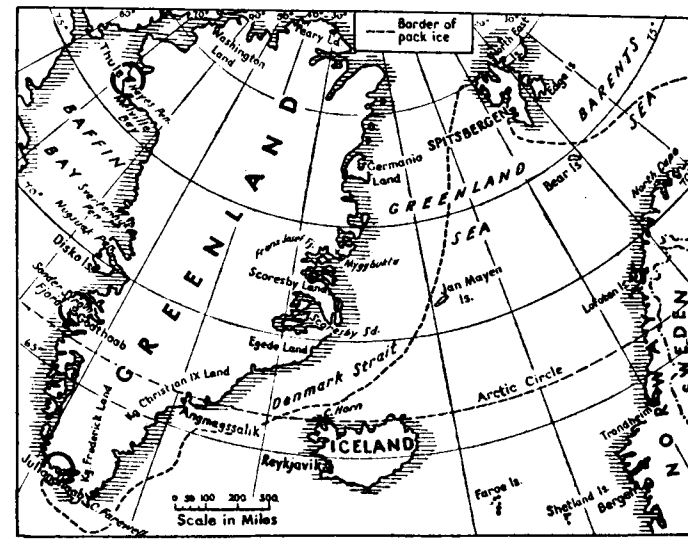
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Greenland, Denmark and the USA

The Danish Government has asked the United States to open negotiations "as soon as possible" for a new agreement on the defence of Greenland. Mr Marshall has replied that he is ready actively to explore at any time the basis of such a new agreement in keeping with the letter and the spirit of the Charter of the United Nations, which would fully take into account Danish sovereignty over Greenland and legitimate United States and hemispheric defence requirements. And the Danish Ambassador in Washington has returned to Copenhagen. There is no need to emphasise the strategic importance of Greenland in the defence of the United States. By the agreement of April, 1941, America actually

extended the Monroe doctrine to the area. Since then the Truman doctrine has been expounded, and at the end of May General Spaatz, justifying defence appropriations, made a remarkable speech on the importance of the Arctic in the air defence of America. The Danes are beginning to ask what the local application to Greenland of some sort of Truman doctrine may entail for them. Under the 1941 agreement the United States may retain troops in Greenland "until it is agreed that the present dangers to the peace and security of the American continent have passed." At first sight this refers obviously to the war, but not necessarily so; and in any case the war has not officially ended in America. Juridically, therefore, the Americans have a sound case for staying in their Greenland bases, of which the main ones are near Julianhaab, near Godthaab, and the recently completed one at Thule. But this has aroused discontent and protest in Denmark.

The Danish Government has, it is true, attempted to re-assert its sovereignty. Early last year a small force of Marines was sent out and, soon afterwards, a separate Greenland naval command was created. But rather unwisely the Danish Government made no comment on public criticism of America,



thereby stimulating that criticism. In the late summer sensational reports from journalists, at last allowed to visit Greenland, confirmed the popular disquiet, which Russian reactions to American negotiations for rights at the largest airfield in Iceland had done nothing to allay. Norwegian concern was also aroused by the Danes' somewhat hesitant and obscure handling of the Greenland question. For, if "legitimate United States defence requirements" justified the establishment of American bases in Greenland, the needs of Russian security, it could similarly be argued, would justify the Russians sharing bases on unfortified Spitzbergen. Norway, however, has firmly refused to establish bases on Spitzbergen as a partner of any country, but only for the use of Uno's forces.

Some such formula could probably be applied by Denmark to America's case in the proposed negotiations on Greenland, but any new agreement concluded is more likely, as suggested by Mr Marshall, to be a compromise conceding all the American claims. Danish sovereignty over Greenland will be recognised. America will get the bases and other facilities, undertaking to make them available to Uno forces as and when necessary. But until then—in spite of an influential body of Danish opinion which considers the position should and will revert to what it was before the war—the bases are likely to remain American.

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Freedom of Association

The main interest at the International Labour Conference now meeting in Geneva centres on a resolution on freedom of association, which the ILO has prepared at the request of the Economic and Social Council. The issue was originally referred to the Council by the World Federation of Trade Unions and was passed on to the ILO, under the terms of the agreement reached between the United Nations and the ILO last December. The scheme is to draw up an international convention on the basis of the resolution for adoption at a later session.

The resolution lays down certain broad principles of industrial organisation. It stipulates that employers and workers shall have the inviolable right to establish their own associations and to develop in complete freedom from outside interference. It provides for the establishment and strengthening of collective bargaining and the creation of voluntary conciliation and arbitration machinery. Much of the resolution will be generally accepted. Indeed it only represents rights and principles which have long been established in Britain and other industrially developed nations, even if in some less advanced countries the rights of association are not so firmly secured. But the approval given in the resolution to the "closed shop" principle, even though it takes a negative rather than a positive form, is certain to be contested. Indeed it is difficult to see why this highly contentious and dubious principle should have been included at all, for it is one on which not even all British trade unionists are agreed. Again, the provision urging the establishment of joint committees to promote welfare and the improvement of productive efficiency, either by agreement, or if necessary by legislation, may seem too specific, in view of the less advanced technical development of some countries. The clause stating that wages and conditions established by collective agreement must be observed by employers, even where they are outside a federated organisation, and not a party to that agreement, admittedly provides a safeguard against under-cutting and exploitation, but it contains certain obvious dangers, and if carried too far, might lead to the "closed shop" for employers as well as workers.

The difficulty, as always with the ILO, lies not so much in securing agreement on the form of a resolution or a convention as in securing its application. An international convention is, after all, a matter of honour, and there is no sanction that can be applied to ensure its observance. The ILO is well aware of this defect in its constitution, and progress with ratification of conventions by Governments, even under constant pressure from the workers' side, has often been disappointingly slow. For some time past it has been concerned with methods of improving its machinery, and in particular developing a system of labour inspection; but, like the conference itself, the speed is leisurely, and no revolutionary improvements can be hoped for. At the lowest, the ILO provides a valuable tripartite forum for the international discussion of labour problems—at the highest, if the principles and policies of the organisation are observed in practice as well as on paper, it can be—and is showing itself to be—an important instrument for the raising of standards and the protection of labour in every country.

Patent Medicines in the Health Service

The object of the Penicillin Bill, which is awaiting the Royal Assent, is sensible. Since self-medication with penicillin might induce resistance towards its therapeutic properties, the Bill provides that it can virtually only be supplied on a doctor's prescription. The same control can be extended by regulation to similar substances such as streptomycin. There was no serious opposition to the principle of the Bill when it passed through Parliament, but there was just enough ineffectual criticism to show what a difficult task a Minister of Health would have if he attempted to control self-medication in general.

Yet self-medication is surely incompatible with a national health service that will claim to provide the best possible treatment, free of charge, for everyone, and will use large sums of public money to do so. It is not surprising, therefore, that another attempt is being made to bring the sale and advertisement of medicines under control. The Pharmaceutical Society recently sent a report to the Minister of Health recommending, among other things, that the duty of securing proper standards for proprietary medicines and their advertisements should be placed by statute on the Minister of Health who should make strict regulations to enforce such standards; that a register of medicines and manufacturers should be kept; and that the sale of unregistered medicines should be prohibited. The Pharmaceutical Society can hardly claim to be entirely disinterested in the matter, for it is in close contact with the Pharmaceutical Union, which represents the commercial interests of pharmacists and resents the sale of patent and proprietary medicines through "other vendors" such as the multiple stores. But it has certainly produced an impressive indictment against the patent medicine advertisements. In spite of the legislation that has been passed since 1914, when a Select Committee reported, many advertisements still contain gross misrepresentation, extravagant claims and appeals to fear, to which should be added, in recent times, the exploitation of chemotherapy, as witness the "bio-chemical" and "oral vaccine" preparations.

Logically, a strong case can be made for the control of the patent medicine trade—Mr Bevan has, in fact, expressed his sympathy with it. In practice, however, it is not so simple. There is a prevalent tendency, in matters of health, for people to refuse to accept medical advice when it does not tell them what they want to know. They refuse to believe that there is no cure for their ailments. Under the present system such people may go to one doctor after another. Under the National Health Service appeals from the doctor of first instance may be difficult if not impossible, and the only recourse will be to the patent medicine trade. If that is abolished, will not some new quackery arise to serve the same purpose? But if it is impossible to stop the trade, it should be possible to place a tighter control on advertisements which only serve to encourage people's belief that they are ill, and that there is a man-made cure for every symptom and disease which flesh is heir to.

* * *

London's Juveniles

The report of the London Regional Advisory Council for Juvenile Employment for the years 1939-46 gives very convincing confirmation of the problems facing the employment of young workers which were discussed in an article in *The Economist* of June 21st. Between 1939 and 1946 the juvenile labour force in London declined by 30 per cent—

1939 408,000 1946 287,000.

Although the definition of what is a juvenile is not quite the same in the report as it was in the article, the drop in numbers is proportionately very much alike, and reflects the very serious fall in the birth-rate in the early nineteen thirties. The same problem is also shown up by the vacancy figures for the two years. Just before the war the total number of unfilled vacancies was 8,000, or approximately 2 per cent of the total juvenile labour force. At the end of 1946 the number of unfilled vacancies had risen to 42,000, or 15 per cent of the total of juvenile labour. Even the latter figure probably understates the position, since recognition of the shortage was by then so widespread that employers were not registering their vacancies or had scaled them down to fit better with the supply position.

Such large alterations in supply compared with demand are giving employers cause for very serious thought. Increases in wages can alter the competitive attractions of different types of work, but they cannot alter the fundamental problems of shortage, which must be solved by increased mechanisations of routine processes and the employment of part-time and over-age workers.

Shorter Notes

The Conservative Central Office have decided to replace their former publication *Onlooker* by a fresh and more attractive monthly magazine, entitled *Tory Challenge*, of which the July issue has now appeared. It is claimed that the magazine is not wholly a party publication, and the contributors for July, besides Lord Woolton and Colonel Water Elliott, include Miss Dorothy Sayers and Mr Collie Knox. Readers of the former publication will, however, be glad to see on reading the new that the essential spirit behind the enterprise has not appreciably changed.

*

The Agricultural Wages Board has decided to raise the weekly minimum wage of farm-workers from £4 to £4 10s. Women's wages will be raised from £3 to £3 8s., and there will be corresponding adjustments in juvenile wages. Thus, after vainly bringing pressure on the farmers for some time for a £4 10s. minimum, the farm-workers have won their case. The Board also decided to raise the standard rent of farm cottages from 3s. to 6s., so as to even out the anomalies of rent variation in different counties. The wage increase was conceded in spite of the opposition of the farmer members of the Board, on the ground that workers in other industries had been granted higher wages. It is true that a case can be made for higher wages in agriculture, in view of its man-power shortage and its importance to the national economy. But the cost is bound to be substantial, and will presumably be passed on to consumers in the shape of higher prices for home-grown food. It also seems inevitable that the granting of a £4 10s. minimum for farm-workers will be followed by demands for higher wages from other industrial workers.

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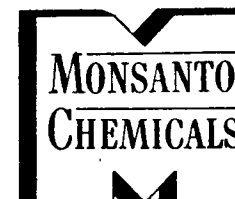
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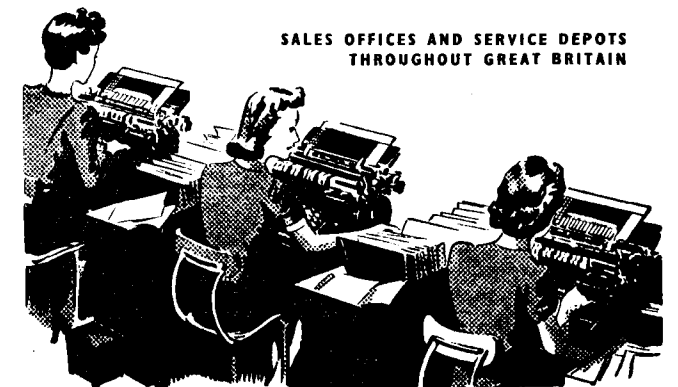
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Letters to the Editor

America's Synthetic Rubber Policy

SIR,—I should like to make a few comments on the Business Note on the above subject which you published on June 28th.

My own point of view is that it is incorrect to ascribe the present American attitude towards synthetic rubber as being based on the desire of the manufacturers. I do not think that any USA manufacturer (and I keep very close contact with America) has any doubts as to what he really wants, namely, freedom of usage as between natural and synthetic rubber. You state in *The Economist* that in these circumstances we might have expected that some of the manufacturers might have organised opposition to the present enforced usage of synthetic rubber. I think that this view of the position is too simple. As you are doubtless aware, the position is far more a political one than an economic one, and in present circumstances no manufacturer wishes to show his hand, which might be a moderate one, too quickly in case a more violent minded competitor may put the case more strongly and press it to a point where complete freedom of usage might be demanded immediately.

This, of course, would be impossible from the American point of view, as the demand for synthetic rubber would decrease to such an extent as to create a world shortage of natural rubber. Therefore, the only solution is to get Order R-1 modified discreetly and in general agreement.

Now, Order R-1 is not a simple document. It contains specifications for usage of natural and synthetic rubber in detail for almost every article manufactured by the industry. The method of restriction is by laying down a percentage of usage of natural rubber. Even if the Order were altered so as to increase the usage of natural rubber, which is at present well under 50 per cent, say, to 66 per cent, there would still be a danger that if the total of usage of rubber falls in the near future (and this is not impossible) the immediate results of the change in the Order might be nil, and with my knowledge of official methods in America I doubt whether the Civilian Production Administration would go so far as to state the total amount of natural rubber that might be consumed monthly. This, of course, would require a complete recasting of the Order, and it is possible that such a recast might not be possible by executive action but might have to be referred to Congress. That would raise the whole problem of synthetic rubber usage and regulation, perhaps at an inconvenient time.

You further suggest that manufacturers might object to further restriction of the uses of permitted rubber while the material (synthetic rubber) is still in its swaddling clothes. I think that this is definitely a misconception. One of the leaders of the industry—I believe it was Mr. Collyer—stated quite definitely that it is the desire of the industry to have synthetic rubber free from Government manufacturing control. Feeling in America is that if the synthetic rubber industry reverts to private hands progress will be much faster and much more convenient, and that it is in the interests of America, both from the security and commercial point of view, to let commercial developments start again at the earliest possible date. All the big manufacturers resent the fact that they have been compelled to pool their knowledge and patents of synthetic rubber, and each one of them in the usual American manner wishes to exploit his technical knowledge and brains to his own advantage and not to the advantage of others.

It is difficult out of these complex circumstances to evaluate the real reasons for present strict control of natural rubber in America, but one thing has been pointed out to me recently by a friend in America: that the recent fall in the price of natural rubber has hit the manufacturing companies' inventory accounts so severely that they are anxious to see the price rise again to a reasonable level. The extent of inventory write-offs has always been one of the difficult problems of American industry.—Yours faithfully, F. D. ASCOLI.

Dunlop Plantations, Limited,
St. James's House, St. James's Street, S.W.1

Mr Dalton's Statement

SIR,—Mr Dalton's statement in the Commons on Monday has provided final proof that the Government's economic policy is not directed towards raising the productivity of our labour by increased mechanisation and modernisation of our industry; nor is it their foreign trade policy to implement this objective by concentrating on the import of capital goods and the export of consumers goods. Instead, they allow the country to run into huge external debts in an endeavour to keep up our present

standards of nutrition to pre-war level and look on at the fast dwindling of our dollar resources waiting, Micawber-like, for something to turn up. They fail to appreciate—or have not the political courage to avow—the simple fact of our economic position: that to be able to regain our old standard of living in the face of the loss of much of our pre-war overseas income we must create new capital resources. That—as every first-year economic student will be able to tell them—"investment," the accumulation of capital resources, presupposes "saving," the foregoing of present consumption so as to expand future consumption. And that we cannot have our cake of a high standard of living in the future if we eat it now.

The Economic White Paper provided for the import in 1947 of 60 million dollars' worth of machinery and equipment, or less than 2½ per cent of the total value of imports. Set against this the planned expenditure of half the total value of the import programme on the purchase of food, and it becomes obvious that the Government's policy is one of living from hand to mouth and of letting the morrow look after itself. It must have been obvious to any thoughtful student that we could not raise our output substantially by exhortation and by a fatuous "work or want" campaign. The only effective policy was—and still is—to cut down our imports of consumers goods to the bare minimum (not the "politically feasible" minimum, but the smallest quantity necessary to keep body and soul together) to increase the import, as well as home production, of capital goods as much as possible and to bring home to the people the fact that if we do not want now, for a strictly limited period of time, we will want in future, and all the work in the world will not help us. Recent experience has demonstrated that the people of this country are capable of heroic sacrifice, but only if the emergency is great and clearly understood.

Let us prove that a deliberate temporary reduction in our standard of living is within the moral power not only of a people ruled by a police State, but can be the result of a free democratic decision of well-informed and determined citizens.—Yours faithfully, M. WALLACH

51, Queen Street, Maidenhead, Berks

Turning Point in Hungary

SIR,—Your correspondent who wrote on Hungary last week was no doubt anxious to prove that Hungary is now completely in the hands of Communists. Many of his facts certainly appear to suggest that. But in matters of this kind it is well to look beyond the suggestion of appearance. He writes that the Communist Party "took almost complete control of the 'frontier guards' (based on the 'frontier troops' of the NKVD in the USSR) . . ." Perhaps it did. It would be much to expect that Communists should now be excluded from the Hungarian armed forces. But the "frontier guards" in question are none other than the old and respectable *Határvédség* battalions which formed part of Admiral Horthy's army. *Határvédség* does mean "frontier guard," or something very near it; but it may be doubted whether Admiral Horthy was moved to base their formation on the doings of the NKVD. This over-straining of evidence scarcely lends weight to your correspondent's views.—Yours faithfully, 16, Lanercost Road, London, S.W. 2 BASIL DAVIDSON

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Books and Publications

An Optimist on Democracy

"The Web of Government." By R. M. MacIver. The Macmillan Company. New York. 498 pages. 21s.

It is not easy to construct a political philosophy that is both stimulating and balanced, but Professor MacIver largely succeeds. He eschews the rather arid heights of traditional political theory, and he will have nothing to do with either the mis-called "idealists" who see in the state the focus and goal of human endeavour or the individualists who would put the state on the level of a joint-stock company. Instead he shows that government—he is rightly concerned with the nature of government as such rather than with that of the national state—is a necessary growth from the needs of family, tribe and community, but that the community is a deeper and different thing from the political entity that it supports.

Two of the most interesting chapters deal with democracy and dictatorship. The author rightly insists, over against those who at the present time think it necessary to assert the opposite, that democracy is not tied to any specific creed, to "any particular doctrine of man's rôle or his destiny." Democracy can endure through great changes of economic, social or religious belief. Its distinguishing mark is said to be that it alone gives constitutional effect and embodiment to the responsibility that the state owes to the community, of which it is no more than the political expression. In all other forms of government this responsibility is explicitly or implicitly denied—sometimes, the author might have added, by means of a false identification of community with state. It is no doubt because of the great difficulties, both human and technical, of establishing this relation of responsibility that democracy is such a tender plant that can grow only under favourable conditions and is "never completely achieved."

The author believes, however, that the increasing prosperity promoted by industrialisation favours democracy although it surely only does this if the rising standards are widely shared. However, economic advancement also brings great dangers to democracy. In the last chapter, it is pointed out how the levers of social control are being progressively removed from the reach of the common man, how a new institutionalisation which extends into every sphere of life—into sport and entertainment, no less than economics—"canalises and specialises functions and relationships formerly conducted as the personal responsibility of man to man." The effect is that the sources of power become more remote and more strong. But Professor MacIver is an optimist—perhaps too strong an optimist, although this is a refreshing contrast from overwrought treatises prophesying doom. Among the factors making for democracy he places first

the increasing assertion—if we look not at the moment but in the perspective of history—by the mass of the people of their right to control their own affairs and to make their leaders responsive to their will.

His analysis of dictatorship is penetrating. He maintains that it is where "the ground is to some extent being prepared for democracy"—where the class structure is challenged, traditions are weakened, yet economic and especially strategic circumstances

are unfavourable—that "the conditions most congenial to dictatorship develop." Yet dictatorship is not a uniform product. There is a world of difference between the Latin-American type of dictatorship, which is pointed out to be superficial and "peculiarly denuded of myth," and the Nazi type where the prefabrication and enforcement of a false emotional faith is essential to the construction of totalitarianism. Professor MacIver maintains that "the Soviet dictatorship is so novel, so distinctive, so revolutionary, that it constitutes a type by itself." Despite some genuine efforts to give it effect, for instance in the field of cultural liberty, the Marxist ideology has not been adequate to the requirement of dictatorship which can be neither "temporary" nor "proletarian." In particular Marxism failed to realise that "Wealth can indeed be socialised—but not power . . . Political power can be controlled only by being made responsible."

The Function of Law

"The Province and Function of Law : Law as Logic, Justice and Social Control." By Julius Stone. Stevens and Sons (1947.) 918 pages. £3 10s.

THE man in the street is apt to think of the law as a body of defined rules administered, rather than interpreted, by a small body of men originally trained in the arts of advocacy and therefore well fitted to sift the true from the false in the cases presented before them. In short, he tends to think of courts as fact-finding instruments only. Parliament makes the laws: the judges do the rest.

Such a view is misleading. In criminal cases, it leaves out of account the fact that only in one crime, that of murder, is the judge compelled to impose a particular sentence, death (even there he has some discretion over a recommendation for mercy). In all other cases, only the maximum penalty is fixed, and the variations in punishment for the crime of manslaughter are an excellent example of how much is left to the trial judge. In civil law, there are many fields in which an equally wide liberty of action is left to the judiciary. One example from a recent case: is a woman whose husband undergoes an operation to make him sterile entitled to a dissolution or annulment of the marriage? Does it make any difference whether the operation was performed before or after marriage? The legislature has not answered those questions. The judiciary must. And in doing so, what considerations must a judge allow into his mind, and what must he exclude? The situation and conduct of the parties? The guidance to be derived from legal principle and precedent? The element of current public morality and public interest?

All these questions can properly be called the province and function of law. All of them, and many others, are discussed by Dr Julius Stone in his book. Dr Stone has some peculiar advantages. He was originally, and still is, an English solicitor, a graduate of Leeds University. In addition he holds degrees from Oxford and Harvard. He has formed a part of the teaching staff of four universities, Leeds, Harvard, Auckland University



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Under Vichy the syndicalist leader, Belin, was given the congenial task of dissolving the trade union movement, and proved with many of his colleagues that treachery is not the prerogative of a class. Then the trade union movement was re-born in the *Maquis*, and French labour provided one of the finest spectacles of courage and devotion in the war. But already they had started to theorise, and Mr Ehrmann leaves them planning the economic federation of Europe in the hills of Savoy. He wonders if French labour, salted with fire, has learned its lesson. Had the publication of this brilliant and carefully documented work, distinguished as much for its insight as for its scholarship, been delayed a few months he could have provided the answer.

An omission may be noted in the bibliography: the Allied Commission Bulletin, which circulated in Italy, and contains the official testimonies to Italian services, was not made available in this country.

July 5, 1847

The principle now avowed by the ministers, and always, we must admit, by the Protectionists, is, that the Government, disregarding the principles of science . . . is to undertake the task of directing the labour and distributing the property of the people. It no longer confines itself to levying taxes and protecting the community; it professes to make the nation prosperous by applying its capital. It undertakes to provide for the proper diffusion of wealth. The English and Scotch have too much, or the merchants and manufacturers have too much, therefore, the Government decides that a part of their wealth must be transferred to Ireland, and applied to making railroads. We know from experience that the Government . . . will not succeed even in its limited object of making Ireland prosperous, but its larger object of promoting the public happiness by the plan of distributing the property of the people, will end, we fear, not merely in disgraceful, but convulsive failure. Already there are persons in the community, neither few nor unimportant, backed by celebrated names, and widely circulated journals, who contend that the Government is bound to secure to the labourer an adequate reward, and who accordingly propose, as a part of the national policy, a law fixing a minimum below which wages are not to be allowed to sink. Already we have not a few persons in the country who describe individuals as particularly meritorious, and insist on the Government giving them pensions, or providing for their wants. . . . These are the two extremes of the principle to which the legislature has now given its solemn sanction; and we see no logical argument which can protect it against the demands of all workmen to be secured in good wages, and all kinds of meritorious individuals to have pensions, since it undertakes to distribute the property of the people.

From the first he was recognised as an astute and tenacious politician. His reputation for efficiency and sure control is so marked that he has been accused of running a "push-button" government. Citizens' organisations which aim to study proposed legislation complain that the Bills which he sponsored this year were not released for public discussion until he was sure that the legislature was ready to pass them, and that they passed almost without debate. So smoothly does his steam-roller run, they say, that even though one of these Bills pro-

Mr Dewey's record of achievement during the five years he has been in office displays a curious fogginess. His technique of being all things to all men, of refusing to alienate any single vote which might be cast for him when he makes his next try for the Presidency, has given his administration so indeterminate a character that normally well-informed citizens confess to difficulty in remembering what stand he has taken on controversial issues or pressing projects. His objectives as set forth in his inaugural address when he began his second term are typical. He aimed, he said, to "show that Government can have both a head and a heart ; that it can be both progressive and solvent ; that it can serve the people without becoming their master." Assorted bogies were thus knocked down. The Governor has not forgotten the Democratic wise-crack of the 1944 campaign: "Don't look now, Mr Dewey, but your record's showing." He has carefully abstained from taking a position on the Labour Bill, for example.

The Governor recently endorsed American assistance for Greece and Turkey, and called for resistance against "ideological aggression" everywhere. He also called for the admission of 100,000 Jews into Palestine at once; he has not recommended increasing their numbers in New York State.

both existing political parties. The argument is that the President's veto was a mere gesture; from labour's point of view the important and tragic fact was his inability to force his own party's Senators to vote to sustain his veto. (Twenty Democrats voted with the Republicans.) This exhibits a short memory. If Labour had gone to the polls last November, the Democrats in Congress would not be swamped by Southern reactionaries as they are today.

It is this unity which is in the balance. Co-operation to fight the Labour Law exists; will it be extended to political action? All the great labour groups are determined to fight the Labour Bill at the polls as well as in the courts, but if they go different ways about it, their efforts may cancel each other out. There are rumours that Mr Lewis is making approaches to Governor Dewey behind the scenes, offering to deliver the AFL vote. Other labour leaders, like Mr Murray of the CIO, are faced with the decision of supporting Mr Truman, or joining those who have with Wallace bled.

A deterring factor will be the patent party-line of many of Mr Wallace's supporters. Another should be the knowledge that a Wallace campaign which drew away votes from Mr Truman would not only ensure a Republican Congress and President, but a Congress, and perhaps a President, several degrees to the right of the present Republican leadership in Washington.

Labour's temptation to cry "A plague on both your houses" is understandable. But the difficulties in the way of getting a third party on to the state electoral rolls are almost insuperable. In some states it is flatly impossible; a party must have polled a certain percentage of the votes cast at the previous election in order to file. In others candidates would have to run colourlessly as unidentified "independents." In others, long and expensive lists of signatures and affidavits are necessary. These political facts of life are known to Mr Wallace, to Mr Green of the AFL, and to Mr Murray of the CIO. Their rumblings may thus be no more than a genteel form of political blackmail calculated to reopen the door which Mr Truman shut so firmly on Mr Wallace nearly a year ago.

Notes on "Bulwinkling"

In future years, the master philologists may foregather to trace the development of the verb "to bulwinkle" as a phrase beloved by journalists in their description of any political manoeuvres designed to frustrate the operations of the Sherman Act. This useful addition to the lusty and tolerant vocabulary of the North American continent could follow easily from the passage of the Reed-Bulwinkle Bill which seeks to exempt the railroads, and all common carriers, from the anti-trust laws. It is by no means the first time that such an attempt has been made, but a Democratic majority in the Senate last year refused to bow to the pressure of interested parties. The Eightieth Congress has shown no similar reluctance, and it looks as though both Houses can command the votes necessary to over-ride a Presidential veto.

The Bill (which has received some impressive support from Federal and state authorities, chambers of commerce, civic organisations, industrial customers, and farm marketing groups), seems to introduce some awkward points concerning the precise status of the Interstate Commerce Commission. The ICC was the first regulatory body established by Congress under the Interstate Commerce Act of 1887, and successive grants of authority governing not only maximum, but also minimum, rail rates have never met with a major judicial challenge. Indeed, when the State of Georgia first moved (in 1945) to challenge the discriminatory rail rates which favoured the East, against the South and the West, the Court majority held that it could not set aside rates approved by the ICC, while a dissenting minority held that no relief could be given without the breakdown of powers specifically delegated by Congress. Shortly afterwards, the ICC itself ordered reductions in rates ruling in the South and West, and increases for Eastern rates, and this decision was upheld by the Supreme Court only a few weeks ago.

Now that it has been prodded, the ICC is apparently determined to go very much further in the campaign against discriminatory rates, and this action may bring eventual abandonment of the suit which is still being pressed by the State of Georgia on the ground that recent adjustments by no means eliminate the discriminatory rate structure. Another problem arises, however, in connection with proceedings now being brought by the Federal government against a number of western railroads for alleged violations of the Sherman anti-Trust Law. Passage of the Reed-Bulwinkle Bill would seem to nullify this suit.

Probably, the dilatory movement of the ICC in the matter of discriminatory freight rates is one of the major charges which can be made by opponents of the Reed-Bulwinkle Bill. Certainly, there does not seem to be solid evidence for some of the extreme claims against the ICC as a rate-fixing authority. But it does seem as though a higher court of appeal might sometimes be necessary, and while the Supreme Court has explicitly denied any power of rate revision, it has sustained, at least in theory, the power "to eliminate collusive practices." Where opponents of the Reed-Bulwinkle Bill find their best debating ground is in the record of earlier exemptions from anti-trust laws. Farm and food marketing co-operatives, exporters' associations, bituminous coal producers, fire and marine insurance companies, have all now secured this exemption. For each body, strong claims can be made for special treatment. But the trend is not without its dangers, and a Republican Congress is sometimes fallible.

Floods in the Corn Belt

The weather, which throughout the war years produced bumper crop after bumper crop, has at last turned hostile. Floods throughout the Middle West are drowning out the corn-lands; on the Mississippi the peak of flood water is the highest in 103 years. Wheat is affected; but it is the maize crop which has been hardest hit. Farmers who have already planted twice this sullen spring feel it is too late to plant a third time; all the chances are that the crop would fall a victim to frost. Prophecies are for a corn crop 25 per cent to 40 per cent below that of last year, the lowest in twenty years. The determined optimism of the Department of Agriculture is belied by all local reports.

Maize makes up only a small part of the export programme. Wheat and flour account for over 13 million long tons, maize for only 1.4 million. But floods in Iowa may even so damp hopes abroad. Wheat is already being used as a substitute for maize in distilling, by government permission. The main effect, however, will be on meat and government food policy. The price of meat is already so high that desperate cities, like New York, are conducting investigations, and buyers are turning away. The stock answer of the trade is that it is the government's buying programme for export which is to blame.

These two consequences will grow in importance. Corn is consumed chiefly on the farm; 90 per cent of it leaves the county in which it was grown only in the form of hogs, poultry, cattle, dairy products, corn sugar and syrup. But with the price of corn hitting a new all-time high day after day, the temptation is for the farmer to sell rather than to turn his corn into meat or milk; and wherever the feed goes, it will produce less than last year at higher prices. Even the farmers' lobby groups are now confessing that price control may be necessary, to the amazement of Senator Taft, whose simple faith in the virtue of the price mechanism is never shaken by events.

Extending Rent Control

Mr Truman, faced with the alternative of letting rent control lapse altogether, has signed as "the lesser evil" the Bill presented by Congress. At the same time, he appealed for an investigation of the real estate lobby's activities in promoting the Bill, and for a programme to encourage home building, slum clearance and low-rent housing. The extension Bill which aroused the President's displeasure does four things: it permits a 15 per cent "voluntary" increase in rents under existing leases; it removes all ceilings on new construction completed since February; it weakens enforcement of rent control by turning it back to the states; and it ends all Federal building priority controls except those over recreational construction.

The first provision, which has received so much unfriendly publicity, seems, on examination, to be the least harmful or unjust. Since December, 1941, there has been a 41 per cent increase in the over-all consumer price index and a 66 per cent increase in the price of food, but rents have risen only by .7 per cent. To some extent landlords are compensated by the fact that to-day they can rent anything remotely habitable; but, even so, a 15 per cent rise, in view of the rise in incomes, does not seem excessive. As it affects 15 million families, half those in the country, it would be an unwise step, politically, for Mr Truman to support. It is this fact and the housing shortage which have kept rent control alive so long after other price controls. The weakening of enforcement seems much more dangerous.

THE WORLD OVERSEAS

Molotov on Marshall

(By a Correspondent)

"BEVIN'S 'No' to Molotov," "Bevin again says 'No,'" "Molotov's words have no effect on Bevin"—these would have been the headlines given to cables from Paris in the Russian press, if it were not that Russian sub-editors do not like headlining their pages in shorthand style. The readers of the Russian press are undoubtedly as puzzled by what happened in Paris as is the Western European public. Only that in the Russian picture Mr Bevin is the utterly incomprehensible *bête noire* whose stubborn malevolence threatens to frustrate the most fruitful conceptions and schemes for economic rehabilitation advanced by his infinitely patient Soviet colleague. In the west Mr Molotov is seen as wasting a unique and potentially epoch-making plan for international economic co-operation. In Russian eyes, Mr Bevin seems now to have pride of place among the saboteurs of Europe's recovery.

There is, however, this difference between the respective journalistic mythologies that have formed around the Marshall offer: that in the Russian version the nobility of Mr Marshall's intentions is far from being taken for granted. In the deliberations of the Politbureau, that must have preceded Mr Molotov's departure for Paris, the term "American gifts" undoubtedly acquired the unpleasant connotation of "Greek gifts." Soviet economists have devoted a lot of attention in recent months to analysing the changes in the economic structure of the United States brought about by the war. The analysis has led them to discover an intensification of most of those trends in American economy which, according to Lenin's classical formulas, make the economic springs of imperialism. The concentration of American capital is stated to have made a gigantic stride forward. The interdependence of banking and industry on the one hand, and of the state and "finance capital" on the other, is seen to have become much closer than ever before. An intensification of these trends is bound, in the Russian view, to weaken the liberal and progressive elements in American capitalism in favour of reaction and imperialism. This is regarded as the "natural law" of development, asserting itself either through or even against all the checks and balances of a constitutional system, in which Marxists have never seen more than a secondary or subordinate factor. American economic policy is believed to be firmly hitched to the chariot of monopolistic capital, now about to invade a war-ravaged and famished Europe.

Trumanism in Disguise?

It is in this context that the Marshall offer has been scrutinised in Moscow. As elsewhere, so in Russia, the question has been asked whether the Truman doctrine has been thrown overboard or whether the Marshall offer has merely been intended to provide the idealistic wrapping for that "doctrine," the undisguised anti-Communism of which did not commend it to a large body of neutral or vacillating European opinion. On purely doctrinal grounds, the Russians are inclined to put the least charitable interpretation on the offer. However, the Kremlin apparently did decide to give Mr Marshall some benefit of the doubt, because of Russia's own economic needs and because of her anxiety not to burden herself with the odium of a straight rejection of the Marshall offer. Mr Molotov's mission in Paris was therefore to test the implications of the offer in so far as that could be done at the present stage.

Mr Molotov has this time taken the bull by the horns. Contrary to his habit, he did not indulge in squabbles on procedure, but attacked directly the basic problem raised by the Marshall offer. He made it clear that he would willingly co-operate in the drafting of a European shopping list to be submitted to the United States; but he also made it clear that such a shopping list could be nothing but a sum of the national shopping lists of the various European countries. In the insistence of his Western colleagues

that the Marshall offer meant that the European countries must first show that they are helping themselves and making the most efficient use of their own resources, before there could be any hope for American credits, the Russians have inevitably found a confirmation of their worst fears. They are in their own way very sincere when they express indignation at such conditions. Does Wall Street—they ask—really expect Russia to show that she is "helping herself" and making the most efficient use of her resources before a billion or two of dollars are loaned to her? Those who doubt—they say—whether Russia is helping herself ought only to cast a glance at the statistics of her devastation and to compare them with the target figures of the current Five Year Plan! Russia is certainly anxious to obtain American credits; and Mr Stalin has swallowed his pride and said so publicly. But what she wants is a purely commercial, good old capitalist loan at such interest as may be required; Russia is not prepared to pay the US creditor what she regards as political usury—to give him the right to pass judgment on the way Russia is using her own resources.

Shortly Mr Stalin will preside over the celebrations of the thirtieth anniversary of the Russian Revolution; and he is not going to mar the occasion by the acceptance of any degree of foreign capitalist control over Russian economy. Even an appeal to the Russian people further to tighten their belts, in view of the refusal of their capitalist allies to help them on acceptable terms, would better harmonise with the spirit of the anniversary than any degree of surrender to foreign pressure. But there may not even be the need for any further tightening of Russian belts, if the very optimistic forecasts of this year's harvest come true, as they are very likely to.

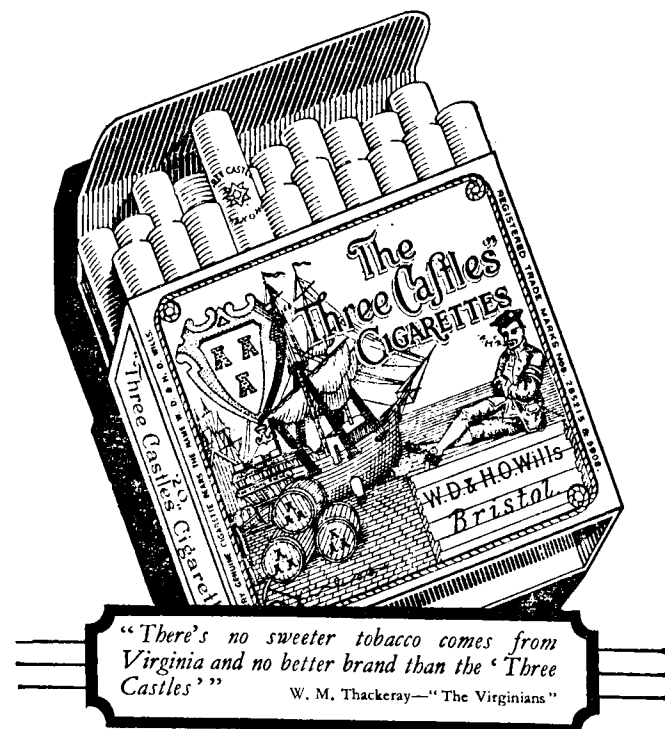
Pretexts for Interference

The talk about a co-ordinated plan of European rehabilitation arouses equal suspicion, for the Russians see in it an attempt at forcing them to scrap their trade arrangements with foreign countries, arrangements which they believe to be essential for their own reconstruction and which they know to have incurred the wrath of the United States. American protests against the alleged exclusiveness of the Russo-Swedish trade agreement are still fresh in the Kremlin's mind. Should they give up the concrete advantages of that agreement in favour of some misty "all-embracing European plan"? Or should they perhaps give up Polish coal and Rumanian oil, on which their recovery in part depends as long as their own coal and oil industries have not been fully rehabilitated? Mr Bevin reproached Mr Molotov with wanting the European nations to ask the United States for a blank cheque. Mr Molotov might have answered, if he has not done so, that Mr Bevin was urging him to give up many concrete, existing advantages in exchange for a blank and still unsigned cheque.

In the Russian view, the United States seems to demand for itself the right to veto the national plans for reconstruction which the various European countries have worked out. Otherwise—so the Russians reason—the talk about a co-ordinated European plan would make no sense. They foresee that the United States would handle its loan policy as a powerful lever to upset the quasi-Socialist planned economies of Eastern Europe. To this Mr Molotov has objected, ostensibly because of his concern for the "national sovereignties" of the smaller states. The "national sovereignties" are, of course, a pretext—Mr Molotov's real concern is over the social structure of Eastern Europe. On the other hand, the Russians take it for granted that the American concern over the integration of European economy is no more than a pretext. They see the Americans defending European capitalism, under cover of internationalist pretexts, and themselves struggling for Socialism under the admittedly faded banners of national sovereignty.

In its desire for trusteeship, Australia also hopes to secure native support in its use of mandated areas like Manus Island as naval bases. So this year Australia is urging nations in the Pacific area to confer on these mutual problems. In August, when British Cabinet Ministers will be in Canberra, this desire will be placed alongside Australia's deep concern about the delay in making a peace settlement with Japan. The Prime Minister has declared that stability in the Pacific and the development of Australia as a strong post in British Commonwealth defence depend on the form of peace concluded with Japan. Mr Chifley also seeks the closest co-operation with USA, but he leads his Cabinet in the unanimous opinion that recent signs of influences within America wishing to dominate world economic and political policy make it essential that the lines of continuous British Commonwealth consultation, approved at the Prime Ministers' Conference in London in 1946, should be developed rapidly in the next five years.

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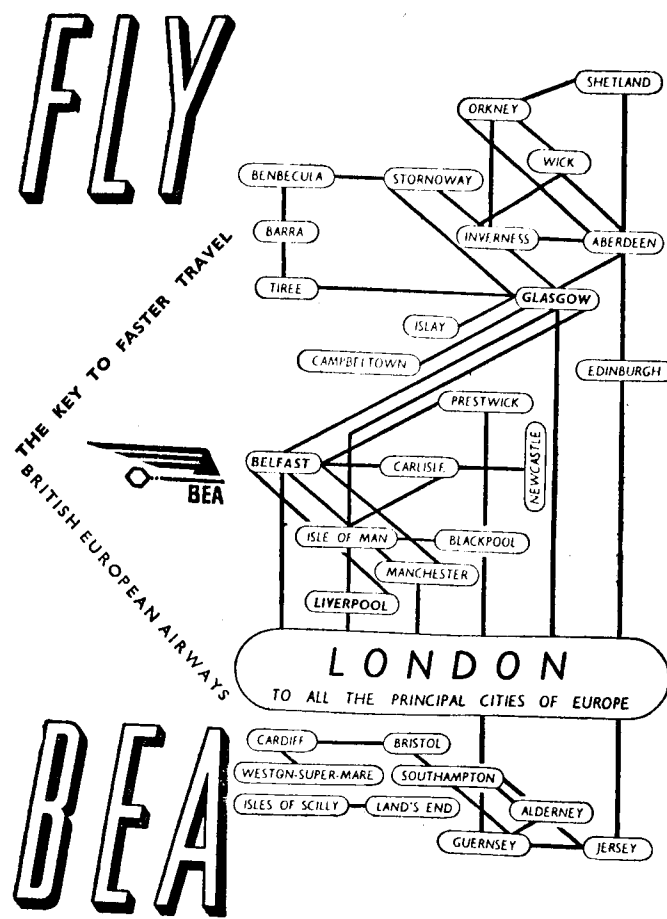


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THE BUSINESS WORLD

Cheap Money Now

THE terms of the new Southern Rhodesian loan—the first gilt-edged issue since the fuel crisis to acknowledge realistically the ruling market level—have naturally drawn public attention to the deterioration which had been proceeding steadily, though fairly unobtrusively, for some six weeks or so. Inevitably, the effect has been to accentuate the weakness—and, on top of that, has come the reaction this week to the failure of the Paris conference. Yet it is doubtful whether, even now, the extent of the transformation in the market has been generally recognised. But if the Stock Exchange has proverbially a short memory, on this matter the memory of the Chancellor seems to have been even shorter. His pronouncements on cheap money policy in recent months have moved in intriguing sequence from qualification to virtual contradiction of the tenets which he so noisily proclaimed last year. In the circumstances, it is hard to say which of the two sets of factors—the veerings and tackings of the official craft, or the strong under-currents in the waters themselves—has the larger responsibility for the altered course of the market.

In 1946 the Chancellor and his policy had assumed so dominant a role that it is important to understand the nature and manner of the change in the official attitude. Outside the relatively narrow circle of mainly professional investors who follow every detail in the invariably complex market evolution, there is still a widespread belief that Mr Dalton, though forced (through the allegedly fortuitous effects of the fuel crisis) to yield his most advanced position, is still as determined as ever to pursue his 1946 objectives. Such an assumption cannot be squared with the facts; yet it is certainly true that the authorities, and the Chancellor especially, remain firmly wedded to cheap money. For this confusion, Mr Dalton himself is largely responsible. He persistently represented last year's controversy as a debate about the relative merits of "dear" and "cheap" money. It was easier to attack hypothetical enemies—those "baleful Bourbons"—than to defend his own policy. But the critics, and especially the financial journalists whom he so belaboured, had never disputed the need for the maintenance of cheap money—in the sense in which the policy was understood in the years 1933 to 1945. The whole dispute was about the wisdom of deliberately engineering a further reduction in interest rates in a period of acute postwar scarcity of capital, when the physical controls which are the only substitute for financial controls were inevitably growing steadily weaker. The difference between the Chancellor and his critics (though he would never admit it) was on the question of forcing the yield basis down from 3 per cent to 2½ per cent, and especially from 2½ per cent towards 2¼ per cent. It was never a plea for "dear" money. It is important to get this matter straight at the outset. Otherwise, a realistic survey now may again be misrepresented; or the less sophisticated of investors, following the Chancellor's line of attack, may get the impression that a fall in Consols to, say, 50 or 60 is being forecast or even advocated.

On this plane of discussion—which concerns itself with the difference between 2½ and 3 per cent—there is no doubt about the change in official tactics. It is a much more significant change than the ostensibly modest difference in interest might seem to imply. Equally, there is no doubt about the objective which Mr Dalton originally set himself. The climax to his

audacity—the issue, at par, of the 2½ per cent "irredeemable" (1975 or after)—was widely regarded as the thrusting-out of a salient which he did not really expect to hold. But the ambition to seize and maintain the position eventually was plainly revealed in the parallel rashly but proudly drawn with the Goschen operation of sixty years before. This Government, declared the Chancellor, could do better than Goschen, who took two years to move by "siege technique" from 3 per cent to 2½ per cent. This time, the Government could "command" 2½ per cent for its irredeemable. The choice of words was as unfortunate as the parallel. This Canute's command was impotent to stop either February's freeze-up or investors' resistance. As for the Goschen parallel, the City pundits were quick to recall that 2½ per cent Consols once stood at under 44, and between the years 1907 to 1933 never topped 90. Now this inauspicious issue, the "Dalton" 2½ per cent irredeemable, stands at only a little over 90—involving for "tap" subscribers a capital loss which wipes out seven years or so of net income even at the standard rate of tax.

Obviously, the abandoned salient now lies far out of reach; but the Chancellor was slow to admit it. Even after the fuel crisis, he was reiterating, in identical terms, the autumn's challenging assertion that the policy would be "resolutely pressed home" by using to the full the accumulated resources of the "departments." But that was precisely what the departments were no longer doing. They left the market to its own devices in the dark days of February and March, and have scarcely bestirred themselves since. By Budget day the official apologia was shifting its ground. The promised defence of the cheaper money policy, by a reasoned reply to the real (as distinct from hypothetical) criticisms, never came. Instead, the Chancellor blamed the press for "organised gloom"—gloom which foresaw the impending loss of exports and dollars, the inevitability of import cuts and the drive for harder work—and "aunted the gilt-edged jobbers for "loss of nerve." But Mr Dalton should know better than anyone else that the gilt-edged jobbers have not for years been the real cushion in the market mechanism. Even before the Daltonian essays in market inflation, the effective cushion was provided by the authorities themselves. Was it they who lost nerve? Or did City prudence and realism at last triumph over political exuberance and ambition? In either case, it is small wonder that by mid-April the emphasis had already begun to shift from future possibilities towards past glories. The launching of the 2½ per cent Treasury Stock was then dubbed a "proud day for patriots"—an ironic truth, if patriotic pride be measured by the sacrifice it has demanded. All who would not lend at 2½ per cent and face these burdens were "too avaricious or too frightened"; but the Chancellor could not believe that any such reluctant Britons existed. He has learnt the sorry truth now.

So, step by step, has policy progressed to its latest recantation—the admission, in mid-May (quoted textually in *The Economist* at the time), that reduction of the floating debt now matters more than reduction in the rate of interest. In short, the critics' case has really been conceded in full. The implication of the new solicitude for the level of floating debt (in flat contrast to the open indifference shown to its rising volume twelve months or so ago) is that interest reductions pursued

RARE

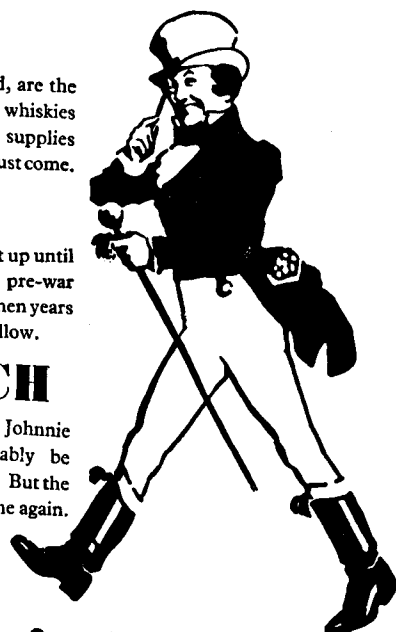
and precious, indeed, are the reserves of fine old whiskies from which present supplies of Johnnie Walker must come.

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since there are no significant trading or financial relations with the countries in question. If, however, they deign to reply to the letters which have been sent to their governments, even these countries may come within formal recognition of the new post-July 15th sterling arrangements.

The problem of payments with Soviet Russia is vastly simplified by the fact that there are no accumulated balances, and that only one account, the Russian Government's, comes into question. Some new financial agreement may ultimately emerge as a sequel to the trade discussions now proceeding in Moscow.

Switzerland, apparently, has no desire to enter into multi-lateral arrangements of any kind. That country is in the happy position of being able to turn away sterling, dollars and even gold. The present strictly bilateral agreement will continue to regulate payments between Switzerland and the sterling area, and Switzerland will no doubt ensure, by the appropriate control of exports and of tourist expenditure within the country, that the sterling it acquires as a result of that agreement is kept within the desired limits.

The agreements with South America are virtually complete, though not published. Details of the Brazilian agreement should be released before long. The arrangements to be made with Uruguay are still under discussion. They are the only ones which are likely to cause any difficulties, but these should not be formidable, given the small size of Uruguay's accumulated sterling balances. In view of the political and economic chaos which obtains in China, it is probably impossible to reach any agreement with that country. This is not to say that trade or payments with China are at a standstill, but the larger part of this flow is being canalised through Hong Kong, where it is handled by means which no stretch of elasticity would allow of inclusion in any negotiated or published agreement.

There remain the arrangements with the sterling area countries. The most important of these, namely those with Egypt and India, should be viewed separately—Egypt because that country is in fact moving out of the sterling area, and India

because there is as yet no political authority with which agreements can be negotiated. The arrangements with the Dominions will probably assume the minimum of formality and are likely to continue the pattern which has worked so successfully for the past eight years. Those arrangements are no more than a gentleman's agreement, by which the Dominions undertake to maintain their external reserves in the form of sterling and Britain undertakes to meet any current payments, whether in the sterling area or to other countries, out of these balances—whether current or accrued. So long as Britain can trust the Dominions to exercise their licensing of imports and to operate their control of exchange with the same reserve, conservatism and realism as have been shown in the past, these arrangements can safely be allowed to continue. If any further protection is needed, verbal agreements for the maintenance of minimum global balances should suffice.

These completely elastic and informal arrangements should avoid the necessity for any blocking or immobilisation of accumulated balances held by the Dominions and Colonies. They will make it possible to deal both with accumulated and currently earned sterling indiscriminately. They should also obviate the need for imposing restrictions upon movements of capital within the sterling area. This retention of the sterling area mechanism is a token of the mutual trust and confidence that exists between the remaining members of that area. So long as they are prepared to operate their import and exchange control policies on broadly parallel lines, the informality and elasticity of these sterling area arrangements can safely be preserved. This particular solution of the problem of convertibility of current sterling has necessarily involved the disappearance from the sterling area of one country, and may yet require the departure of others. It is a price worth paying for the achievement of a solution which is in keeping with the traditional character of British institutions and which follows the lines along which the sterling area has gradually evolved over the past century.

Business Notes

The City and the Cuts

So many warnings have been given of the need for cuts in imports (the statistical possibilities, it may be helpful to recall, were fully analysed in *The Economist* five weeks ago) that this week's announcement certainly did not take the City by surprise—not, at least, in the sense in which it has been registered in some quarters. Within the Square Mile, where many still believe in old-fashioned remedies for old-fashioned maladies, the only surprise was at the Government's timidity. It is well understood—as a later Note, on import prices, more precisely demonstrates—that the prospective economies will hardly suffice to make good that part of the widening external gap which has resulted simply from the worsening of the terms of trade in the past few months. But the news did deepen the gloom which has been settling over the Stock Exchange in the past fortnight or so, and the resultant fall in prices was not confined to the sections conceived to be immediately affected—oil, tobacco, cinema and newspaper shares. In these days, however, the Stock markets rarely seem to meet bad news half-way. Indeed, they have discounted hardly at all the effects of the underlying difficulties of industry, and still retain a surprising faith that other influences will prevent them from forcing their way through to profit and loss accounts and dividends.

It is true that there are influences which will tend to work in this fashion—principally the freedom this year from EPT, the possibility of further inflationary pressure, and the search for alternative "income" investments to replace the disappearing Argentine rails and home nationalisation stocks. This last factor is perhaps the most weighty of the three (the EPT factor is of course highly selective in its incidence), but lately there has been a tendency to exaggerate its effects. It ought to be remembered that these operations will bring no new money into the market unless the Chancellor is willing to create it. The extent

to which he may be prepared to do so is considered, in relation to gilt-edged, in a leading article this week. But if the money to finance the reinvestment purchases is not newly-created money, it must be provided first by selling securities. In the Argentine case, the seller on that assumption would be the Chancellor—to provide himself with funds with which to repay his borrowings from Argentina. In the home nationalisation cases, the sellers will of course be the recipients of the compensation stocks, and the only question is how much of these sales will be absorbed by the authorities. That is not to say that what is bad for gilt-edged may not be good for equities, but the importance of the cheap money factor last year, in lifting the market as a whole, demonstrates the connection between the two—and equities, which stand nearest to industry's difficulties, have troubles of their own. To see the matter in perspective, it ought to be borne in mind that industrial ordinary shares, though they have lost almost 4 per cent in the past fortnight (taking the index of the *Financial Times*), even now stand only 6 per cent below the peak reached on the eve of the fuel crisis.

Exports and Fuel

Meanwhile, it is very plain that the repercussions upon industry of measures to reduce the external deficit will not be confined to the direct impact of the import cuts themselves—even if policy is no more austere than that which emerges from this week's pronouncement. The import cuts are to be combined with new measures to expand exports where the chances of rapid expansion seem good. Hence textiles, of which there is still world-wide shortage, are at once singled out. Yet the Government apparently does not intend that increased reservations of textiles for export shall be provided simply by further sacrifices on the

part of the consumer. To minimise these sacrifices further efforts are to be made to expand production. In textiles, for which the need is so great, the case is perhaps good for giving the consumer the benefit of increased output. But this is not a policy which can be justified beyond the range of really essential goods. Obviously, any additional output which is saleable abroad should be exported unless the needs of the home market are very pressing indeed. It is true that estimates given by Mr Morrison this week suggest that the loss of exports resulting from the fuel crisis may be rather smaller than that implied by Sir Stafford Cripps's figure of £200 million given some weeks ago. But it now appears that the *Economic Survey* estimate of £1,200 million for 1947 was computed on the assumption that the fuel crisis would cost £100 million. Total exports for 1947 are now tentatively estimated at £1,100 million. This is approximately the rate per annum which the flow of exports had reached by the closing months of 1946, and falls £100 million short of the *Economic Survey's* revised estimate for the year as a whole. But if the effect upon the export total may after all be rather smaller than had at first been feared, the short-fall below the target estimates will still be very wide: an aggregate of £1,100 million for 1947 would represent only 110 to 115 per cent of the 1938 volume.

In any case, if the aim of speeding-up textile production to make room for, or replace, increased exports, is more than a pious hope—if, in short, the additional labour required were in sight—it still needs to be emphasised that expansion of one form of priority production may involve important losses elsewhere. To step up textile production further would presumably involve an increased allocation of coal. Does Mr Dalton's statement therefore mean that the additional coal will be made available, and, if so, does this mean that the summer coal budget is already out of date? Are textiles to rank immediately after steel in the scale of coal priorities, and, if so, what will happen to other "priority" consumers? It would be optimistic to suppose that the requisite releases of coal could be provided only at the expense of relatively inessential users.

Latest information does, indeed, make the coal prospect seem even more bleak than before. Recently the one relieving feature seemed to be the promising rate of new recruitment to the mines.

By the end of the first week in June there were 717,000 men on colliery books—an increase of 21,000 over the figure of January, 1946, or a net increase of about 1,000 a week. Now, however, the net increase of manpower is reported to be only running at about 300 a week. Yet to achieve the original manpower target—730,000 by the end of this year—would involve a recruitment of 100,000, allowing for normal wastage, for the year as a whole.

Bonus Tax Concession

So the mountain has laboured and brought forth a mouse. The fruit of that long confinement at Westminster on the night of June 11th is now to be seen in a Government amendment to the bonus issues tax. Where the value of the bonus does not exceed one-twentieth of the amount of value of the consideration received or receivable by the issuing company, it will be treated as if its value were nil—that is to say, it will be exempt from the 10 per cent duty. It is not quite clear whether, if the bonus is greater than one-twentieth, that portion of its value will be ignored. But it certainly is clear that the concession does not extend to "free" bonuses. Amid the major absurdities of this tax, the new concession affords a refreshing glimpse of sanity. But most competent observers question whether it will suffice to meet the practical point which was in view—namely, the justice of relieving companies which need to raise new money from of inevitably paying the tax, because in practice it is impossible to place new securities without affording at least a minor market turn purpose, the tax-free margin now to be allowed leaves little room for manoeuvre, and is likely to be inadequate in many cases, especially where the new issue is large in proportion to the existing capital—which is often true at present. Neither the City nor the Opposition, however, can reasonably complain on this score, for the Government amendment which was withdrawn when the Chancellor proposed to look at the matter again—and the proposer of that amendment was well versed in the ways of the Stock Exchange.

Among other amendments tabled by the Government to meet pledges given at the Committee stage, the most important are two relating to the distributed profits tax. The first will have effect on liquidation of a company; originally it was provided that any distribution then would rank as capital only to the extent of the nominal paid-up capital; now the limit is liberalised to include

premiums received from share issues. The second concession relates to the time after the end of a financial year within which a dividend is permitted to rank as a distribution for that year.

Mr Strachey on Bulk Purchase

The question of bulk purchase has always been highly controversial. A frank and dispassionate discussion has been seldom possible, partly because of political prejudices and partly through the lack of official information. Apparently official circles at long last realise that well-informed debates can do more good than harm, and within the last six weeks some welcome details on bulk purchase and long-term contracts have been given in Parliament. They were reproduced in the *Records and Statistics* Supplements of June 7th and June 28th. But the most enlightening *exposé* was undoubtedly Mr Strachey's speech last Tuesday. Bulk purchase is a legacy of the war, when it formed an integral part of the British procurement system. At the moment, according to the Minister of Food, it is the corner-stone of the general British food policy enabling Britain to secure available supplies in a world of shortages and to distribute them equitably to the public. It is true that food rationing and price stabilisation would at least be made extremely difficult if not impossible were procurement not in the hands of the Government, particularly at a time when currency restrictions enforce certain discrimination as to sources. The method adopted is flexible; it may be between Governments or by private firms acting as the Ministry of Food agents or as intermediate principals working within limits.

But the real burden of Mr Strachey's case rests less upon the advantages of bulk purchase in facilitating controlled distribution at home than upon its value, through the system of long-term contracts, in developing new sources of supply. This particular argument can easily be overdone, but it certainly has force, in present abnormal conditions of shortage, in relation to colonial development and in the rehabilitation of war-disrupted countries. For example, Britain has recently signed a contract with Poland for eggs, sugar, bacon and other foodstuffs; another is expected to be signed shortly with Hungary for eggs, bacon, poultry, lard and vegetable oils; and negotiations are continuing with Yugoslavia. As to new sources of supply, beef is now being obtained from Denmark; meat supplies may be made available for Britain in Mexico; and plans are afoot to re-direct westwards to the United Kingdom at least a part of the flow of foodstuffs from the Danube Basin, which in pre-war days went northwards to Germany.

But valuable though this information is on particular aspects of the problem, too little data are still available to permit of objective and fully considered judgment upon the Government's trading policy as a whole. It is true that many of the arguments both for and against bulk purchase cannot be quantitatively assessed. But even those details which could permit quantitative assessment of particular aspects are still withheld from the public. The greatest need, if a reliable judgment is to be formed, is for disclosure of comprehensive trading accounts—even though actual contract prices may still have to be kept secret—and, more important still, for a complete statement of the principles upon which prices are fixed.

Egyptian Sterling Accounts

The new financial arrangements arising from the agreement with Egypt discussed in a preceding article require considerable changes in the operation of Egyptian sterling accounts. The first move was the issue of a Treasury Order (SR. & O, 1947, No. 1,355) blocking Egyptian assets in Britain and preventing any disposal of them except with Treasury permission. This order was issued at the request of the Egyptian authorities in order to immobilise the sterling assets of their nationals—a move which the Egyptian Government could not make with the powers at present at its disposal. At the close of business on July 12th there will be a stock-taking of the sterling assets of each Egyptian bank and each office in Egypt of any other bank. Three types of Egyptian accounts will then be created. No. 1 accounts will hold sterling which is freely expendable. Some of these, to be specifically agreed between the British and Egyptian Governments, will be designated "Egyptian Transferable Accounts." The others will be known as Egyptian accounts. The former will have all the attributes of transferable accounts; the latter will represent freely available sterling for making payments to residents in the sterling area or for transfers to transferable Egyptian accounts. These

No. 1 accounts will be credited with the proceeds of current exports, with the £8,000,000 release of accumulated balances for the second half of 1947, with the £12 million special "working capital" release and with an amount, estimated at about £14 million, equal to the Egyptian confirmed credits in London. The remainder will be credited to No. 2 accounts, which will be immobilised save for transfers as between such accounts and agreed investment transactions. No stipulation has been made regarding the interest paid on No. 2 accounts, but a verbal agreement provides for the maintenance of approximately the rate now being paid on these immobilised assets. Detailed instructions about the operation of the various accounts have been issued to banks by the Bank of England.

Electricity Bill Recommitted

The Electricity Bill is now through the Commons. Following the report stage, discussed in last week's issue, the Bill was recommitted in the House to include several last-minute Government amendments. The issues were points of substance, but do not vitally affect the structure of the Bill. The main amendments are a proposal to pay an additional £5 million to local authorities as compensation for severance, and a recognition in the Bill of the special circumstances of "composite companies." The Government has not been moved, as was hardly to be expected at this late stage, to modify the harsh principles upon which compensation to local authorities for acquisition of their electricity undertakings has been fixed. But a new clause has been added to compensate them for the loss of the contribution which their undertakings made—in effect, in relief of local rates—towards central establishment charges, on the principle of a spreading of overheads. A global sum of £5 million has been fixed to be dispensed among local authorities concerned—preferably by an agreed formula. This sum represents severance costs of £1 million a year for five years, after which it is assumed that local authorities will have readjusted their administrations sufficiently to remove any necessity for further compensation. It would appear that the local authorities have agreed that the basic annual loss due to severance lies between half a million and one million pounds, but object to the Government's five-year limit to the compensation. Obviously, the duration of losses due to severance is bound to vary considerably from one local authority to another, and there are grounds for allowing an appeal against compensation assessment—if not, indeed, for adopting the principle of arbitration which is allowed in other forms of compensation under the Bill—but the Government was uncompromising in committee last week in sticking to the tidy, but blunt, device of a global sum. There are now specific provisions for compensation for "composite companies." Compensation will be paid to the company in British Electricity Stock in the same way as to holders of securities in electricity undertakings.

The Electricity Bill has enjoyed a careful scrutiny in the Commons, free from the time-limit of the guillotine. It goes to the Lords in more considered form than either the Transport or the Town and Country Planning Bills. To that extent its passage through the Upper House will be smoothed. But in any case the Government is unlikely to accept any modifications on questions of compensation which are the Bill's outstanding weaknesses.

Quarter's Revenue Surplus

The revenue returns for the first quarter of the financial year show a quite unseasonable surplus—with only one exception, it is the first quarterly surplus since pre-war days. It is also a substantial surplus—on paper. "Ordinary" revenue showed a much larger expansion than might have been expected from the Budget estimates: these contemplated an increase for the full year, compared with 1946-47, of £110 million, but in fact the quarter's increase is no less than £211 million. On the other hand, ordinary expenditure, which in the full year was expected to decline by £729 million, has dropped by £182 million. Hence an "ordinary" deficit of £273 million in the first quarter of 1946-47 now gives place to an ordinary surplus of £220.2 million.

The Chancellor, if he follows the line he took in the Finance Bill debates, will no doubt make great play with this achievement. But it does in fact give little ground for rejoicing. It is true that one of the normal big revenue producers has been particularly buoyant; Customs during the quarter have risen by £60 million, more than half the increase expected for the full year. But even this is a rather dreary reflection of the increase in imports (by comparison with last year) which Britain can no longer afford, and of the high prices which have had to be paid.

For the rest, the surplus is mainly attributable to wholly abnormal items of revenue. For the full year, the Chancellor counted upon credits totalling no less than £420 million from sales of surplus war stores, surpluses on trading services and miscellaneous receipts; yet of this total no less than £193 million has been brought into the first quarter of the year, in contrast with a mere £10 million from the comparable sources in the first quarter of 1946-47. The first two items—receipts from sales of surpluses and profits on governmental trading—may perhaps be regarded as "genuine" sources of finance (in the sense that they withdraw money from the pockets of the public) to the extent to which they arise in the current period; but the speed with which these totals have mounted suggests that, to date, the finance arises mainly from transfers to the Exchequer of balances accumulated during 1946-47. The third item (£143.6 million) consists almost entirely of purely nominal receipts from the "clawing back" of unspent votes by means of which the Chancellor expects to engineer his eventual Budget surplus.

If the first two items are regarded as "genuine" finance, the true ordinary surplus for the quarter amounts to £76.6 million. But this surplus has, of course, to be set against the outgoings "below the line." Including only EPT refunds, advances to local authorities, war damage payments, post-war credits and advances to the civil contingencies fund, the below-line items require £80.8 million and thus wholly absorb the current ordinary surplus. In addition, £18.7 million was required for repayment of small savings (3 per cent Defence Bonds) on maturity.

Import Prices Still Rising

The rise in import prices, which has played so large a part in the widening of the adverse visible balance, is accelerating. The Board of Trade index number for May showed an increase of 7 points, or 3 per cent on the month, compared with a five-point rise in April and one of 3 points in March. The main increase occurred in raw materials, the index for which rose by 5½ per cent. This large upward movement was general among the commodities, although particularly marked increases occurred in wool, hides and wood pulp. Manufactured articles rose by 4 per cent, mainly in consequence of the higher prices of non-ferrous metals, but the food, drink and tobacco category showed a much more modest rise amounting to 1 per cent. Since the beginning of the year, import prices have risen by 7½ per cent, whereas within the last 12 months the increase has amounted to 20 per cent. The Board of Trade monthly index numbers (1938 = 100) for both import and export prices are given in the following table:—

	February	March	April	May
Imports:—				
Food, drink, tobacco	225	226	229	232
Raw materials	242	246	254	268
Manufactures	210	216	223	232
Total	226	229	234	241
Exports:—				
Food, drink, tobacco	212	217	216	217
Raw materials	218	218	218	222
Manufactures	215	220	221	226
Metal goods	194	199	200	204
Textiles	287	294	297	301
Others	206	210	214	218
Total	215	220	221	225

Export prices in May increased by 2 per cent compared with April, which represents a slight acceleration of the average rate of advance (of 1½ per cent per month) of the previous four months. The main rise occurred in the manufactures group—metal goods and miscellaneous manufactures were 2 per cent higher than a month ago. Textile prices, which rose by a little more than 1 per cent, were about three times their 1938 level. Prices of food, drink, tobacco and raw materials, which had been more or less stable over the past three months, also participated in the general rise.

The terms of trade, therefore, are still moving against Britain. Not only have import prices risen further since 1938 than export prices, but their current rate of increase is faster. This disparity means that the import programme and the export target drawn up in the first months of this year no longer stand in any realistic relationship. The significance of this rise in import costs is graphically shown by reflecting that the price-rise of the past five months alone probably represents an annual burden equal to three and perhaps four times the savings which may result from the import cuts announced this week; of that additional burden, perhaps two-thirds may be offset by the higher prices from exports.



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Unfortunately, there is little chance that the price disparity can be narrowed from the export side. If the sellers' export market is ending, export prices are unlikely to rise substantially, so that hopes must be pinned to a reduction in world prices of foodstuffs and raw materials, if the general standard of living in Britain is not to be reduced *pari passu* with an increase in import prices.

Free Gold Markets

The prices quoted for gold in the free markets of India and the Middle East have not yet shown the expected rise following the International Monetary Fund's initiative to stop the flow of metal to these markets through official sources. In Bombay the quotation for gold, which had risen to Rs. 116 per tola on June 21st, has since declined to Rs. 113½. This, however, may be due to a more immediate factor than the likelihood of an ultimate drying up of certain sources of supply. It is more likely to be the result of the surprising calm with which the preliminaries to Indian partition are being completed and to the consequently improved prospects for political stability—always a bear point for the precious metals in the East. There has as yet been little noticeable reaction to the IMF letter from the members to which that communication was addressed. It is, however, already apparent that Mexico's activities in this sphere are about to be seriously curtailed and shipments of gold coins from that country have ceased. Ethiopia's sales of domestic gold to Egypt and the Middle East are also likely to encounter greater obstacles, not so much as a result of compliance with the request of the IMF as because Egypt and the other countries that have hitherto provided the main market for this metal will henceforth operate much stricter control of exchanges than in the past. There has been some discussion of the effect which the IMF request may have on purely domestic gold operations. The New York market, where there are dealings in free gold at a premium of \$5 to \$6 over the official price of \$35 per ounce, has interpreted the IMF note as condemning all dealings in gold at prices higher than the official quotation and is reported to be considering a self-imposed rule banning such operations. In London, where there are still non-residents' holdings, the view which generally prevails is that these can be sold at a premium provided the transaction does not move across the exchanges and, therefore, does not establish a depreciated rate for sterling.

World Bank's Bond Issue

The International Bank for Reconstruction and Development is now planning its first issue in the American market. It has filed with the Securities Exchange Commission the documents required for an issue of bonds totalling \$250 million. The amount to be raised by this first operation will, therefore, exactly reimburse the bank for its initial loan operation, that to France. The bond issue will comprise two securities: ten-year bonds, maturing on July 15, 1957, which will bear interest at 2½ per cent, and 25-year bonds, maturing on July 15, 1972, which will bear interest at 3 per cent. The bonds will be offered through security dealers throughout the United States. The marketing organisation will be handled by the bank's New York office, which will thus make its first bow to the public. The terms on which the bonds are being issued confirm the most optimistic anticipations. The indications are that the bonds will in the first instance appeal primarily to institutional investors, though the persistent publicity campaign which has been conducted by the Bank to introduce itself and its securities to the American public should bring in some private subscriptions. The recent response to the Dutch and Norwegian issues, however, indicates that the appetite for foreign issues—and the bank's bonds must in some respects be regarded as such—has still to be revived in the United States. The average American investor still thinks with Mr Randolph Burgess that "he took an awful shellacking on foreign loans after World War I" and that he is not going to get caught in that way again.

US Wool Policy and the Empire

The interest that the southern Dominions have been taking in the progress of the Wool Bill through the United States' House of Representatives is understandable when it is realised what an important part wool plays in the export trade of Australia, South Africa and New Zealand—but particularly Australia. The proposed new tariff on foreign wool entering America even

threatened to wreck the international trade talks at Geneva. Mr Truman's veto of the Bill, although expected, has therefore brought some relief to the rather tense atmosphere which has existed. And the Senate has now passed a revised price bill, which provides support for domestic wool prices through Government purchases while omitting any reference to an increase in the tariff. The American problem is one of record wool consumption comprising mainly foreign wools, while the domestic clip is purchased by the Government and stored for lack of buyers. If, therefore, 1947 repeats 1946's history, America will become an important operator in the world wool market.

An interesting paradox, however, has arisen in the case of Australia. While it desires a firm wool market and therefore on that ground alone naturally welcomed the vetoing of the Robertson Wool Bill, some consternation has been caused about the possible repercussions of the recent precipitous rise in wool prices upon Australia's policy of internal stabilisation. It is apparently becoming more and more difficult to isolate the internal economy from rising export prices. Where the techniques of monetary and fiscal controls are not highly developed, or are already pursued to the limits of what is politically or administratively practicable, overseas balances which are too large may seem almost as embarrassing as those which are too small. To what extent South Africa and New Zealand would agree to a restraint upon wool prices is not known, but at least they have not the same anxiety about stabilisation schemes as Australia. It is probable therefore that they would be more agreeable to the continuance of a rising wool market. If this difference of outlook within the Empire is more real than apparent, it will no doubt be reflected in the outcome of the present discussions, and the next season's policy, of the Joint Organisation—the Commonwealth body entrusted with the disposal of the Empire's surplus wool stock.

Bank Advances Analysed

The latest of the quarterly analyses of distribution of bank advances had been awaited with particular interest for the indication it might afford of the sources of the record demands for bank accommodation in recent months. Clearing bank advances rose during the three months to last May by £85.7 million, to the new high level of £1090.5 million. During the same period the total of the classified figures, which embrace all members of the British Bankers' Association, but exclude advances made outside Great Britain, rose by only £67.1 million—an increase which was in fact only a little greater than that for the preceding quarter (during which, it now appears, the more comprehensive figure was abnormally swollen either by clearing bank advances outside Great Britain or by some large transactions by "outside" banks). As a guide to future trends, the classified figures are not in fact very revealing. The large movements shown by the clearing banks in recent months were largely due to the operations of two banks only: it now appears that there was also a concentration upon particular categories of business. Of the quarter's aggregate rise, one half was attributable to retail trade (with an increase of £10 million) and food, drink and tobacco (an increase of £22.7 million). Advances to the retail trade, indeed, have expanded in the past 12 months by 45 per cent and now account for no less than 9 per cent (compared with 7.3 per cent) of the aggregate—they are the largest single group apart from the omnibus "personal and professional" category. In the expansion over the year the improvement in overall supplies and the reopening of businesses are evidently the principal influences, but the growth during the past quarter is presumably mainly a reflection of the rising price level. The expansion in food, drink and tobacco has been even more spectacular, the increase in 12 months being no less than 60 per cent, raising the proportion of the total from 6.3 per cent (it was no more than 5.8 per cent in August last) to 8 per cent. There seems little doubt that an important factor here has been the changes in the scale and method of tobacco financing. As usual, the personal and professional group absorbed a substantial volume of finance, rising by nearly £19 million, and thus maintaining its proportion to the whole at 28.7 per cent.

Of the quarter's increase, therefore, only £15 million represents advances to the twenty-two other categories. Hence there is little sign in the figures of the effects of the fuel crisis. Advances for coal mining have again declined—but only fractionally—and now account for a mere 0.8 per cent of the total. Rather more noteworthy, in view of nationalisation uncertainties, is the decline in the iron and steel group by £1.8 million to £12.9 million; it now represents only 1.2 per cent of the total compared with 1.8 per cent last year. On the other hand, agricultural, engineering,

cotton, wool, other textiles, leather, rubber and chemicals, all show modest increases. An interesting indication of the potential effects upon the banks of a return from governmental to private methods of finance is afforded by the movements in the wool group. Changes here have been relatively slight in recent months, but the total now, at £10.2 million, is a good deal more than double what it was in February, 1946.

Spinning Machinery Register

Just a year ago the Cotton Industry Working Party submitted its report. Its first recommendation was that a survey should be undertaken of the industry's plant and its suitability for modernisation. At the request of the President of the Board of Trade, the Cotton Board examined, as a first step, the spinning sections of the industry, and the results are published this week. The report is in three sections: a survey of cotton spinning machinery in operation as at October, 1945; a study of the comparative effects of different forms of re-equipment as set out by the British Cotton Industry Research Association; and, finally, a statement by Textile Machinery Makers, Ltd., of their capacity under present conditions to undertake the manufacture of new machinery and to carry out renovations to old equipment.

The first part of the survey is a register of existing machinery. Much of the statistical material is of a highly technical nature, but the table reproduced below gives an overall picture of the present state of re-equipment.

CONDITION OF MACHINERY IN THE SPINNING INDUSTRY

Type of Machine	Total No. of Machines	% of total machines acquired in:		% of total machines reconditioned in:	
		1940-46	1935-39	1940-46	1935-39
Lap endst	2,277	...	...	45.3	15.3
Carding engines	56,407	...	...	34.6	18.5
Combers	9,537	1.8	3.8	75.9	14.5
Draw frames	12,059	2	2	41.8	16.3
Shubbing frames	3,966	5	3	45.6	19.1
Intermediate frames	1,763	5	4	41.9	17.2
Roving frames	14,367	1	1	38.3	16.3
Jack frames	5,279	...	...	41.2	20.1
Single passage speed frames	225	15.4	3.8	65.9	5.1
Wet mule pairs	4,077	...	...	44.9	19.7
Twist mule pairs	5,508½	...	...	37.6	22.3
Ring frames	25,966	3.8	4.4	37.2	15.4

N.B.—There are a number of footnotes in the original table modifying slightly some of these figures, but they have been omitted owing to shortage of space. Their inclusion would not significantly alter the general picture.

† New machinery included among re-conditioned.

The analysis shows—as indeed was to be expected—that in hardly any instance has there been any extensive investment in new plant in the last twelve years, and that much of the reconditioning was done before 1935. But the table does make plain that considerable renovations were made in the period 1940-46—a fact not widely appreciated outside the spinning industry. Unfortunately, it is not possible to discover from the published information just how important, from the point of view of productive efficiency, these reconditioning programmes may have been. Reconditioning might mean virtually building a new machine, or it might mean only minor changes.

Section two of the survey analyses the effects of different kinds of re-equipment in terms of yarn quality, labour-saving effects of machinery changes and machine cost. The general conclusions to be drawn from the tables is that the most valuable savings in labour costs at current prices of machinery are to be found in short processing (especially in the coarser counts of cotton) which involves introducing a high-draft spinning system. These broad principles were already widely recognised in the industry. The value of the report lies in the detailed analysis of potential economies for each type of machine in the spinning process.

The last section endorses the conclusion drawn in the second section, that the issues of reconditioning versus installing new machines must be judged on the merit of each case, with the proviso that reconditioning worn-out machines should be discouraged. Attention is also drawn to the adverse effects on textile machinery production of cluttering up the workshops with too many machines awaiting renovation.

This survey is factual. General questions of policy are outside its purview. It fits into place as a companion volume to the Evershed report on the textile machinery industry. (An interim report from this source was discussed in these columns four weeks ago.) The main value of the Cotton Board's report lies in the

background it provides for the preparation of re-grouping schemes under the Government's offer to advance 25 per cent of the cost of re-equipment to units of not less than about 500,000 spindles.

Stanhope Steamship Case

The mere fact of the refusal of a quotation by the Stock Exchange—i.e., of permission to deal—is not in itself a matter which would call for comment, even though such action is happily rare. But a case in which there appears to be an acute conflict of opinion between the Council and one of the most reputable and experienced firms of brokers in the house deserves to be put on record. The trouble arises over an offer by the Stanhope Steamship Company, a concern, incorporated in 1934, which in the decade to September 30th last earned £572,246, before income tax, and distributed £67,592. Of these sums, £250,167 was earned and £12,000 paid in the last of the ten years. At the end of the period the company had a capital of £60,000 and net assets of £916,736. Fixed assets alone were taken in at £1,783,007 but were valued independently at over £3,000,000. Since the date of the accounts there has been a series of operations, including the sale of one ship to the chairman, Mr J. A. Billmeir, and a cash distribution to the old shareholders of £100,000 out of capital profits. The net result is a slight increase in fixed assets and a minor addition to the bank overdraft, raising it to £692,857. For the purpose of raising fresh capital, the old £1 ordinary have been split into 1,200,000 1s. ordinary and an additional 400,000 of such shares were offered to the public at 22s. 6d. per share as well as an equal number of ½ per cent cumulative redeemable preference shares of £1 each at 21s. 6d.

Two points are worth making: a larger part of the excess of net assets over issued capital appears to be due to capital appreciation, and of the gross yield of the new issue (£880,000), almost 4 per cent is absorbed by expenses of the issue and a further 78.7 per cent in repaying the bank overdraft, leaving only £152,000 odd to be added to working capital. Contracts have been concluded under which Mr Billmeir is engaged for 15 years as managing director at a salary of £5,000, exclusive of fees as chairman and expenses, and by which J. A. Billmeir & Co., of which the chairman owns the issued share capital, are appointed as managers of the company for an equal period on terms the money value of which is not specified but which are related to the tonnages and gross earnings of the ships.

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Paper shortage also makes it impossible to supply sample copies. For a limited time, however, subscribers to *Records and Statistics* will be allowed, if they wish, to cancel any unexpired portion of a subscription.

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On the basis of this prospectus, the issuing broker succeeded in securing support for the issue from only one of the four or five jobbers in the shipping market. The Stock Exchange regulations call for the support of two jobbers, but the Council can waive this requirement if it thinks fit. In the event, the issuing broker was asked to state a case and did so, but without satisfying the authorities, and the quotation was refused on the eve of the opening of the lists. The brokers deferred proceeding to allotment for three working days, thus giving applicants an opportunity to withdraw, which was the proper action to take in the circumstances. (Under the new Companies Bill no allotment may be made if a quotation is refused.) The sub-underwriters are, however, called upon to bear the burden, for their contract did not contain the "escape clause" which commonly acquits them of responsibility if no quotation is granted. The allotment has been made, but there is no information as to its details. The issuing broker has until Monday next to appeal, but at the time of writing no appeal has been officially lodged.

The issue is of great importance for this firm's reputation, and every effort will be made to secure a compromise arrangement; but it is not easy to see on what grounds the Council can reverse its decision, unless indeed the issuing broker can produce important evidence which was not available before. It is rather surprising that a firm of this experience did not see the possibility of a refusal; had that been foreseen, it would presumably have withdrawn earlier. The Council has gone to great lengths in pursuance of its self-assumed duty of protecting the investor, and, while this is not a matter on which the vote of the market should be the deciding factor, it is clear that it has the support of the majority of the jobbers in its present decision. Whether, however, it is desirable that the Council should go to such lengths and in effect pronounce upon the intrinsic merits of a particular project—this, presumably, is what its decision in this case amounts to—is a difficult and very debatable question.

* * *

Fuel Savings and Working Hours

It is satisfactory, and a tribute to the patient efforts at conciliation of the Ministry of Labour, that, after long months of negotiation, full agreement has been reached between the engin-

earing employers and trade unions on the terms and conditions for staggered hours to reduce the electricity load this winter. Both sides have had to make concessions. The unions have agreed to give up their five-day week and work on Saturday mornings at normal rates, where this is necessary to make up a full working week of 44 hours. The employers on their side have agreed to pay night rates for night shifts, in spite of the increase in costs which any considerable transfer to night working must entail. Both sides have agreed to compromise on the question of overtime rates for abnormal daytime hours.

A memorandum accompanying the agreement emphasises the need for local flexibility and points out that detailed arrangements for shedding the load must be determined in each region in the light of the local availability of power. It also stresses that the arrangements should be regarded as of a temporary emergency character and should not represent a permanent system of working. The suggestion, originally put forward in the Ministry of Labour's sub-committee on electricity, that, wherever possible, factories should be grouped on an area basis, so as to spread the load more evenly, is approved.

This agreement, which affects some 2½ million workers in a key industry, should be a stimulus to other industries to speed up their negotiations and overcome any obstacles which may have hitherto retarded agreement. The urgent call of the TUC's General Council to the Government to secure the adoption of measures to spread the load should have the same effect—incidentally, it is interesting to note that, having originally opposed night-shift working, the TUC has now come round to the view that some transfer of the load of heavy power using plant will be necessary if a breakdown is to be avoided. The national target, as indicated in the Electricity Sub-committee report, is to ensure that the peak load carried during the corresponding period last winter. The effects of the crisis of last February and March would have been very much less severe had industry been able to adjust its working arrangements sufficiently rapidly to meet the situation. If a new crisis is to be avoided next winter, it is essential that schemes should be agreed during the summer months, in such a form that they could be put into operation at very short notice.

Meanwhile the wider aspects of fuel saving in industry have been surveyed by the Parliamentary and Scientific Committee in a report issued last week. The committee estimates that if the present utilisation efficiency of fuel—the efficiency factor now is 30 per cent—could be increased by one-tenth, the saving would be sufficient to provide an annual coal output this year of 220 million tons. It points out that during the crisis the total saving of coal as a result of the cuts was only 2 million tons; yet the consequential dislocation may have cost an export loss of some £200 million. The committee's estimate that output in 1947 is unlikely to exceed 195 million tons is pessimistic—although on current trends pessimism would seem to be justified—leaving a gap of 15 million tons between output and the estimated annual consumption of 210 million tons.

Few of the points raised in the report are new, although the authoritative character of the sub-committee which prepared it must carry weight. It recommends, for instance, that coal allocations to industry should be on a system of priorities and on a basis which provides an incentive to fuel saving. It makes certain recommendations for domestic saving and urges some restrictions or rationing scheme for the sale of new electric fires and electric appliances. Oil conversion schemes should be speeded up, as should research into methods of combating the effects of frost, ice and snow on the transport system. The report is an interim one, and is mainly concerned to set out the urgent needs and difficulties. The fuller and more technical report now being prepared on the scientific aspects of coal utilisation will be awaited with interest.

* * *

Hudson's Bay Outlook

There are signs that the Hudson's Bay Company, in common with other trading concerns operating in relatively prosperous countries, is facing the possibility of a new turning point in its affairs. The report for the year to January 31st last shows a fall in all the main sources of revenue separately stated in the accounts. In the general trading account the decline is more than offset by a halving of the tax provision (now £670,000), and the net profit is slightly higher on the year at £161,539. This covers the dividend, increased from 7 per cent to 8 per cent—a new high level for many years—with a margin of some £50,000. In the Land Account, revenue is down from £308,849 to £257,731, but the statutory provision for capital reserve is reduced from £94,740 to £70,926, leaving the net figure a little lower. The dividend is maintained at 5 per cent tax free and the carry forward reserved for a contingent liability which will not materialise. As a source of large-scale revenue, the Land Account cannot have many more years of life. Although sales last year dropped by one-third in amount they nonetheless absorbed one-fifth of the company's unsold land. Further, there was a drop in price which is likely to be accentuated should farming prosperity decline or alternative means of spending income increase.

It appears that virtually all sources of general trading revenue enjoyed a record year—except for the fur trade. This suffered so heavy a fall in values towards the close of the period that the resultant writing down of stock-in-trade caused a loss, after many years of good results. Some further fall in prices is likely, but it is expected that trading results will be satisfactory and the experience of the current year to date supports this view. As to the other sections of the business the Governor, Sir Patrick Ashley Cooper, states:

While customers' high spending continues, the pace of return to normal buying and selling is quickening, and we may expect that free competition will again prove effective.

Already, on a larger turnover, the retail stores suffered a fall both in profit margins and in net earnings. It remains to be seen whether the company has been able to consolidate the improved position it was attempting to build up before the war, but it is at least probable that Canada will suffer to some degree if there is a substantial recession in the United States.

The accounts still lack consolidated figures, although there is a half-promise of a consolidated balance sheet for the current year. The statutory statement for last year shows an increase of some £237,500 in interests in subsidiaries and a rather larger decline in net current assets, but a much larger proportion of the total of some £4,733,000 is represented by merchandise and debtors. Dollar assets are converted at the old rate of 4.866 dollars to the pound, thus understating the sterling value, and there is in addition, the right to a refund of Canadian EPT, estimated at £577,000, of which the first payment is not due until next year and for which no credit has been taken in the accounts. The outlook is evidently uncertain and this is reflected in a sharp fall in the value of the 20s. ordinary shares from a recent peak of 106s. 3d. to 87s. At that price the yield on last year's dividend is the comparatively handsome one of £2 14s. per cent tax free, but the 5 per cent tax free from land is bound to decline and the power of the trading account to make the loss good has yet to be proved.

* * *

World Tea Supplies

The output of tea in India reached a record level in 1946, when some 585 million lb. were produced compared with 452 million lb. in 1938, although the acreage planted was similar. In Ceylon, tea production was also well above the pre-war level, and reached 280 million lb. last year. But the development has not been steady; the acreage planted declined continuously from 559,000 acres in 1936 to 549,800 acres in 1942 and thereafter remained approximately at that figure. This reduction occurred in both estates and smallholdings, but the latter acreage has on the whole been more stable since 1938. There is, unfortunately, no official information about production in the Netherlands East Indies, but no sizeable exports of tea are expected until next year. In 1938 estates and native production in that country

Abridged Particulars.

SILVER LINE LIMITED

(Incorporated under the Companies Acts, 1908 to 1917.)

SHARE CAPITAL

Authorised:	Issued or to be issued:
£1,000,000 in 4½ per cent. Cumulative Preference Shares of £1 each	£1,000,000
£2,000,000 in 4,000,000 Ordinary Shares of 10s. each	£1,250,000
£3,000,000	£2,250,000

LOAN CAPITAL (Authorised and Issued)

£800,000 4½ per cent. Guaranteed Second Debenture Stock. Repayment at par on 1st October, 1949, has already been provided for by the deposit of £609,262 2½ per cent. National War Bonds, 1949-51.

The Subscription Lists will open on Thursday, 10th July, for an

ISSUE OF

1,000,000 4½ per cent. Cumulative Preference Shares of £1 each at 21s. per Share
and
500,000 Ordinary Shares of 10s. each at 17s. per Share.

The prospectus shows (inter alia) that:—

- The Company and its wholly owned subsidiary, Kerr-Silver Lines (Canada), Limited, are engaged in world-wide deep-sea liner trades. The Company's ships carry dry cargo, bulk oils and refrigerated cargoes and have limited passenger accommodation. Alone or jointly with Dutch and Norwegian shipping companies, the Company operates regular high-speed schedules on round-the-world and other services, both eastbound and westbound, linking the United States and Canada with China, the Philippine Islands, Netherlands East Indies, Singapore, Malaya, Ceylon, Burma, India, the Persian Gulf, the Red Sea, the Mediterranean, and South and East Africa.
- The Company's business is of national importance in that it earns substantial freights payable in dollars.
- At the present date the Companies own ten ships. After allowing for new ships to be built under a long-term tonnage replacement programme and for the sale of one vessel, the combined fleet will, by 1950, number 17 diesel engine or oil fired ships with a total deadweight tonnage of 173,282.
- For the year ended 31st December, 1946, profits were £223,684, after charging all operating, maintenance and management costs and depreciation. The Directors calculate that profits for the current year on the same basis should be not less than £250,000 (excluding any profits of the subsidiary company) and that in future years this figure should be exceeded.
- A profit of £250,000 covers the Preference dividend, requiring £45,000 per annum, 5½ times and leaves a balance available for reserves and dividends equal to 16.4 per cent. on the nominal amount of issued Ordinary Capital. In respect of 1946 an Ordinary dividend of 8 per cent. was paid.
- The Company's taxation position is such that no liability for Income or Profits Tax on trading profits should arise for several years. Losses for Income Tax purposes available for carry forward (unrestricted as to time) are estimated to amount to approximately £900,000.

Full prospectuses, on the terms of which alone applications will be considered, and application forms will be obtainable after 3 p.m. on Monday, from:—
BANKERS: NATIONAL PROVINCIAL BANK LIMITED, 15, Bishopsgate, London, E.C.2, and Branches.
BROKERS: J. & A. SCRIMGEOUR, 3, Lothbury, London, E.C.2; and The Stock Exchange, London.
REGISTERED OFFICE OF THE COMPANY:
Palmerston House, 51, Bishopsgate, London, E.C.2, and from

THE CHARTERHOUSE FINANCE CORPORATION LIMITED, 6, Old Jewry, London, E.C.2.

SECURITY PRICES AND YIELDS

A fuller list containing 370 securities appears weekly in the *Records and Statistics Supplement*. Notes on the following company reports also appear in the Supplement: Courtalds; Venezuelan Oil Concessions; Union Castle Steamship; Boots Pure Drug.

Prices, Jan. 1-July 2 1947		Name of Security	Price, June 25, 1947	Price, July 2, 1947	Net Yield,* July 2, 1947	Gross Yield,* July 2, 1947	Prices, Jan. 1-July 2 1947		Last Two Dividends			Name of Security	Price, June 25, 1947	Price, July 2, 1947	Yield, July 2, 1947
High	Low						High	Low	(a)	(b)	(c)				
Other Securities															
		Conversion 3% March 1, 1944-53.....	102½	102½	...	1	8	1	101			Australia 3½% 1965-69.....	109½	108½	2 14 0
		War Bonds 2½% August 1, 1944-51.....	102½	101½	0 11 11	1 13	4	122-	120-	40 c	50 c	Birmingham 2½% 1966-71.....	101	100	2 10 0
		Exchequer Bonds 1½% Feb. 15, 1950.....	100½	100½	0 11 8	1 9	8	191½	118½	5 a	25 b	Argentina 3½% 1972.....	101	101½	3 8 9
		War Bonds 2½% March 1, 1952-54.....	103½	102½	0 14 2	1 18	5	80-	60-	10 c	15 c	Anglo-American Corp. 10s.....	125½	126½	3 19 2
		War Bonds 2½% March 1, 1952-54.....	103½	102½	0 18 0	2 1 11	42	3	76	25 c	40 c	Anglo-Iranian Oil Co. 10s.....	191½	189½	3 3 6
		War Bonds 2½% March 1, 1952-54.....	103½	103½	0 17 1	2 1 8	95	44	39	7 a	7 b	Assoc. Port. Cem. Ord. Stk. 10s.....	75½	74½	4 0 6
		Funding 2½% June 15, 1952-57.....	104½	104½	0 17 1	2 1 8	95	44	39	7 a	7 b	Austin Motor 'A' Ord. Stk. 5s.....	41½	41½	4 15 6
		National Def. 3% Oct. 15, 1954-58.....	106	105½	0 18 0	2 1 8	95	44	39	7 a	7 b	Barclays Bank Ord. 'B' 10s.....	88½	87½	3 4 4
		War Loan 3% Oct. 15, 1955-59.....	106	105½	0 17 1	2 1 8	95	44	39	7 a	7 b	Bass Ratcliff Ord. 10s.....	211½	207½	2 8 0
		Savings Bonds 3% Aug. 15, 1955-65.....	105½	101½	0 17 1	2 1 8	95	44	39	7 a	7 b	British Oxygen Ord. 10s.....	114½	108½	3 13 7
		Funding 2½% April 15, 1956-61.....	105½	101½	0 17 11	2 1 11	53½	41½	3 a	7 b	8 c	Courtalds Ord. 10s.....	51½	51½	2 19 0
		Funding 3% April 15, 1959-69.....	117½	116½	0 17 11	2 1 11	53½	41½	3 a	7 b	8 c	Dorman Long Ord. 10s.....	25½	25½	6 4 3
		Funding 4% May 1, 1960-90.....	105½	104½	0 16 8	2 13 11	49½	40½	7½ c	10 c	15 c	Dunlop Rubber Ord. 10s.....	79½	77½	3 17 5
		Savings Bonds 3% Sept. 1, 1960-70.....	100½	99½	0 18 0	2 10 10	57½	47½	10 c	8 c	15 c	Imp. Chem. Ind. Ord. Stk. 10s.....	52½	50½	3 18 10
		Savings Bonds 2½% May 1, 1964-67.....	119½	118½	0 18 0	2 13 7	77½	62½	10 c	12½ c	15 c	Lancs. Cotton Ord. Stk. 10s.....	46½	44½	4 10 2
		Victory Bonds 4% Sept. 1, 1920-76.....	106½	105½	0 17 6	1 11	36½	33½	2½ a	5 a	20 b	Lever & Unilever Ord. 10s.....	55½	52½	1 18 1
		Savings Bonds 3% Aug. 15, 1965-75.....	105½	105½	0 19 11	2 1 11	64½	47½	10 c	12½ c	15 c	London Brick Ord. Stk. 10s.....	65½	63½	3 18 5
		War Loan 3½% (after Dec. 1, 1952).....	112½	111½	0 19 11	2 1 11	64½	47½	10 c	12½ c	15 c	L.M.S. 4% 1st Pref. Stk. 10s.....	79½	79½	5 1 3
		Consols 4% (after Feb. 1, 1957).....	111½	110½	0 18 11	2 1 10	39	35	169-58	174½ c	174½ c	N. Eastn. Elec. Ord. Stk. 10s.....	34½	34½	4 2 4
		Conversion 3½% (after Apr. 1, 1961).....	92½	91½	0 10 2	2 15 0	33½	34½	52½	12½ c	12½ c	P. Chin. J. Son Ord. Stk. 10s.....	64½	63½	3 19 4
		Treas. Stk. 3½% (after Apr. 1, 1975).....	104½	103½	0 19 1	2 16 0	108½	91½	12½ a	15 b	15 b	Prudential 'A' 10s.....	38½	38½	1 19 2½
		Treas. Stk. 3% (after Apr. 3, 1966).....	109½	108½	0 19 1	2 13 7	147½	118½	12½ a	15 b	15 b	Stewarts & Lloyds Def. 10s.....	54½	53½	4 13 0
		Redemp. Stk. 3% Oct. 1, 1986-96.....	92½	91½	0 10 2	2 14 10	96½	81½	8½ b	15 a	15 a	'Shell' Transp. Ord. Stk. 10s.....	107½	102½	1 9 5½
		Consols 2½%.....	92½	91½	0 10 2	2 14 10	96½	81½	8½ b	15 a	15 a	Tube Invest. Ord. Stk. 10s.....	140½	135½	3 14 1
												Turner & Newall Ord. Stk. 10s.....	91½	90½	2 15 3
												Woolworth (F. W.) Ord. 5s.....	101½	100½	3 10 0

* To earliest redemption, except for flat yield and assumed average life 17 years 6 months.
Net yields after allowing for tax at 30%.

(a) Interim. (b) Final. (c) Whole year. (d) Int. paid half-yearly. (e) Also a capital bonus of 2½ per cent. free of income tax; yield worked on 15 per cent. basis. (f) Fifteen months to March 31, 1947 (yield basis 7.6 per cent). † Free of Tax.

amounted to 178 million lb., and this quantity has been almost made good by the expansion of output in India and Ceylon. Moreover, production in East Africa has increased from a pre-war total of 23 million lb. to approximately 30 million lb. in 1946—a significant expansion, no doubt, to the producing countries, but its contribution to the total world import consumption of about 900 million lb. is negligible. There are no details available for Japanese production, which before the war had increased to 127 million lb. in 1939, while estimates for China indicate an annual output of about 600 million lb.

An assessment of world consumption trends is difficult owing to the absence of data. The United Kingdom, which before the war accounted for about half of the world's total, absorbed only 380 million lb. in 1946, according to the calculations of the International Tea Committee, compared with 432,000 million lb. in 1938—a reduction of about 12 per cent. Actual consumption declined by only 10 per cent, the difference being made up by an off-take from stocks. It would seem likely that if the tea output of both India and Ceylon is maintained at present levels, world requirements will be amply filled once the Netherlands East Indies' supply again becomes available. Nevertheless, if the present policies of full employment are pursued in consuming countries, the total level of consumption will probably be above the pre-war figures.

* * *

Dock Labour Decasualisation

A delegate meeting of dockers last Friday agreed unanimously to accept the Ministry of Labour's scheme for the permanent decasualisation of dock labour. The final scheme has been slightly modified, to the advantage of the men, and under it the dock worker will receive a guaranteed weekly wage of £4 8s., instead of the £4 7s. 6d. proposed by the Hetherington Committee. Thus, for the first time in history, the docker will enjoy security of income. As Mr Arthur Deakin, secretary of the Transport and General Workers' Union, commented at the end of the meeting: "This agreement marks the end of casual employment in dockland and the end of a fifty-year fight." Now that the dockers have gained this important objective, it is to be hoped that the rank and file, as well as their leaders and delegates, will make real efforts to preserve industrial peace in this difficult industry. Perhaps a test case will be provided in the Clydeside dockers' reaction to the report of the Ministry of Labour's committee of enquiry into the size of the labour force at the Port of Glasgow. This committee was set up after the seven weeks' strike of Glasgow dockers over the dismissal of 500 redundant workers, which had brought spasmodic sympathetic action from London dockers. The committee rejects the union's thesis that a labour force of 3,600 men is needed on the basis of a 44-hour week, and considers that a total of 2,900 is sufficient. The employers had suggested 2,850, in view of the extension of mechanical handling and the decline in traffic at the port. The present number on the register is 3,400.

There can be no doubt that the committee's figure is adequate—possibly more than adequate—to man the port. The tonnage of 3.5 million tons handled in the eleven months ended May 31st is about half that for the year ending June 30, 1941, when the registration scheme was first introduced. It would be entirely uneconomic, and might endanger the whole national scheme, if the port were allowed to carry a large surplus. Yet, if 500 dockers are declared redundant, in view of the recent trouble and the existence of unemployment on Clydeside, there may well be a fresh outbreak of unrest among the men.

Shorter Notes

Maximum prices for newsprint, paper and paper-board are to be increased from July 7th owing to higher costs of woodpulp and other paper-making materials. Maximum prices of home-produced newsprint will be raised by £7 2s. 6d. a ton.

*

Immediate cuts in cigarette allocations to retailers are being made by the Imperial Tobacco Company. Two of the largest branches, making Players and Wills, have had to make precautionary reductions in quotas to customers owing to the uncertainty of future supplies of leaf tobacco arising from the dollar shortage.

*

Netherlands Indies prospective total tin output for 1947 has been estimated at 21,000 tons, and is expected to increase to 37,000 tons in 1948 and 43,000 tons in 1949.

What do YOU know about the 'other' films?

A survey on British films was recently carried out by Research Services Ltd. among top-ranking professional and business people. (Some idea of the type of person approached will be gained from the fact that the principal papers read by them are: *The Times*, *The Observer*, *The Economist*, *The New Statesman and Nation*, *The Spectator* and *Tribune*.) The answers given suggest that many people are lacking accurate information. For instance, 75% of informants were unaware that the Rank Organisation makes NON-FEATURE films.

Among the classes of non-feature films regularly produced by the Rank Organisation are:

EDUCATIONAL More and more teachers are using these films to supplement traditional methods.

* * *

INSTRUCTIONAL Films to aid recruitment to industry. Films to train factory workers and to demonstrate industrial sales technique. Training films for the Services, and films specially commissioned by Government Departments.

* * *

CHILDREN'S Fifty-two entertainment films are being specially made this year for showing in the Children's Cinema Clubs.

* * *

DOCUMENTARY Including 'This Modern Age,' a forthright monthly commentary, a picture of our times seen through British eyes. Subjects already covered include 'Homes for All,' 'Palestine' and 'The Coal Crisis'.

* * *

NEWS The best of screen reporting in Gaumont-British and Universal Newsreels, and (for showing overseas) in World Wide News.

J. ARTHUR RANK ORGANISATION LIMITED

COMPANY MEETINGS

SOUTH-EASTERN GAS CORPORATION, LIMITED

A YEAR OF CONTINUED PROGRESS

The fifteenth ordinary general meeting of the South-Eastern Gas Corporation, Limited, was held, on the 3rd instant, at Gas Industry House, 1, Grosvenor Place, S.W.

Mr A. E. Sylvester, F.C.A., the chairman, who presided, said:—

Since the accounts were printed, the directors have learned with very great regret of the death of Major Julian Day, who had been ill for a long time. He played a leading part in the formation of this corporation, and in the movement to co-ordinate gas undertakings by means of holding companies, and the board will greatly miss his wide knowledge and sound judgment.

The following is the statement by the chairman, circulated with the report and accounts:—

I must first of all refer to the great loss we have sustained by the death in April of our colleague and friend Mr Thomas Hardie. He had spent his life in the service of the gas industry, and had been a director of this corporation for ten years.

Mr Henry Woodall, who became a director of the corporation in 1933, resigned from the board at the end of last year. Mr Woodall has an exceptionally wide knowledge and experience of the gas industry, and I wish to pay a tribute to the valuable contribution he made to the development of the corporation.

During the year the board invited Major the Hon. Gwilym Lloyd George, P.C., M.P., to become a director, and this appointment will be submitted for your confirmation.

The year 1946 was one of continued progress, and the total output of gas for our operating companies was 13 per cent. more than in 1945 and 43 per cent. above the pre-war figure.

INCREASED REVENUE

The revenue account shows an increase of £15,000 in the dividends and interest received on investments. During the war the income of the corporation was substantially reduced because most of the companies were supplying areas on the south-east coast were unable to pay dividends. All but one of those companies were able to resume dividends in 1946, the one exception being the Broadstairs Company. This company incurred exceptionally heavy losses during the war, and the profits earned since have not yet been sufficient to write off the deficit so accumulated.

Even if the profits are available, it is not always possible for our operating companies to return to the rates of dividend they were paying before the war. Dividends are limited by reference to the price charged to consumers for gas in comparison with a standard price. In order that stockholders should not be prejudiced by or benefit from increases or decreases in cost beyond the company's control, provision was made under this system for the standard price to be varied, but, in spite of greatly increased costs, it has not been possible in recent years to obtain the necessary Government sanction for any variation. During last year we decided to take advantage of the Gas (Maximum and Standard Prices) Order and General Direction, 1942, which permits certain of the increases in costs to be taken into account in calculating the dividend payable, but even where this order is applicable the

rate of dividend must still be limited to 1 per cent. below the average rate paid for the three years before the war.

ASCOT COMPANY'S DIVIDEND

The present accounts include a dividend on the ordinary stock of the Ascot District Gas and Electricity Company only for the first half-year. The whole of this joint undertaking appears to be subject to acquisition under the terms of the Electricity Bill, and it has been decided to defer the declaration of a dividend for the December half-year until the position is clarified.

Other income is up by £24,000. The increase in the quantity of goods obtained through the central purchasing organisation resulted in a greater revenue from commissions, and more was received in interest on the increased amount of loans outstanding.

On the debit side, general expenses are up by £9,000, and there are increased charges for interest and income-tax. As the result of the year's working, there is a profit of £141,285 to be carried to the appropriation account, compared with £121,216 in the previous year.

DIVIDEND RESTORED TO 6 PER CENT.

Taking in the balance of profit brought forward, there is a sum of £234,228 available for distribution. The directors have paid the usual dividends on the preference stock and an interim dividend of 1½ per cent. on the ordinary stock. We are now recommending a final ordinary dividend of 4½ per cent., less tax, thus restoring the dividend to the rate of 6 per cent. which was regularly paid from 1933 to 1939. After payment of this the sum of £102,515 will remain to be carried forward, compared with £92,943 brought in.

The corporation has continued to advance money to subsidiary companies to finance development, and the loans to subsidiaries at March 31, 1947, amounted to £768,478, an increase of £500,000 on the figure for the previous year. At March 31, 1947, the temporary borrowings of the corporation amounted to £801,356, in addition to which there was the sum of £474,293 on deposit from subsidiary companies.

Since the close of the year British Government securities, shown as an asset at their cost of £271,000 have been sold, and the sum of £280,000 realised by their sale has been applied to reduce these borrowings. I have dealt thus briefly with the accounts, since they are so largely self-explanatory, and would now like to offer a few observations on the general circumstances in which we are operating.

GROUP ORGANISATION

As you are well aware, the intention of the Government is to nationalise the gas industry within the lifetime of the present Parliament. The policy of the directors remains the same as I outlined to you last year and we are continuing, within the limits of our powers, to maintain the orderly development of the business. But for the restrictions imposed by war time, which have in the main continued and seem likely still to continue, our aim would have been to effect an integration of our various interests by actual amalgamations of companies, which because of geographical position and character of business would benefit from such a procedure. For various

reasons, however, such a course seems hardly practical at this time. The need for action, however, remains, and we are thus forced on to a second-best method—namely, to operate the companies in groups so as to obtain the maximum benefit of co-ordination short of actual amalgamation.

We have formed four groups, namely: Uxbridge group, consisting of Ascot, Chertsey, Slough, Uxbridge, Windsor.

North London group, consisting of Hornsey, Lea Bridge, North Middlesex,

Maidstone group, consisting of Gravesend, Lewes, Maidstone, Mid-Kent, Rochester, Sheppy, Sittingbourne, Tunbridge Wells.

Coastal group, consisting of Broadstairs, Deal, Dover, East Kent, Folkestone, Hastings, Herne Bay, Whitstable.

Periodical meetings of each group are held, at which the directors meet the managers of the companies. In order to simplify the planning of meetings and to regularise the proceedings, it has been arranged that all directors of the corporation should be directors also of each operating company. Thus the group meetings can fulfil their twofold function of a board meeting and what might be called a district departmental meeting. To avoid any misunderstanding, however, I should explain that directors of the corporation draw fees only from the corporation and are not entitled to any separate fees from the operating companies. These, as you can see from the published accounts, are all paid to the corporation.

IMPORTANCE OF CAREFUL PLANNING

The general pattern of nationalisation (as seen in coal and electricity) is not one which I, personally, find reassuring. The danger of very large organisations is that, unless they are carefully planned, remote control takes place of the personal touch. Assuming the need for a large organisation, the problem is how to ensure that the operational units may function with the greatest efficiency, using the word broadly and including the maintenance and improvement of human relationships. This, in my opinion, is only possible when the distinction between the laying down of policy and the business of carrying it out is clearly understood and effected in the scheme of organisation. Full operational authority should be given at as low a stage in the plan as practicable and only policy matters (with, necessarily, some power over major appointments) put into the hands of regional and national authorities. Neither of these bodies should intervene in details of operation, but should confine themselves to such matters as can only be effectively judged on a regional or national level, as the case may be.

It follows from this that, to my mind, the appointments to boards at these levels of experts with executive functions is unsound; each board should act collectively and should obtain its data and local opinions from the working units. Their staffs should be comparatively small and engaged principally in the collection of necessary facts and figures.

I fear you may think this all very elementary and obvious. It is indeed, but can we really feel that these simple principles are being considered in the vast schemes that are being so hastily thrown together?

However soundly a scheme of organisation is planned, it cannot work successfully unless the right people are put into the right jobs. We are fortunate in the corporation and its subsidiaries in having a splendid team, and a good spirit runs through the entire organisation. The qualities of courage and endurance which were shown over and over again in the war are still there, and I am sure the shareholders would wish to join with the board in expressing our thanks and good wishes to all our employees.

The report and accounts were adopted.

GOODLASS WALL AND LEAD INDUSTRIES, LIMITED

IMPROVED TRADING RESULTS

MR CLIVE COOKSON'S REVIEW

The sixteenth annual general meeting of Goodlass Wall and Lead Industries, Limited, was held in London on the 2nd instant, Mr Clive Cookson, the chairman, presiding.

The following is an extract from his statement circulated with the report and accounts for the year 1946:—

In spite of the statement which I made last year as to the nature of our business, I notice that some sections of the press appear still to be under the impression that we are solely a paint-making company. This is far from the case. Although paint manufacture is a prosperous and important section of our undertaking, it has for a long time been our policy to spread our activities over a wide field of industry. The fact is that paint making, as such, constitutes less than a third of our whole business whatever criterion is used.

The improved trading results are derived from all departments of our business and they reflect the favourable conditions brought about by the eager demand for all our products and the willing efforts of our management and workers. Without doubt also the effect of rising prices has operated for many products other than our main raw materials, producing a general buoyancy of income. The results of this favourable background are not the less welcome, but it is wise, when circumstances have conspired to help us, to give due weight to the fact.

We have also certainly derived increasing benefit from the improvements in plant and processes which we have carried out over a long period and which are producing a cumulative effect in economy of working. This policy and the depreciation which has been applied to our fixed assets have resulted in balance-sheet valuations much below real values even when present inflated costs are ignored.

DEMAND EXCEEDS PRODUCTION

This time last year I indicated that our activities would be determined by the amount of raw materials available, and this has proved to be correct. On all sides of our business, in common with most other manufacturing businesses, the demand has far exceeded our production with available raw materials, and the problem has been the allocation of our output in accordance with the requirements of Government Departments on the lines most advantageous to the national interest.

There is an acute world shortage of lead, no new deposits of any magnitude having been discovered in recent years, and this may continue for some time. The present high price will possibly bring forward supplies which otherwise would not emerge, but it may well be that on the longer view, lead, compared with the other non-ferrous metals, will be relatively higher in price than in the past. The shortage of lead in primary form was, to some extent, made good for the time being by an increase in the volume of secondary materials available, partly as a result of the aftermath of war. Having had the foresight during past years to build up an up-to-date and flexible smelting and refining organisation, we are able to play an important part in bringing these secondary materials forward for general use in metallic form. The benefit of this capacity has been felt not only by us but by other lead consumers and by the nation as a whole.

INCREASE IN PAINT TURNOVER

The turnover on the paint side of our business showed a gratifying increase; great

efforts by our Liverpool staff to expand production, which was so severely cut down by the loss of our main factory, have contributed powerfully, but all our paint companies have done well and this has brought about a very satisfactory improvement in the trading results. It is a pleasure to report that most of our well-known specialities are again obtainable though in quantities much smaller than our customers would wish. Most raw materials were in short supply, particularly linseed oil and, unfortunately, this position still continues. Good progress has been made with the erection of the new paint factory at Speke, to which I referred last year. All of the foreign paint subsidiaries showed excellent results.

FACTORY RECONDITIONING

During the year we have pressed on against increasing delays and difficulties with our programme of factory reconditioning and extension. Our programme is a large one and it is already evident that it will unavoidably take longer than we hoped. Further improvements have been devised and the cost of existing plans has been constantly rising. Our E.P.T. post-war refund will be available for these purposes but we have not taken credit for this in the 1946 accounts. We are also very much increasing our investment in the Titanium Industry. For these reasons and also because of the exceptional nature of part of this year's profit we are again devoting only a very moderate share of the amount available for distribution in the form of dividends. Our ratio of the amount distributed in dividends to the net profit has been as follows in recent years: 1943, 64 per cent.; 1944, 54 per cent.; 1945, 57 per cent. and 1946, if the proposals of the Board are approved, 47 per cent. As will be seen from the accounts, if the Board's recommendations are accepted all classes of shareholders will receive a total of £168,603 net after deduction of taxation, whereas it has been necessary to reserve against total taxation on the year's accounts a sum of no less than £1,129,203.

Although we are making every effort to economise, particularly in the use of labour, our costs continue to rise, and, with the advent of a 44-hour week this summer, the tendency will continue. I am strongly in favour of the best possible conditions for all employees in industry, but, unless improvement in conditions is accompanied by increased output, the result will very soon be shown to be disastrous for the country. It must also be realised that in many processes rate of output is determined by plant capacity as well as by the nature of the process, and in these cases a loss of total output or an increase of cost is unavoidable if operating hours are reduced. This fact is not sufficiently recognised.

The year's results must be looked upon as being more favourable than they would have been had the prices of our raw materials not risen. We would prefer to see steady prices at lower levels and normal conditions of trading. Unfortunately this time has not yet arrived. It is therefore difficult to make any reliable forecast of our normal trading prospects in 1947. The shortage of lead and other vital raw materials is more acute than ever; the volume of our trade has shown reduction so far this year as compared with last year. We are, however, in a very strong financial position and, given a reasonable supply of metal and other materials, we hope to give a good account of ourselves.

The report was adopted.

THE TRUST COMPANY OF LONDON AND SCOTLAND, LIMITED

LARGER REVENUE AND DIVIDEND

The eighteenth annual general meeting of The Trust Company of London and Scotland, Limited, was held in London on the 30th ultimo.

Mr B. W. Bloomer, the chairman, in the course of his speech, said:

Net revenue, after payment of all expenses and debenture interest and allowing for income tax, amounts to £33,666, an increase of £7,122 compared with the previous year. Your directors recommend that the dividend for the year on the ordinary stock be increased from 4 per cent. to 5½ per cent., less tax.

Our holdings are spread over 554 securities, and are distributed as follows:—Bonds, debentures and debenture stocks 8.80 per cent.; preference stocks and shares 23.50 per cent.; ordinary and deferred stocks and shares 67.70 per cent. Eighty-seven per cent. of the book cost, or 91 per cent. on the valuation of these investments is represented by securities within the British Empire. A valuation of the investments shows a further improvement, the appreciation being 26.21 per cent. on the balance-sheet figure. On this basis the break up value of your ordinary stock at the date of the balance-sheet was over twice the nominal amount of the stock.

The re-investment of funds becomes increasingly difficult with the various nationalisation proposals and the prevailing low interest rates, but an estimate of our earnings for the current year indicates that, in the absence of any unforeseen factors, our revenue will probably be at least maintained.

The report was adopted.

ODHAMS PRESS, LIMITED

SUCCESS OF PUBLICATIONS

The twenty-seventh annual general meeting of Odhams Press, Limited, was held in London on the 26th ultimo.

Mr Arthur G. Cousins, C.B.E., the chairman, said that the trading profit of £1,098,226 was practically the same as that of the previous year. The net profit was £963,495 and the directors recommended an Ordinary dividend of 15 per cent. plus a bonus of 2½ per cent. The final results of the subsidiary companies was a net profit of £465,399 compared with £414,567 for the previous year.

He was sure that all stockholders were proud of the success of the newspapers, periodicals and other publications for which they were responsible, including *The Daily Herald*, with a net circulation of over 2,000,000 copies for every day of publication, *The People*, with a circulation of over 4,500,000 copies each week, *John Bull*, over a million, *Illustrated*, over a million, *Woman*, over a million, and many other periodicals with large and influential circulations.

The net result of all the figures was a trading profit of £1,737,370, which was 15½ per cent. of their gross revenue. Of the net profit of the group, provision for taxation took 75.5 per cent., dividends 20.8 per cent., and reserves and carry-forward 3.7 per cent.

They were rationed as to the number of pages they could print. Every newspaper got its fair share. When the war started some newspapers were in an advantageous position as regarded competition. During the early stages of the war Lord Kemsley had approached Lord Beaverbrook with the idea that all newspapers in the country should pool their resources of newsprint. Lord Beaverbrook had readily agreed and so the Newsprint Supply Company had come into existence.

The report was adopted.

RICHARD CRITTALL AND COMPANY, LIMITED

NEW CAPITAL PROPOSALS

MR J. L. MUSGRAVE'S STATEMENT

The thirty-sixth annual general meeting of Richard Crittall and Company, Limited, was held at the company's factory, Great West Road, Brentford, on the 30th ultimo, Mr J. L. Musgrave (chairman) presiding.

The following is an extract from his statement circulated with the report and accounts:—

Before dealing with more formal matters I must refer to the resignation from the chairmanship of Mr Richard Godfrey Crittall, which took place in July last year. Mr Crittall has been a director of the company since 1911 and chairman since 1923. I am happy to state that he has agreed to retain his seat on the board, and he has accepted the vice-chairmanship of your company.

Turning now to the year under review, I believe our shareholders will feel that the result is satisfactory. It has been a year during which we have undertaken and carried through successfully a considerable scheme of reorganisation, which has led to the creation of six new subsidiary companies.

One of them has this year doubled its turnover and another has quadrupled its turnover; all have operated at a profit, and in each case the order books reflect growth and expansion.

CURRENT ORDERS AND SALES

The current order book of the group at December 31, 1946, stood at the satisfactory figure of £1,600,000 and it should be noted by our shareholders that this figure is arrived at after eliminating from the order book all those orders where licences and permits had not been received; the total volume of orders received at the date mentioned was considerably in excess of that figure.

I would mention that during the four months ending April 30th this year, current orders have been received to the value of £598,000, including £157,000 for export, while sales in the same four-monthly period exceed those for the same period last year by 23 per cent.

RAILWAY, MARINE AND AERIAL CONTRACTS

During the year we have been favoured by one of the main-line railway companies with the order for the construction of the equipment for their first series of post-war kitchen cars. Another contract is from a shipping company for the heating and ventilation for, I believe, the first ship extensively embodying electric radiant heating panels ever to be built in this country.

A further notable contract to which I would like to refer is for a large number of our special aircraft galley ovens which we developed in collaboration with B.O.A.C. for use in airliners.

INDUSTRIAL PLANT AND EQUIPMENT

The expansion of the business in the field of industrial plant and equipment has been in every way satisfactory and we are carrying out a variety of important contracts for the manufacture and supply and in many cases the design, of equipment for important companies in the food, chemical, photographic and industrial processing industries.

GOVERNMENT CONTRACTS

We have a considerable volume of work for various Departments of His Majesty's Government, and a tribute has recently been paid to the very high standard of workman-

ship put into a special and important Government contract by one of your subsidiary companies.

NEW FACTORIES AND PROGRESS

The growing volume of business has necessitated the expansion of our production facilities. In consultation with Government officials, we decided to accept the offer made to us by the Board of Trade and establish a factory on the Hillington Estate at Glasgow. The negotiations for this factory were only completed in December last year, but production was commenced at the end of February.

Our activities in the Midlands have also demanded increased production facilities, and we have acquired a site in the new Stoke-on-Trent Development Area upon which we intend building a new factory to cater for the manufacture of industrial plant and equipment of various types and particularly for the refractory industries. This factory will not, however, be ready before the end of 1948 so far as we can determine at the present time, and we have, therefore, taken a lease of a factory in Stoke-on-Trent.

I must pay tribute to the helpful co-operation and consideration we received from the Government and Local Government officials during these negotiations, and would state that without their help our acquisition and planting of the new factories could not have been carried out so speedily and efficiently.

Our three London factories continue to work at full pressure, and I am happy to say that our workpeople have agreed to work three nights a week overtime for a period of three months, to enable us to make up the time lost in the London factories during the fuel crisis, and steady progress is being made towards this end. Electrical generating plant has been acquired and installed at our Great West Road Factory, to balance any curtailment of power which may be imposed on us.

I may sum up the manufacturing side of our organisation by saying that our factories are very fully occupied and have order books that will ensure full productivity for a considerable time, given only a continuity of raw material and labour, and an absence of difficulties such as those experienced earlier this year.

THE CONTRACTING ACTIVITIES OF THE GROUP

On the contracting side of our undertaking we have a full order-book, although our specialised work in the field of big public buildings must remain more or less dormant until building restrictions are removed. We have been advised by many of our architects that they wish us to undertake certain important building schemes when permission is available, and I am confident that your company will make a substantial contribution to the reconstruction of the great cities of this country.

Our main contracting effort at the present time is concerned with the rehabilitation of industries, and we are carrying out a wide range of work in connection with the modernisation of factories and industrial premises and of industrial processes in many parts of the country. Our services cover a wide field, and we can broadly take the shell of a factory and leave it equipped ready for production.

EXPORT EFFORT

At the end of the year we had on our books export orders amounting to approxi-

mately £100,000 (excluding orders in the hands of our American subsidiary), but we also had export inquiries under negotiation amounting to one and a half million sterling, and we estimate that not less than half this sum will accrue to us as firm orders during the course of the coming year.

BRITISH OVERSEAS ENGINEERING AND CONSTRUCTION CORPORATION

I cannot close this brief review of our export work and potentialities without referring to the newly formed British Overseas Engineering and Construction Corporation, Limited, which came into existence towards the end of last year. This corporation, in which your company holds at the present time a substantial interest, was formed to canalise the supply to certain foreign countries of a wide range of engineering equipment and constructional work, to eliminate unnecessary and wasteful competition, and to avoid duplication of overhead expenditure, thus improving the competitive quality of British firms in overseas markets.

THE ACCOUNTS

The profit on the parent company's trading for the year is £44,365 (a figure reached after full reserves have been made), against £10,983 in the preceding year. To this sum must be added £19,550, representing interest received from loans made to subsidiary companies, and dividends received from subsidiary companies, thus giving us a total of £63,915, as against £53,569 last year. From this gross income of £63,915, must be deducted directors' fees, £6,450, depreciation of fixed assets, £1,137, and full provision for taxation (including subsidiary companies' excess profits tax), amounting to £27,000. After making these deductions, in all amounting to £34,587, we have an available balance of £29,328, which compares with £15,630 in 1945.

To this available balance of £29,328 must be added £26,886, brought forward from the previous year, giving an available total of £56,214. We have already paid the year's preference dividend, absorbing £1,070, after deduction of tax, and we have paid an interim dividend on the ordinary share capital at the rate of 50 per cent., less tax, absorbing a further £13,750; and I shall ask you at the annual general meeting to approve a final dividend of 50 per cent. on the ordinary shares, less tax, which will absorb a further £13,750, leaving the carry-forward increased to £27,644.

It should be noted that the total dividend payable to the ordinary shareholders for the year represents 13.2 per cent. on their capital and reserves employed in the business at December 31, 1946. It should also be noted that the ordinary dividend represents approximately 6 per cent. on the current market valuation of the shares.

NEED FOR NEW CAPITAL

It is quite clear that the expansion of the business demands the creation of new permanent capital, and your directors decided to approach the Capital Issues Committee for permission to increase the share capital of the company. It has been decided, subject to your approval, to increase this capital by the creation of 450,000 £1 5 per cent. cumulative preference shares, to be issued at 21s. 6d. each, and to rank *pari passu* with the 50,000 preference shares now issued.

It is my great pleasure to thank my colleagues, our executive officers, and employees in our companies at home and overseas for their help and co-operation during the past year.

The future expansion of the business is firmly based on the needs and requirements of our many customers at home and overseas who come back time and time again for the services and products of your company.

The report and accounts were adopted.

ULTRAMAR COMPANY, LIMITED

OPERATIONS DURING PAST YEAR

PRODUCTION PLANS

INCREASE OF BORROWING PLANS

The eleventh annual general meeting of the Ultramar Company Limited was held at Winchester House, Old Broad Street, London, E.C., on the 25th ultimo.

The directors' report embodying the statement of the chairman (Sir Edwin Herbert), together with the balance sheet of the company at June 30, 1946, and consolidated statement showing the position of the subsidiary companies as at that date have now been issued to stockholders. A report of Caracas Petroleum S.A., the company's wholly owned subsidiary company, regarding its operations to May 10, 1947, is included, of which the following is a summary:—

PARTICULARS OF CONCESSIONS

The total area of oil concessions in which Caracas Petroleum S.A. is interested comprises 1,941,000 acres of which 1,145,000 are exploitation parcels and 796,000 acres exploration concessions situated mainly in Eastern Venezuela.

(a) *Mercedes Oilfield and Adjoining Territory*: During the period under review 21 wells have been drilled on the Mercedes field or in adjoining territory. Some of these wells were considerable outcrops to test the possibilities of outlying areas, thereby extending the limits of the proven producing area to the west and north. The remainder were drilled for development purposes, partly to provide potential oil for the pipeline and also gas for fuel and pressure maintenance. Six wells have been completed in the gas sand and 10 as oil producers. One well has been suspended and four wells, which were drilled in the outlying areas, have been abandoned as dry holes.

A NEW PRODUCING AREA

(a) *Palacio Oilfield*: This is a new producing area in the Chain Lots about eight miles south of the Mercedes field, on which four wells have been drilled. One of the wells was a dry hole, but the other three have been completed as oil wells. These discoveries have opened up an area of considerable promise and a development programme is in progress. The latest drilling results have extended the proven area an additional two miles to the west. The productive horizons are considerably shallower than those of the Mercedes field.

(a) *Other Areas*: On Infante Lot 13 an exploration well is preparing about 15 miles north of the Mercedes field.

(a) *Punzon-Grico*: (b) *Camaz-Placer*: Two rigs have been kept in continuous operation on the Grico area and two on Camaz-Placer. Seven exploration wells have been completed on Grico, Punzon and Camaz since June, 1946. Five of these have been abandoned, and two on Grico have been cased as gas wells. The areas where this gas has been discovered are respectively 26 miles west and 17 miles west-north-west of the Mercedes field.

DRILLING PROGRAMME

Exploration wells are now being drilled on Placer (the Camaz-Placer area is jointly held with Atlantic Refining Co.)

The geophysical and geological programme on the Grico and Camaz-Placer exploration concessions is now well advanced, and preparations for the conversion into exploitation parcels of these properties will begin towards the end of 1947. The programme of drilling on these exploratory concessions is well under way and will furnish valuable information to guide the selection of acreage to be retained.

(c) *Barbula and Grico Concessions*: The drilling of an exploration well, Barbula 1, some 50 miles west of the Mercedes field, is now in progress.

The geophysical and geological programmes are well advanced and preparations for parcelling into exploitation concessions will begin towards the end of the current year.

(c) *Cagigal Concessions*: Caracas Petroleum S.A. has made its selection from the exploration concessions, retaining 58,000 acres of exploitation parcels.

(a)—In which Caracas Petroleum S.A. has a 50 per cent. interest.)

(b)—In which Caracas Petroleum S.A. has a 35.53 per cent. interest.)

(c)—In which Caracas Petroleum S.A. has a 100 per cent. interest.)

PLANS FOR PRODUCTION

S.A.P. Las Mercedes, in which Caracas Petroleum S.A. has a 50 per cent. interest, has now in continuous operation nine drilling rigs with three additional rigs expected to be delivered shortly. This drilling equipment is chiefly devoted to the development of production for the pipeline which it is anticipated will be ready for operation in the second quarter of 1948 and to the completion of the heavy programme of exploratory drilling.

At this date there are 29 wells on the Mercedes and Palacio fields capable of producing oil and sufficient oil reserves have been established to justify the expectation of an initial production of at least 25,000 barrels per day by the time the pipeline is ready.

Pipeline: Contracts have been entered into for S.A.P. Las Mercedes to construct a pipeline from the Mercedes field to the terminal at Pamatacal near the Venezuelan port of Guanta, a distance of about 157 miles and the line is expected to be in operation in the second quarter of 1948. The line will be of 16-in. diameter with a capacity of 64,000 barrels per day, which can be readily increased to 100,000 barrels.

FIELD INSTALLATIONS

In the Mercedes field, a permanent camp has been built. Warehouses, garages, machine shop, power plant, and the necessary offices have been provided. Quarters for technical and labour personnel have been constructed and more housing is projected as soon as the necessary materials can be secured and shipped. The camp must be further enlarged in order to accommodate the personnel which will service the terminal station of the pipeline in the Mercedes field. Schools and limited hospital and recreational facilities are already available and extensions of these facilities are planned. In all such matters S.A.P. Las Mercedes is doing its best to conform with the high standards which have been set by the oil industry in Venezuela in order to maintain competent

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personnel and conform to labour regulations. S.A.P. Mercedes now employs about 1,250 staff and other workers, of which the greater part are centred on the Mercedes field.

ACCOUNTS AT JUNE 30, 1946

Advances to subsidiary companies at £2,941,474 show an increase during the year of £1,526,688 due to remittances abroad for exploration and development work. The statement of combined net assets of the subsidiary companies shows shareholdings in the Mercedes and Manapire Companies, concessions, royalty rights, interests and equipment in Venezuela, including advances to the Mercedes and Manapire Companies, at £4,626,520, an increase during the year of £1,683,328, represented by costs of exploration and development.

Since June 30, 1946, the company has issued 531,773 shares at a price of 72s. 6d. for each 10s. share. The shares were offered to stockholders in proportion to their holdings; in accordance with the Articles of Association the new shares stand converted into stock which is transferable in amounts and multiples of 10s. each. The issued capital of the company now amounts to £1,716,179 and premiums on shares £3,718,461. Remittances abroad since June 30, 1946, have amounted to £2,326,000, with the result that the proceeds of the last issue of shares have been expended and the company has obtained temporary loans totalling £1,005,000 from Morgan Grenfell and Company Limited (the company's bankers), and from the principal stockholders, viz. The Central Mining and Investment Corporation Limited, New Consolidated Gold Fields Limited, Selection Trust Limited and Unions Corporation Limited. These loans are unsecured and carry interest at 3 per cent. per annum.

FINANCIAL REQUIREMENTS

Present estimates of expenditure for the year 1947, including repayments of temporary loans and administrative and other expenses, amount to a total sum of £3,289,000. In order to provide for these requirements and allow for a reasonable reserve for contingencies and minimum bank balances, your directors have entered into negotiations which, subject to their borrowing powers being increased as hereinafter mentioned, they hope to complete shortly, for borrowing sums totalling £3,750,000 on short term. In addition, your directors consider they should have power reserved to borrow up to a further sum of £1,750,000 if and when required.

The above arrangements will call for a total borrowing power of £5,500,000 and the notice calling the Eleventh Annual General Meeting refers to a proposed resolution authorising the directors to borrow up to that amount.

VIROL, LIMITED

GOOD RESULTS DESPITE DIFFICULTIES

Presiding at the forty-seventh annual general meeting of Virol, Limited, held in London, Lord Luke, the chairman, said:—

A recent visit to the Argentine confirms my opinion that State bulk purchase should be replaced by a more up-to-date technique of buying through joint action by the Government and market experts in order to counter State cornering of markets.

At the present moment we are having to pay nearly eight times the pre-war price for certain edible fats and I can hardly believe fats are as much as eight times as scarce, whilst most of our other raw materials, of

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which there are many—mostly foodstuffs—have risen to prices considered unthinkable in the past. Consequently our manufacturing costs have recently substantially advanced.

Our sales during the past year again showed an increase, and in an endeavour to regain some of our valuable overseas markets we released a small part of our stocks for this purpose. There are excellent indications that our export trade will make a rapid recovery once we are again in a position to manufacture on a larger scale.

The profit on the year's trading shows over £8,000 increase before taxation at £46,553. The directors recommend, after paying the preference dividend and transferring £10,000 to reserve against £5,000 last year, that the ordinary shares receive a dividend of 15 per cent. and a bonus of 2½ per cent. less income tax. This will leave the balance carried forward at £45,587 against £45,065.

The report and accounts were adopted.

COLTHROP BOARD AND PAPER MILLS, LIMITED

INCREASED PROFIT AND DISTRIBUTION

MR FRANK SMITH'S SPEECH

The twenty-ninth annual general meeting of Colthrop Board and Paper Mills, Limited, was held at the registered office of the company, Thatcham, Berkshire, on the 30th ultimo. Mr Frank W. J. Smith (chairman and joint managing director), presiding.

The following is the Chairman's speech, which had been circulated with the report and accounts for the year ended May 31, 1947, and was taken as read.

This is the twenty-ninth annual general meeting and in the first place I have to report two sad incidents which have occurred during the past year. I refer to the passing of Mr Shirley Cropper, who was the original chairman of the company, and Sir John Pakeman. Both these gentlemen were directors for many years and they will be greatly missed.

Last year I told you we were being hampered in our business by the continued restrictions and controls, and I expressed the hope that they would soon be relaxed. Unfortunately, this hope has not materialised, and we are still working under great difficulties notwithstanding that hostilities in Europe ceased over two years ago.

CONTINUED DEMAND

The demand for our goods continues, but the shortage of coal, raw materials, and labour has seriously affected us. Nevertheless, it is gratifying to be able to show an increase both in the trading profit and the net profit, and although part of the increase is due to the necessary provision for excess profits tax and profits tax being less than was required for excess profits tax last year, the result may be considered satisfactory, and could not have been attained but for the continued efforts of my colleagues on the Board and the loyalty and good work of the employees.

In view of this result, the directors feel that they are justified in recommending to the shareholders an increase in the bonus distribution from 2½ per cent. to 5 per cent., making a total distribution of 15 per cent. upon the Ordinary shares for the year.

The report and accounts were unanimously adopted.

The retiring director, Mr Harry F. Smith, was re-elected, and the auditors, Messrs Deloitte Plender Griffiths and Company, having been reappointed, the proceedings terminated with a vote of thanks to the chairman, directors and staff.

CABLE AND WIRELESS (HOLDING), LIMITED

WIDER SPREAD OF INVESTMENTS

The eighteenth ordinary general meeting of Cable and Wireless (Holding), Limited, was held on the 25th ultimo, in London.

Sir Edward Wilshaw, K.C.M.G. (the Governor), in the course of his speech, said: This is the first occasion upon which I address you since the Government's expressed intention to nationalise Cable and Wireless Limited (the operating company) was implemented on January 1st last. The shares owned by your company in Cable and Wireless Limited have now become the property of His Majesty's Government, and the control of the cable and wireless telecommunications system has passed from our hands.

We took every legitimate step to oppose the scheme by petitioning against the Bill before Select Committees both in the House of Commons and the House of Lords. We did not oppose it on any political ground. We should have opposed it as our bounden duty whatever Government had been in power.

In the proceedings before both these committees directors and officials and I gave evidence, and during the passage of the Bill through both Houses we endeavoured to obtain certain safeguards affecting your interests, and those of the staff of the operating company who had served your company so devotedly for so many years. We were successful in obtaining some protection for your interests, but it was disappointing to us not to have secured some more definite safeguards for the officials and staff than the vague assurances that were given.

It was gratifying to note during the passage of the Bill that not only were there no criticisms of the efficiency of the undertaking, but universal tributes were paid to the operating company on both sides of the House for the services rendered by it and by its staff, in war and in peace.

The other matter of outstanding interest during the year was the sale of our shareholding in Marconi's Wireless Telegraph Company, Limited, to the English Electric Company, Limited. I feel sure that under the able direction of Sir George Nelson there will be further prosperous days for the world-famous Marconi Company.

RESULT OF YEAR'S OPERATIONS

The revenue account for the year 1946 shows a profit of £1,259,641. Investments in securities, stocks and shares quoted on the London Stock Exchange stand at £2,185,000, the market value of which stood at £2,463,000, an appreciation of £278,000. Furthermore, there has during the course of the year been a notable increase in the company's investments from £921,000 at the end of 1945, to £2,185,000 at the end of 1946. The increase, of course, is due mainly to the instalment which was received for the sale of the shares in the Marconi Company.

If you will turn to the consolidated balance-sheet you will see that the securities held at December 31, 1946, had a book value of £9,974,125 and a market value at that time of £11,274,700, showing an appreciation of £1,300,575, equal to about 13 per cent. The comparable figure of appreciation shown at the end of 1945, eliminating the securities held by the operating company, was £357,974, equal to about 4½ per cent. The profits realised during the year amounted to £322,458. The comparable figure in this case for 1945 was £208,280, so there is an increase of £114,178.

INVESTMENT POLICY

As a consequence of the Government's cheap money policy the choice of invest-

ments is becoming largely one of low-yielding fixed charges on the one hand or of Ordinary shares on the other. After careful consideration of the position, the policy of your directors has been to spread the companies' investments over a still wider field and in making each choice to endeavour to hold a reasonable balance between caution and enterprise. As you will observe from the figures before you, the results shown are very satisfactory, but it will be generally agreed, I feel sure, that with the present uncertainties prevailing and with all the hindrances to productive work and enterprise it is difficult to be confident about the economic outlook.

One of the chief requirements for recovery, in my view, is that the nation should be encouraged by wise and statesmanlike leadership to a revival of its war-time unity, and be freed from the constant attacks on one or other section of the community which are for the most part quite unjust and more often than not made for party ends and without a due sense of responsibility.

ARBITRATION ON PURCHASE PRICE

If you will turn to the report of the directors you will see that in paragraph 4 it is stated that it is not possible to make any statement at this annual general meeting regarding the effect of the acquisition by the Government of the shares in the operating company upon the holding company's affairs.

Under the Cable and Wireless Act it is provided that failing agreement on the price to be paid for the shares in Cable and Wireless, Limited, a tribunal should be established to fix the compensation. Attempts to reach agreement with His Majesty's Treasury regarding this purchase price were unsatisfactory and the matter will therefore be referred to an arbitration tribunal. We have done everything in our power to hasten the hearing, but I do not expect the tribunal to sit before the autumn. You will appreciate, of course, that interest on the sum awarded to your company by the tribunal will be retrospective to January 1st last.

As soon as we know the amount we are to receive for the shares of the operating company, which is to be in negotiable Government stock, we shall be able to consider the best course to adopt in your interests and to lay before you for your consideration any recommendations.

STOCKHOLDERS TO BE CONSULTED

In closing my review of last year's operations I feel that the stockholders can congratulate themselves upon the results which have been achieved, and that I may well claim that the confidence which they have so generously given to their directors has been fully justified.

In reply to a question as to what the Board proposed to do when they received from the Government the stock to be paid for the stock of the operating company, he said that it would appear to him that at some stage a scheme of arrangement would have to be made between the Preference and Ordinary stockholders for a re-adjustment of the present position. It would be impossible to do that before they knew the amount and the terms and conditions of the stock to be issued by the Government. Stockholders would be consulted before any decisive step was taken.

The report was adopted.

SPEAR AND JACKSON, LIMITED

GREAT DEMAND FOR PRODUCTS

The forty-second ordinary general meeting of Spear and Jackson, Limited, was held, on the 26th ultimo, at the Staff Dining-Room, Aetna Works, Savile Street East, Sheffield.

Mr A. K. Wilson (the chairman and managing director) presided. The following statement was circulated with the report and accounts.

It is naturally impossible for many of our shareholders—who number close on 850—to attend our annual meeting and I therefore feel it will be appreciated by them if I continue my practice of issuing a statement with the directors' report and accounts as I have done for several years.

PROFIT AND DIVIDEND

As regards the accounts: their presentation is similar in form to that of last year. The net profit is £37,350, which shows an increase of £3,543 compared with the year 1945, and the Directors feel justified in recommending that the dividend for the year shall again be 15 per cent. and that a further £5,000 be added to general reserve which will then stand at £50,000. The directors' report shows a balance to be carried forward to next year of £12,330 against £8,730 for the year 1945.

Our small subsidiary works in Vancouver and Eugene (U.S.A.) have both had a successful year and earned good profits.

Reference was made in my statement of last year to the post-war refund of E.P.T. due to this company, which was then estimated at about £120,000 after deduction of Income Tax. Against this we have received a provisional payment of £113,823 in respect of the period to December 31, 1944, and it is estimated that there will be a further sum of £5,000 receivable for 1945.

A DIFFICULT YEAR

The year 1946 has been a very difficult one, fuel and power supplies have been uncertain and at times the management has been faced with day to day problems which have made it no easy task to carry out their production plans. From the Autumn onwards, supplies of raw materials became uncertain, which added to their difficulties. The labour shortage, particularly of skilled operatives, shows no signs of improvement. Every effort is being made to encourage new entrants into the trades carried on at Aetna Works and with the co-operation of our employees we trust that eventually this shortage will become less acute.

The demand for our products, both at home and in overseas markets, remains very great and notwithstanding the fact that we have to tell our customers that new orders must, of necessity, take many months to execute, with very rare exceptions, all are prepared to wait. There must come a time when this state of affairs will alter, but before then we hope to have greatly improved the delivery position.

VISITS FROM OVERSEAS

During the year we have not received as many visits from our overseas customers as we might have expected—no doubt due to their difficulties of obtaining passages to England, and particularly the return journey. We have continued to build up our world-

wide sales organisation and have now 60 agents and representatives in overseas markets.

Since our last meeting, Mr G. F. Howard and Mr G. W. Parsons, who have been connected with the firm for many years, and who were special directors, have been appointed to the board. Mr D. F. Gordon, who has been connected with the company for some years on the steel side and who is the son of our works managing director, Mr F. F. Gordon, has been appointed a special director. Mr F. W. Clayton retired from the position of a special director on December 31, 1946. He joined the firm in June 1877 and has assisted very considerably in the growth and success of the Company. We wish him continued good health in his well-earned retirement.

Mr G. W. Parsons has just returned from a further visit to the United States of America and Canada and at the present time Mr G. F. Howard is visiting South Africa and Mr R. J. Coombe and Mr S. M. de Bartolomé are in Canada and the U.S.A. From August, 1946 to January, 1947, Mr S. M. de Bartolomé was in South America, making an intensive study of that market.

RELATIONS WITH LABOUR

Labour.—The relations between the management and the workers continue good. I believe it is true to say that a real effort will be made so that output shall not suffer through the introduction of the five day week. Unfortunately, through the shortages to which I have already referred, output is down in many sections of our business, but I trust, as the year advances, this will be remedied.

I once again, in all sincerity, express the board's appreciation to the company's management, staff and employees for their efforts to overcome the many difficulties which have arisen during the year and congratulate them on the results achieved.

The report and accounts were unanimously adopted and the dividend of 15 per cent. on the ordinary shares was approved.

AUTOMATIC TELEPHONE AND ELECTRIC COMPANY, LIMITED

RECORD PEACE-TIME OUTPUT

The annual general meeting of the Automatic Telephone and Electric Company, Limited, will be held in Liverpool on the 16th instant.

The following is an extract from the statement by the chairman, Sir Alexander Roger, K.C.I.E., circulated with the report and accounts:—

Profits including adjustments total £440,335. The balance available is £238,869, from which your directors recommend a final dividend of 7 per cent. on the ordinary stock, making 10 per cent. for the year, plus a cash bonus of 2½ per cent., and a dividend of 10 per cent. on the deferred stock and shares plus a cash bonus of 2½ per cent., all subject to tax. In spite of difficulties and delays we have succeeded partially in our policy of providing new machinery and equipment.

We have spent much money and great effort in expanding our activities and we have substantial business on our books from some sixty countries, of which not a small proportion comes from hard-currency countries. The year 1946 was a most difficult one. We achieved a large output—the largest we have ever had in peace-time—but it was in spite of immense difficulties.

The one thing industry is being urged to do is to produce, and industry wants to produce, but the doctrinaire plans of our Government seem to do little but distract

and retard. In this perilous period in the history of the country, industry, commerce and business want an end to the disturbance and frustration inherent in schemes of nationalisation and the spate of legislation, a gradual cancellation of controls and every use made of skill, experience and willingness on the lines which have been proved so successful.

PURNELL AND SONS, LIMITED

INCREASED PROFIT

Mr. W. HARVEY'S SPEECH

The thirteenth ordinary general meeting of Purnell and Sons, Limited, was held, on the 26th ultimo, at the Chartered Insurance Institute, 20, Aldermanbury, London, E.C., Mr W. Harvey (chairman and managing director) presiding.

The following is the chairman's speech, which had been circulated with the report and accounts for the year ended September 30, 1946, and was taken as read:—

It will be observed from the profit and loss account that the profit, before providing for taxation for the year under review, is £988,005, compared with £815,133 in the preceding year, and that after providing £800,000 for taxation the balance remaining is £188,005. The dividends already declared have absorbed £30,302, leaving £157,703, which, together with the amount brought forward from the last account of £14,326, gives a balance available of £172,029. Your directors recommend a final dividend of 60 per cent., making a total for the year of 80 per cent., and this, less tax, will absorb £68,401, leaving a balance to be carried forward of £103,628.

A perusal of the balance sheet would indicate that your company has spent over £44,000 on fixed assets, and have made further advances to the subsidiary company to enable the subsidiary company to acquire a business which provides material for the main business of the company.

RECENT NEW ISSUE

Owing to the complicated nature of the business with all its ramifications, it has not yet been possible to compute the final taxation, but your directors have, during the year, made substantial payments on account and have provided a reserve of £1,538,887, which they consider is adequate to meet the full liability of the group, no provision having been made for the substantial repayment which your company should receive in due course.

It will be remembered that in my speech last year I indicated that your directors proposed to endeavour to obtain the permission of His Majesty's Treasury to issue the unissued capital of the company. It will be known to all of you that early this year the consent of His Majesty's Treasury was obtained and the unissued capital was offered to existing shareholders and was fully subscribed. The premium at which the shares were issued will provide a substantial reserve which will appear in the current year's accounts.

Although it is becoming increasingly difficult to obtain adequate supplies of material for our business, I am pleased to be able to state that there is every indication that the profit of last year will be maintained in the current year.

Your directors are making arrangements to enable you to be furnished next year with a consolidated balance sheet and profit and loss account.

In conclusion, I wish to pay tribute to the work of my colleagues on the board, the staff and the workpeople, without whose wholehearted co-operation the excellent results shown on the accounts could not have been attained.

The report and accounts were unanimously adopted.

GROSVENOR HOUSE (PARK LANE), LIMITED

IMPROVED RESULTS

The nineteenth general meeting of Grosvenor House (Park Lane), Limited, was held on the 30th ultimo, in London, Colonel H. W. Burton, O.B.E. (the chairman) presiding.

The following is an extract from the chairman's statement circulated with the accounts:—

The net profit amounted to £238,486 and there remains available £149,244. The board has pleasure in recommending a final dividend of 3½ per cent. (less tax) on the Ordinary Stock, making 6 per cent. for the year. In view of the exceptionally good trading results and the profit, the board also recommends a bonus of 4 per cent. (less tax).

The reserve for maintenance now stands at the imposing figure of £250,000. There is little doubt, however, that all this and more will be required to re-equip, redecorate, and generally refurbish the premises and contents so as to bring them up to the standard which is properly expected of Grosvenor House.

THE TOURIST BOARD

The Government has set up the "British Tourist and Holiday Board," which has four Committees, one of which is the "Hotels Committee." This is a new departure and constitutes a welcome recognition by the Government of the importance of Tourism and Hotel-keeping in the nation's life.

The short-term policy of this Board will no doubt be to stimulate the vitally important tourist trade, to extend the facilities for holidays for Britain's workers, and therefore to make available and to equip the maximum possible amount of hotel accommodation. Judged by the wording of the Catering Wages Act and of various relevant reports, the long-term policy of the Tourist Board and its committees will be to set new and better standards of travel, accommodation, and service. These are obviously highly desirable objectives, and should be of benefit not only to our industry, but also to the general well-being of the nation.

These are historic years for the hotel industry and there is no doubt that we have entered upon a period of developments which are likely to profoundly affect its future.

If we face the future boldly the new developments—the introduction of Trade Unionism, Government recognition through the Tourist Board and the setting up of a statutory Wages Board—might well lead to a better understanding of the nature of the hotel business and a more general recognition of its status among the nation's major industries.

In contrast with some of the opinions that have been publicised, I hold the view that the majority of visitors to London are favourably impressed with the extent of our recovery from the war. Visitors to this hotel have again and again expressed their pleasure and surprise at the high standard of personal service they get from our staff. Many, indeed, have assured us that they find it distinctly superior to the service offered today in many American hotels with a high reputation.

SHORTAGE OF ACCOMMODATION

Our greatest shortage is, indeed, accommodation. We are at Grosvenor House preparing to have 129 additional rooms available for the 1948 season.

During recent months the apartments, flats, restaurant, grill room, banqueting department and American bars have all broken previous records of turnover.

The large ballroom has been derequisitioned for over a year, but agreement on replacements and repairs has not been completed. I fear that it may not be ready for use as a ballroom for another two years.

The report and accounts were adopted.

GENERAL MINING AND FINANCE CORPORATION, LIMITED

(Incorporated in the Union of South Africa)

INCREASED PROFIT

SIR GEORGE ALBU'S SPEECH

The forty-seventh ordinary general meeting of shareholders of the General Mining and Finance Corporation, Limited, was held on the 17th ultimo in Johannesburg.

Sir George W. Albu, Bt., the chairman, in the course of his speech, said:—

The profit for the year at £44,289 is £67,604 in excess of that earned in the previous year. This profit, when added to the unappropriated balance at the beginning of the year, made £586,527 total available profit. Dividends equivalent to 5s. per share in respect of the year have been maintained, absorbing £316,145. General reserve and investment reserve now aggregate £1,400,000.

In December last shareholders by special resolution authorised an increase of 500,000 shares of £1 each in the Corporation's registered capital. The registered capital now stands at 2,000,000 shares of £1 each of which 1,264,579 fully paid shares are issued.

GOLD MINING INDUSTRY

In my address to shareholders at the last annual meeting I expressed the hope that the industry would return to more normal operations by the gradual removal of the restrictions under which it laboured during the war years. The position, unfortunately, has not improved during the past year, as you will note from the statistical figures of the producing gold-mining companies of the Witwatersrand. These show that the working profit decreased by about £5,500,000 to £26,402,389, while working costs per ton milled increased by a further 1s. 10d. to 25s. 7d., or 30 per cent. higher than the pre-war figure.

The past year has undoubtedly been one of great difficulty for the industry, and since the close of the year production has suffered a further setback by the sectional strike of underground European miners, to which I shall refer later.

OPERATIONS RESTRICTED

Operations during 1946 were restricted, due to a large extent to the continued shortage of both European and native labour, want of essential mining materials, delays in plant and machinery delivery and to the adverse effects of European and native strikes. In the main, however, increasing working costs limited production and development operations. The disquieting features of the upward trend in working costs and diminishing ore reserves are problems of grave concern to mine managements. This upward trend in costs during the year has brought about a further decline, estimated at 3½ million tons, in the ore reserves by raising the marginal pay limit. The reserves have now fallen to a dangerously low level with a consequent shortening of the lives of existing mines.

During the year the industry had to shoulder additional burdens, the principal being payments and benefits granted to mine employees by way of increased increments and by contributions to the Mine Officials Pension Fund established during the year; increase in the railway administration's charges on freight carried for account of the mines; additional contributions to provide increased benefits under the new Silicosis Act (1946) and expenditure in meeting the heavy upward cost of stores and foodstuffs, etc. In the general inflation of wages, commodity prices and other items of expenditure, gold mining is being crushed between the fixed selling price of gold and the pressure of ever-growing production costs.

Earlier in my address, I mentioned the damaging effects on the industry of the prolonged intra-union strike by a section of European miners which began last February and lasted nearly seven weeks. A particularly serious aspect of these strikes is that they have nothing whatever to do with the terms and conditions of employment.

It is apparent that the revenues of the industry and the Government suffered heavy loss and the men and their families too had had to bear the hardship of lost wages and other benefits. If the unions are unable to settle their differences by discussion and conciliation through the methods built up over many years by the Chamber of Mines and the European trade unions, then I maintain some form of legislation is necessary whereby such strikes will be illegal. The use of the strike weapon is totally uncalled for to settle intra-union disputes. The disturbed conditions in the industry affected native labour and the influx from within and outside the Union fell considerably, making the already acute shortage experienced in recent years more pronounced.

TAXATION AMENDMENTS

The immediate effect on dividends of high costs and lower profits was somewhat mitigated by the amendments in gold mining taxation. Since the close of the year the Minister of Finance, in his Budget speech, announced a reduction in the formula tax of 10 per cent. as from January 1, 1947. In addition the Budget proposals will allow a more rapid amortisation of post production capital expenditure. These concessions are welcome; nevertheless the rate of taxation of many gold mining companies remains inordinately high compared with the general level throughout industry.

The percentage receivable by the Government in taxation and share of profits from the gold mining industry's taxable income in respect of the past year is more than double the level referred to and it is hoped that in the near future the Minister will by further reductions in the formula tax remove the whole of the war-time levy. In making this plea we ask that he should also consider the abolition of the non-resident shareholders' tax, an imposition which has been a constant source of irritation to overseas shareholders. The Union largely depends on overseas capital to finance its undertakings and the industry is opposed to this tax on the ground that it tends to discourage the flow of such capital and to the fact that overseas investors in gold mining companies are already subject to excessive taxation before profit is available to them.

ORANGE FREE STATE

The opening up of the new gold fields in the Orange Free State by the granting by the Mining Leases Board of lease areas for seven mines and the work that is proceeding has fully confirmed the faith which I expressed in this new field when I last addressed you. Two lease areas, each of approximately 5,100 claims, to be known as Freddie's Northern Lease Area and Freddie's Southern Lease Area have been granted to the Free State Development and Investment Corporation, Limited. Your corporation is indirectly interested in the two companies which will be floated to take cession of the lease areas by reason of its controlling interest in General Exploration Orange Free State, Limited.

A report of the proceedings at this meeting will not be circulated to shareholders. Copies may be obtained on application to the HEAD OFFICE in Johannesburg and to the LONDON OFFICE.

SILVER LINE, LIMITED

PROPOSED CAPITAL INCREASE

The twenty-first ordinary general meeting of Silver Line, Limited, was held at Palmerston House, Bishopsgate, London, E.C., on the 3rd instant.

The following is an extract from the statement of the chairman, Mr Stanley M. Thompson, circulated with the report and accounts for the year to December 31, 1946:—

As you can well imagine, we have had constantly before us the problem of replacement of the tonnage lost during the war. This problem has short-term as well as long-term aspects. The short-term problem has been met in large measure by more extensive chartering than would normally have been necessary, which has at least enabled us to cover the berths and maintain some sort of continuity of service. Also, as part of this short-term policy, the company's Canadian subsidiary is this year taking delivery of its remaining Canadian-built Victory vessels, which are being time-chartered to this company as a stop-gap arrangement pending delivery of our own specialised tonnage now under contract. We have also been able to purchase an American Liberty vessel which will be re-named the "Silvercedar," and we are hopeful of being able to obtain an American-built Victory vessel.

The long-term programme involves not only the eventual possession of specialised tonnage adequate to our needs, but also the modernisation of the existing fleet. We have to keep in mind that the complete restoration of our post-war services will require an adequate number of vessels, and also that they must be sufficiently modern and efficient to meet all competition. The two oldest units have been sold, one being delivered to her new owners in 1946, and the other will remain in the company's service until later on this year. We now have four new vessels on order, for building in this country, but this is not the end of the present long-term programme. I need scarcely remind you that vessels of the type permanently required by this company cost twice to three times as much under present conditions as they would have cost just before the outbreak of the war; furthermore, the rate of delivery has been seriously retarded due to the present shortage of steel. As a continuing liner company, however, it is imperative for us to plan ahead and to maintain the fleet at a high state of efficiency.

POST-WAR REORGANISATION

As part of the post-war reorganisation, negotiations have now been concluded to make the company self-managed, the cost of which operation has been provided out of the 1946 profits, and which will take the form of an allotment to the management company of 100,000 shares of 10s. each, fully paid. Whereas in the earlier days of the company's history the share capital of the company was held in the main by only two groups, namely the leading brokers and the managers, there have since been introduced further groups which have somewhat broadened the base of the shareholding interest in the company. The directors believe that it is desirable to face the future with an organisation which, whilst retaining the value of the experience gained in past years, is capable of normal expansion, and it is considered that to make the company self-managed will be a valuable contribution to that end. It was reported last year that arrangements were completed to acquire from the leading brokers the outright ownership of berth rights covering the trades on which the vessels had operated hitherto, which ownership substitutes the more limited "loading rights," which item now disappears from the balance sheet. There-

fore as from the end of 1946, the company will become a self-managed concern, with its berth rights (so important for a liner company) standing in its own name.

NEED FOR FURTHER CAPITAL

You will note that the balance sheet shows a highly liquid position, but we still lack resources to a substantial amount to complete the first part of our long-term development programme. Following the formation of the company in 1925 we financed our development by way of loan capital guaranteed by H.M. Treasury and the Government of Northern Ireland, and by other forms of loans, and this proved to be an unsatisfactory arrangement from the company's point of view, for it put us in a relatively weak position to withstand the impact of trade depressions. Whilst I do not anticipate that trade depressions in future will be as severe as they have been hitherto, your directors have none the less decided as a matter of policy to avoid large issues of loan capital in future.

In order to be in a position to raise capital for purposes to which I have referred, notices have been sent to shareholders inviting them to pass resolutions, the effect of which will be to increase the authorised capital from £950,000 to £3,000,000 by the creation of £1,000,000 4½ per cent. Cumulative Preference shares and 2,100,000 further Ordinary shares of 10s. each, and at the same time to adopt new and up-to-date articles of association. If these resolutions are passed, a public issue will be made shortly thereafter of part of the new capital on terms which the directors believe will be fair to both the company and investors alike.

You will note that the directors recommend a dividend in respect of 1946 at the rate of 8 per cent., which is a modest increase over the distribution for the previous year. Shareholders have been denied a reasonable return on their shares during recent years because it was considered prudent to plough back as much of the profits as possible, pending clarification of the post-war situation. Now that this is beginning to clear shareholders are entitled to some indication of what they may reasonably expect until such time as the proposed further tonnage is in commission.

MOTAPA GOLD MINING COMPANY, LIMITED

(Registered in the Colony of Southern Rhodesia)

GOOD PROGRESS

The first ordinary general meeting of this company was held, on the 30th ultimo, in Bulawayo, Major E. Tulloch, D.S.O., M.C., presiding, and the following is an extract from his address.

The chairman, in the course of his speech, said:—

Operations on the company's property have advanced considerably. A reduction plant of a capacity of 25,000 tons per month is in course of erection and it is expected that milling operations will be commenced early in 1948, provided that there will be no undue delay in the remaining deliveries of machinery, plant and equipment.

Good progress has been made with the sinking of the two new vertical shafts which had been commenced prior to the formation of the company. The No. 1 Shaft in the Eastern Section has been stopped at a depth of 511 feet, having been completed in its initial stage. The No. 2 Shaft in the Western Section has been stopped at its final depth of 858 feet.

The partially proved ore and the probable ore available as the result of development work which had been done up to June 30, 1946, was calculated to amount to 1,387,000 tons of an average value of 3.6 dwts per ton

over a width of 17.1 ft. The development footage accomplished since that date has been mainly confined to the preparation of the mine for stopping. The small amount of exploratory development, while exposing some new payable ore, has not brought about sufficient material change to justify, at this stage, a revision of the estimate of partially proved and payable ore as originally computed.

The report and accounts were adopted.

PHILIP HILL INVESTMENT TRUST, LIMITED

SIR EDWARD MOUNTAIN ON SATISFACTORY RESULTS

The fifteenth ordinary general meeting of Philip Hill Investment Trust, Limited, was held on the 21st ultimo, at the May Fair Hotel, Berkeley Street, London, W. Sir Edward M. Mountain, Bt. (chairman of the company), who presided said:—

Conveniently, the accounts for the year show our profits, before providing for taxation, amount to £10,469—which compares with £74,399 for the previous year. Income from investments and interest on advances to a subsidiary company amounted to £223,569, compared with £190,888 for the previous year.

Dividends from subsidiary companies amounted to £350,000, compared with £180,500 last year. This latter increase is attributable to the larger dividends received from your company's wholly owned subsidiary, Philip Hill and Partners, Limited, and is a reflection of the activity during the past year in the new issue market and other financial business generally.

During the year under review Philip Hill and Partners, Limited, has been responsible for issues, conversions and placings totalling over £25,000,000. Your directors have maintained their policy of sponsoring only issues which, in their opinion, are not merely fundamentally sound, but whose long-term prospects are such that they can be recommended to the permanent investor.

CONSERVATIVE DIVIDEND POLICY

While the results for this year are very satisfactory, it should be remembered that, owing to the practical cessation of industrial issues during the war years, there were considerable arrears of this class of business to be dealt with. The period under review may thus prove to have been an exceptional one. For this reason the directors have deemed it advisable to adopt a conservative dividend policy and only to recommend the payment of a dividend which, so far as can be seen, should be at least maintainable in future years. The outlook for Philip Hill and Partners, Limited, for the current year is promising.

You will note that, as explained in the directors' report, the accounts of the company are presented in a new form this year, and that we have included a consolidated balance sheet, from which it will be seen that the capital reserves total £2,178,527, and the profit and loss account balance carried forward amounts to £634,987. The total quoted investments held by Philip Hill Investment Trust, Limited, had a market value at March 31, 1947, of £5,661,823 and those held by the subsidiary companies of £1,320,684, giving a total market value of £6,982,507 as compared with a total book value of £4,626,667. The unquoted securities held by your company's subsidiaries stand in the balance sheets of these companies at £1,011,663, which in the opinion of your directors is a conservative valuation. I hope that you will agree with your board, in view of these figures, that they are justified in having every confidence in your company's future.

The report and accounts were unanimously adopted and a final dividend of 15 per cent. on the ordinary shares, making 25 per cent. for the year, was approved.

ORION INSURANCE COMPANY, LIMITED

CONTINUED DEVELOPMENT

SIR STRATI RALLI'S STATEMENT

The seventeenth ordinary general meeting of The Orion Insurance Company, Limited, was held, on the 26th ultimo, at 70-72, King William Street, London, E.C., Sir Strati Ralli, Bt., M.C., the chairman, presiding.

The following is an extract from his statement circulated with the report and accounts for the year ended December 31, 1946:—

The more favourable conditions prevailing throughout the year 1946 made it possible for your directors to set in motion certain long deferred projects which form the long ground plan of our policy of gradual expansion of the company's business, both territorially and in the classes of business transacted. The underwriting results realised and brought into account in 1946 are again satisfactory and the balance-sheet affords further evidence of continued development.

MARINE DEPARTMENT

The marine premium income for 1946 at £432,654 compares with £384,549 for the previous year. The total claims paid amount to 56 per cent. of net premiums, compared with 64 per cent. for 1945. The increase in expenses of management from 3.9 per cent. to 5.3 per cent. is due to the higher level of costs and salaries now prevailing.

The 1944 underwriting account has closed with a satisfactory surplus. This involves a correspondingly heavy liability for excess profits tax and has necessitated transferring the sum of £125,000 to profit and loss account. The marine fund now stands at £627,335 (or 145 per cent.), as compared with £585,421 (or 152 per cent.) last year.

Our 1945 and 1946 underwriting accounts are progressing favourably, but the heavy losses incurred by the market generally in the early months of 1947, in conjunction with the high cost of hull repairs and the continuing drain of theft and pilferage claims, act as salutary reminders that underwriting margins in the marine department cannot be expected to remain at the level generally attained in recent years.

NON-MARINE DEPARTMENT

The aggregate premium income from all classes of business in the non-marine department amounts to £242,761, compared with £248,578 for 1945. Claims incurred work out at 70 per cent. of earned premiums, compared with 71 per cent. for 1945, and commission and expenses together absorb 18.5 per cent. compared with 20 per cent. for 1945.

After setting up our customary reserve of 50 per cent. for unexpired risks and making adequate provision for all known outstanding losses, this account has provided the satisfactory profit of £29,073, or 11.8 per cent. of earned premiums, compared with £22,320, or 9.6 per cent. last year.

PROFIT AND LOSS ACCOUNT

To the balance of £28,302 brought forward from 1945 has been added net investment income of £22,449, which shows an increase of £4,901 over last year, and the underwriting profit of £154,073, which compares with £127,319 for 1945. After charging £2,000 in respect of directors' fees, transferring a further £1,000 to staff contingency fund, and providing the sum of £155,000 for taxation, there remains a balance of £46,824 available for distribution.

In view of the satisfactory results disclosed, your directors feel justified in recommending the payment of a dividend of 10 per cent. less income-tax, for the year 1946 which compares with 8 per cent., less income-

BRITISH ELECTRIC TRACTION COMPANY, LIMITED

EFFICIENT TRANSPORT SERVICE

The fifty-first ordinary general meeting of this company was held in London on the 20th ultimo.

Mr H. C. Drayton, the chairman, said that the gross revenue for the year to March 31, 1947, was £823,000 and constituted a record in the history of the company. The net profit was £366,000 against £337,000 and the directors recommended a dividend on the deferred ordinary stock of 50 per cent. Reserves and undivided profits totalled almost £3,000,000. That was the amount which they had ploughed back into the company.

When their electricity supply and road passenger transport businesses were started it had meant a lot of hard work and much money had been lost. To-day they were in a prosperous condition brought about by the company's work over a great number of years in building up and giving an efficient service to the public. He did not think anyone, even the Government, could deny that their road passenger transport organisation was among the most efficient and economical in the country. With the exception of two companies, they had not increased their fares since 1934, although they had had a considerable rise in the cost of labour and operation.

It might be argued that as road passenger transport as a whole was profitable and there was no guarantee that it would remain so indefinitely, now would be a good time in the interests of the stockholders for them to be nationalised, but a business such as that of this company had not been built up on expediency. He could not accept the argument that because they were prosperous now was the time they should cash in.

The report was adopted.

LISBON ELECTRIC TRAMWAYS, LIMITED

ALL-ROUND INCREASES

The forty-ninth ordinary general meeting of the Lisbon Electric Tramways, Limited, was held, on the 25th ultimo, in London.

The following is an extract from the circulated statement of the chairman, Sir Alexander Roger, K.C.I.E.:—

The number of passengers carried on the tramcars and elevator increased by nearly 23 millions compared with 1945, to the record number of 250,765,722, while the company's motor buses, seven more of which were put into service during 1946, carried 3,332,247 passengers, an increase of nearly 2,000,000 over 1945. The total passengers carried on all the company's vehicles amounted to 254,097,969, approximately 25 millions more than in 1945, the mileage run increased by nearly 700,000 miles. The average number of tramcars per day increased from 347 in 1945 to 370 in 1946. Every expedient has been adopted to relieve the over-crowding which still exists. Five more motorbuses including two double-deck vehicles have been received in 1947 and a further 92 single-deck vehicles are on order; delivery of a substantial number of these is promised before the end of 1947.

Operating revenue has increased by £154,847, due to the larger number of passengers carried, but the greater mileage run, together with further wages increases, a necessary increased allocation to depreciation, etc., have resulted in expenses rising by £149,297.

The accounts show that, after providing for all charges, including general and depreciation reserve, there remains a balance of £59,790. The Preference dividend for the year and a dividend of 5 per cent. net on the Ordinary shares amount together to £61,595, leaving £33,565 to be carried forward.

tax, distributed for the year 1945. This requires a net provision of £13,832, leaving an increased balance of £32,992 to be carried forward.

BALANCE SHEET

The total of invested funds is shown in the balance-sheet at £1,327,779 and, of this figure, approximately 90 per cent. consists of British Government securities. The aggregate market value of the investments is in excess of their aggregate book value. The total assets of the company stand at £1,621,204, compared with £1,444,608 last year.

Regarding the account as a whole, I feel there is reason for us to be satisfied with the progress achieved during the year under review. In closing, I would again record our thanks to the company's friends in the London market and to our representatives at home and abroad for their valued support of the company throughout the past year.

The report and accounts were unanimously adopted.

VENEZUELAN OIL CONCESSIONS, LIMITED

LARGER PRODUCTION AND PROFIT

The thirty-first annual general meeting of The Venezuelan Oil Concessions, Limited, was held, on the 1st instant, in London, Sir Andrew Agnew, C.B.E., the chairman, presiding.

The following is an extract from his statement circulated with the report and accounts:—

The profit and loss account for 1946 shows a profit of £1,012,942, an increase of £244,620 over 1945. Although we have had to meet rising costs of production during 1946, we produced a much larger volume of crude oil and, in consequence of the upward tendency of the oil market, we received higher prices for our production. The increased profit arising from these factors has brought us within scope of the U.K. Excess Profits Tax and no less than £7,492,101 has been reserved against our liabilities to the Venezuelan and U.K. Treasuries for income taxes and other taxes on profits.

In consequence of this retention of profits in the business, the nominal value of the share capital by no means represents the total amount which we have invested in our undertaking in Venezuela. The balance-sheet generally shows a position of strength and we have ample funds on hand for further expansion. Your board considers the financial position to be thoroughly sound. Under the circumstances, they feel justified in recommending a final dividend of 2s. 4d. per share, making a total distribution for the year of 3s. 3d. per share.

Venezuelan production averaged about 886,000 barrels daily in 1945, and about 1,065,000 barrels daily in 1946; during the first five months of this year the rate has been approximately 1,160,000 barrels daily. Our own production has been increasing at a proportionately somewhat higher rate and our output for this year to date has averaged 238,000 barrels daily, representing an annual total of some 87,000,000 barrels.

As in my statement last year, I must couple my reports of rising output and higher prices with references to the still increasing producing costs in Venezuela. The advance in labour costs, which became effective on June 1, 1946, represents in direct wage increases and indirect benefits, a rise of at least 40 per cent. This wage agreement is operative only until the end of this year. Another extra item of cost is involved in the obligation undertaken in the labour contract to submit to the Government a draft pensions plan covering both daily workers and monthly employees on the Bolivar payroll.

The report was adopted.

HARLAND AND WOLFF, LIMITED

RECORD OUTPUT OF NEW TONNAGE

SIR FREDERICK REBBECK'S SPEECH

The sixty-second annual general meeting of Harland and Wolff, Limited, was held on the 26th ultimo, at the registered offices of the company, Queen's Island, Belfast. Sir Frederick E. Rebeck, D.Sc., D.L., chairman and managing director of the company, presided.

The Secretary, Mr A. T. Marshall, O.B.E., read the notice convening the meeting and the report of the auditors.

The Chairman referred to the report of the directors, which it was agreed could be taken as read. He felt sure the stockholders would regard the report and accounts as satisfactory. He went on to say: The company's output of new merchant tonnage has again achieved the record for the year in the shipbuilding and marine engineering industry. The total tonnage of ships launched was over 180,000 gross tons, and the output of machinery totalled over 310,000 I.H.P. The tonnage launched from the company's yards at Belfast and Glasgow consisted of passenger ships, cargo liners and tankers, and H.M. Aircraft Carrier Eagle. The Aircraft Carrier H.M.C.S. Warrior was completed and commissioned during the year.

RECONDITIONING AND REPAIR WORK

Our establishments at Belfast and on the Clyde, as well as the repair works at London, Liverpool and Southampton, have also played an important part in the reconditioning and repair of a large volume of merchant tonnage, including many well-known passenger liners, which are so urgently required for the immediate relief of sea transport. The return to service of these vessels, fully restored to their peace-time conditions, has received much favourable comment.

Until towards the end of the year under review there was no serious interruption in the supply of materials required in the industry. The output which we were thus able to attain at all our establishments required the services of approximately 40,000 workpeople.

The shipbuilding industry is making an important contribution to the national export drive, and our present programme of work

includes orders for French, Dutch, Norwegian and Argentine owners. We also have orders in hand for diesel engines for pipeline service in the Middle East.

We have entered into an agreement for a term of years with the English Electric Company, under which we will undertake, at our ordnance works on the Clyde, high priority work for national power schemes and for the export market.

PRICES AND SUPPLY UNCERTAINTIES

We have a considerable volume of work in hand at all our establishments, but the uncertainty regarding prices and supplies of materials may have a serious effect on our future prospects. Some owners are deferring the placing of orders in the hope that prices may fall, but the outlook in this connection is very obscure. It is the concern of the shipbuilding industry to prevent further increases in cost, and to do all in their power to reduce current prices in spite of the difficulties.

In recent months the position in regard to supplies of materials and equipment has been difficult and, so far as the most important items of steel and timber are concerned, the situation is acute and work is being delayed in all directions. The drastic rationing of steel to the shipbuilding industry is naturally having a serious effect on our entire production programme. Ships, by carrying exports and earning foreign currency, are important export factors, and the decision to exclude steel for shipbuilding from the priority list is a very serious one. We hope that this will be reconsidered at an early date. Shipbuilding is so much an assembling industry that success depends on the availability of materials at the time they are required.

PROPERTIES FULLY MAINTAINED

The company's properties and plant have been fully maintained during the year. The reconstruction work necessary at our Belfast works as a result of enemy action has been practically completed, but considerable air raid damage has still to be made good at our branch establishments. This work will be put in hand as soon as material and manpower are available, and the necessary licences forthcoming.

Once again we were honoured by a Royal visit, when in April of this year Her Royal Highness The Duchess of Kent visited our Belfast works to name the Light Fleet Carrier Centaur for His Majesty's Navy.

The chairman took the opportunity of

expressing the Board's appreciation of the loyal support and high standard of service rendered to the company by its employees.

The chairman then formally moved the adoption of the report and accounts, which was seconded by Sir John Craig and unanimously approved.

Thereafter Mr Wm. Strachan, jr., Mr Atholl Blair and Mr L. V. Dunlop, the directors retiring by rotation, were re-elected and the auditors, Messrs Price Waterhouse and Company, were reappointed.

The meeting terminated with a unanimous vote of thanks to the chair.

RIO DE JANEIRO CITY IMPROVEMENTS COMPANY, LIMITED

TERMINATION OF CONCESSION

The eighty-fifth ordinary general meeting of The Rio de Janeiro City Improvements Company, Limited, was held on the 25th ultimo in London.

Mr Francis M. G. Glyn (the chairman) said that in his statement he had said that the board was considering the question of the continuation of the company as an investment trust. The board had, however, decided that it would not proceed with the original suggestion of changing the company as a whole into an investment trust.

There were many complicated matters to be settled as between the company and the Brazilian Authorities. It was difficult to say when the negotiations would be concluded. There was no reason, however, why a substantial part of the liquid assets should not be returned to shareholders. The board proposed, therefore, as soon as practicable, to make a return of capital of 15s. per share. When the negotiations were concluded it would be possible to ascertain what available balance was on hand and the board would then consider whether the company should be put into liquidation or, in its modified form, be continued as an investment trust.

The report was adopted.

The following is an extract from the chairman's circulated statement:—

It is a matter of great disappointment that we should no longer be entrusted with the drainage of the City of Rio. Our concession was expressed to be terminable on April 25, 1947, and the Government of the United States of Brazil decided to hand over on that date to the Municipality of Rio all installations, vessels, plant, machinery and so on which were included under the heading of Drainage Works.

APPOINTMENT OF FIRE AND ACCIDENT MANAGER. Progressive Home and Foreign Fire and Accident Business, invites applications from Senior Executives having wide underwriting experience in both Departmental Assistant-Managers and supporting technical staff will be made at appropriate times and in consultation with present Appointee. The Company already transacts a sound nucleus of business in both age between 35 and 48, with highest technical qualifications, proved initiative, energy and personality required to develop the many contacts the entire organisation and long-term development of these two Departments. Remuneration would consist of high-level Salary plus Profit Commission. Excellent opportunity for the right man. Application of age, experience, qualifications, present position and salary, to Solicitors C 675, c/o Streets, 110, Old Broad Street, E.C.2.

APPLICATIONS ARE INVITED FROM CHARTERED OR INCORPORATED ACCOUNTANTS for service with Control Commission for Germany. Candidates must have wide industrial experience, preferably in coal, oil, power and chemical industries; good knowledge of German language essential. Salary £600 to £1,320 according to qualifications and experience, plus single men, also tax-free foreign service allowance £90 p.a. married men, £25 p.a. single men. Free board and accommodation in Germany. Contracts may run to September 30, 1950. Applications should be made in writing, giving full name, date of birth, qualifications, experience, to Ministry of Labour and National Service, 1-6, Tavistock Square, London, W.C.1, quoting reference number F.B. 35/6. Original testimonials should not be forwarded. No acknowledgments except to candidates summoned for interview.

INTERNATIONAL firm requires Accountant in twenties, willing, after approximately six months' training, reside and travel Far East, view supervising accounts and administration of local branches. Write, stating qualifications and experience, to Box 516.

Statistical Summary

GOVERNMENT RETURNS

For the 9 days ended June 30, 1947, total ordinary revenue was £88,740,000, against ordinary expenditure of £53,385,000 and issues to sinking funds £10,000. Thus, including sinking fund allocations of £2,349,015, the surplus accrued since April 1st is £217,892,455, against a deficit of £275,206,004 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1947-48	Receipts into the Exchequer (£ thousand)				
		April to June 1946	April to June 1947	Week ended June 29, 1946	Week ended June 30, 1947	9 Days ended June 30, 1947
ORDINARY REVENUE						
Income Tax	107,300	200,494	186,451	19,472	13,804	
Surplus Tax	80,000	11,395	12,430	450	650	
Stamp Duties	155,000	37,815	42,083	1,960	5,200	
Stamps	57,000	7,880	10,370	370	600	
V.D.C.	202,000	7,364	5,490	595	600	
E.P.T.		72,264	44,779	3,903	4,854	
Other Inland Rev.	1,000	118	90	14	5	
Total Inland Rev.	156,800	337,330	301,693	26,764	25,713	
Customs	736,960	139,879	199,907	9,505	19,295	
Excise	643,040	137,000	133,500	24,000	23,000	
Total Customs & Excise	1,380,000	276,879	333,407	33,505	42,295	
Motor Duties	50,000	5,141	5,755	201	...	
Surplus War Stores	95,000	545	29,318	...	...	
Surplus Receipts from Trading	55,000	...	20,000	...	20,000	
Post Office (Net Receipts)	...	...	...	Dr 350	...	
Wireless Licences	11,000	1,110	2,140	390	470	
Crown Lands	1,000	190	210	10	30	
Receipts from Sundry Loans	21,000	3,519	3,931	...	125	
Miscellaneous Receipts	270,000	4,262	143,592	284	106	
Total Ord. Rev.	345,100	628,977	840,046	60,805	88,740	
SELF-BALANCING						
Post Office	144,230	30,200	33,700	2,300	2,150	
Income Tax on E.P.T. Refunds	49,000	51,011	5,649	5,782	321	
Total	364,420	710,188	879,395	68,887	91,211	
Issues out of the Exchequer to meet payments (£ thousands)						
April to June 1946	April to June 1947	Week ended June 29, 1946	Week ended June 30, 1947	9 Days ended June 30, 1947		
ORDINARY EXPENDITURE						
Int. & Man. of Nat. Debt	525,000	102,777	112,963	713	1,458	
Payments to N. Ireland	23,000	2,216	4,882	443	696	
Other Cons. Fund Services	8,000	639	545	323	226	
Total	556,000	105,632	118,391	1,479	2,381	
Supply Services	262,567	796,383	501,414	86,623	51,004	
Total Ord. Exp.	318,167	902,015	619,805	88,102	53,385	
SELF-BALANCING P.O. & Broadcasting	144,230	30,200	33,700	2,300	2,150	
Income Tax on E.P.T. Refunds	49,000	51,011	5,649	5,784	321	
Total	337,459	983,226	659,154	96,184	55,856	

After decreasing Exchequer balances by £334,617 to £2,671,746, the other operations for the week decreased the gross National Debt by £57,123,398 to £25,460,000.

NET RECEIPTS (£ thousand)

P.O. and Telegraph	3,500
Gifts from Australia and New Zealand	30,000
	33,500

NET ISSUES (£ thousand)

E.P.T. refunds	392
Local Authorities Loans Act, 1945, Sec. 3 (1)	4,400
War Damage: War Damage Commission	2,000
Civil Contingencies Fund	5,000
Finance Act, 1946, Sec. 26 (7), Post-war Credits	165
Finance Act, 1935, Sec. 30 (1), 3 per cent. Local Loans Stock	100
	12,057

CHANGES IN DEBT (£ thousand)	
NET RECEIPTS	NET REPAYMENTS
2½% Defence Bonds 1,518	Treasury Bills 77,113
Tax Reserve Certs. 4,316	Nat. Savings Certs. 900
Other Debt:—	3% Defence Bonds 2,231
Internal 1	Treasury Deposits 1,500
External 744	
Ways & Means Adv. 18,045	
Vanities 24,624	81,744

* Including £1,634,000 paid off on maturity.

FLOATING DEBT (£ million)

Date	Treasury Bills		Ways and Means Advances		Treasury Deposits by Banks	Total Floating Debt
	Tender	Tap	Public Depts.	Bank of England		
1946						
June 29	1930-0	2492-6	425-6	10-5	1390-5	6249-3
1947						
Mar. 22	2185-0	2690-9	582-6	2-25	1434-0	6894-7
" 31	2185-0	2699-7	613-5	...	1456-5	6954-6
Apr. 5	2185-0	2704-4	592-7	18-75	1443-5	6944-4
" 12	2185-0	2728-8	580-6	...	1463-5	6937-9
" 19	2185-0	2708-6	583-8	...	1463-5	6941-0
" 26	2190-0	2692-1	519-9	...	1463-5	6865-5
May 3	2190-0	2661-5	507-9	...	1463-5	6822-9
" 10	2190-0	2629-4	401-3	...	1463-5	6684-1
" 17	2190-0	2627-1	348-0	5-25	1463-5	6633-8
" 24	2190-0	2620-1	327-5	...	1463-5	6601-1
" 31	2180-0	2603-3	337-5	1-5	1463-5	6585-8
June 7	2180-0	2584-9	341-5	5-5	1463-5	6575-4
" 14	2180-0	2592-1	347-1	10-25	1453-5	6582-9
" 21	2180-0	2614-4	341-9	10-0	1443-5	6589-8
" 28	2180-0	2537-3	369-9	...	1442-0	6529-2

TREASURY BILLS (£ million)

Date of Tender	Amount		Average Rate of Allotment %	Per Cent. Allotted at Min. Rate
	Offered	Applied for		
1946				
June 28	150-0	267-9	150-0	10 1-86
1947				
Mar. 28	170-0	296-9	170-0	10 2-51
Apr. 3	170-0	293-9	170-0	10 2-60
" 11	170-0	296-2	170-0	10 2-57
" 18	170-0	280-7	170-0	10 3-10
" 25	160-0	291-8	160-0	10 2-72
May 2	160-0	308-0	160-0	10 0-84
" 9	170-0	296-3	170-0	10 1-38
" 16	170-0	281-2	170-0	10 1-62
" 23	160-0	284-6	160-0	10 1-66
" 30	170-0	282-5	170-0	10 1-45
June 6	170-0	290-5	170-0	10 1-49
" 13	170-0	277-7	170-0	10 1-61
" 20	170-0	282-0	170-0	10 1-65
" 27	170-0	288-4	170-0	10 1-43

On June 27th applications for bills to be paid on Monday, Tuesday, Wednesday, Thursday and Friday were accepted as to about 46 per cent. of the amount applied for at £99 17s. 6d. and applications at higher prices were accepted in full. Applications for bills to be paid on Saturday at £99 17s. 6d. and above were accepted in full. £170 million (maximum) of Treasury Bills are being offered for July 4th. For the week ended July 5th the Banks will be asked for Treasury deposits to an amount of £60 million (maximum).

NATIONAL SAVINGS (£ thousand)

	Week Ended		Totals Mar. 31 to June 21 1947
	June 22 1946	June 21 1947	
Savings Certificates:—			
Receipts	1,500	2,200	74,600
Repayments	3,250	2,700	33,400
Net Savings	Dr 1,750	Dr 500	41,200
Defence Bonds:—			
Receipts	1,670	2,000	22,390
Repayments	2,623	672	8,169
Net Savings	Dr 953	1,328	14,221
P.O. and Trustee Savings Banks:—			
Receipts	11,975	11,256	149,195
Repayments	9,544	13,863	147,809
Net Savings	2,431	Dr 2,607	1,386
Total Net Savings	Dr 272	Dr 1,779	56,807
Interest on certificates repaid	520	540	7,005
Interest accrued on savings remaining invested	2,164	2,265	27,089

BANK OF ENGLAND

RETURNS

JUNE 25, 1947

ISSUE DEPARTMENT

Notes Issued: £	Govt. Debt ...	11,015,100
In Circulation ...	Other Govt. Securities ...	1438,218,408
In Bank of England Department ...	Other Secs ...	756,924
	Coin other than Gold ...	9,568
	Amount of Fid. Issue ...	1450,000,000
	Gold Coin and Bullion (at 172s. 3d. per oz. fine) ...	247,833
		1450,247,833

BANKING DEPARTMENT

Capital ...	£14,553,000	Govt. Secs ...	£350,990,660
Reserves ...	3,625,405	Other Secs ...	17,729,694
Public Deposits ...	8,504,267	Discounts and Advances ...	17,729,694
Other Deposits ...	318,248,949	Securities ...	35,399,608
Bankers' ...	84,900,168	Notes ...	81,523,689
Other Assets ...	413,209,117	Coin ...	1,977,832
	439,891,789		439,891,789

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

COMPARATIVE ANALYSIS (£ millions)

	1946		1947	
	July 3	June 18	June 25	July 2
Issue Dept.:				
Notes in circulation	1367-6	1393-5	1395-0	1398-7
Notes in banking department	32-6	56-8	55-2	51-5
Government debt and securities*	1399-1	1449-2	1449-2	1449-2
Other securities	0-8	0-7	0-8	0-8
Gold, at 172s. 3d. per fine oz.	0-2	0-2	0-2	0-2
Banking Dept.:				
Deposits:				
Public	7-7	10-3	8-0	8-5

AGGREGATE ASSETS
at 31st March, 1946
£78,536,586

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ANNUAL INCOME EXCEEDS £16,300,000
ASSETS EXCEED £97,000,000
CLAIMS PAID EXCEED £181,000,000
(1946 Accounts)

DOMINION OF CANADA
FOUR PER CENT. REGISTERED STOCK 1953-58

For the purpose of preparing the Interest Warrants due September 1, 1947, the Balances will be struck on the evening of August 1, 1947, after which date the stock will be transferred ex-dividend. For the Bank of Montreal, Financial Agents of the Government of the Dominion of Canada in London.

A. D. HARPER, Manager,
47, Threadneedle Street, E.C.2. July 1, 1947.

URWICK ORR & PARTNERS, LTD., have not yet been successful in finding candidates they require for their consulting staff in the Control Division. Further applications are invited from qualified accountants or secretaries who have had industrial or commercial experience, in addition to some years of professional career and who have an understanding of the use of accounting procedures as a tool of management. A good basic education is essential and the desirable age range is 32-40 years. Successful candidates must be prepared to spend several months continuously resident in different parts of the country (apart from week-ends). High level of remuneration commensurate with responsibility entailed. Applications, giving details of qualifications and career to date, should be submitted in writing to the Company's offices at 7, Park Lane, London, W.1.

BRITISH Zone of Germany. English-speaking German business man, resident Bielefeld district, offers service and advice to British trade visitors. Representation undertaken. Wide experience in England and Germany; first-class references either country. Write Meyer, 18a, Highbury New Park, London, N.5, or telephone London, Clissold 1004.

ABLE, youngish man required for London Cosmetic Firm. Must have knowledge of Office Organisation, Advertising, Sales Management and be accustomed to responsibility and authority. Starting salary £1,200 to £2,000 according to qualifications and experience. One or more languages an advantage. Full details of past experience to Box 512.

CHARTERED Accountant. Young man required for administrative position in Cosmetic Manufacturing Company near London. Starting salary £1,200 to £2,000 according to qualifications and experience. Full details of past experience to Box 511.

UNIVERSITY OF LONDON.—The Senate invite applications for the Readership in Economics (Banking and Currency) tenable at the London School of Economics (salary £800-£1,000-£1,200). Applications must be received not later than September 4, 1947, by the Academic Registrar, University of London, Senate House, W.C.1, from whom further particulars should be obtained.

UNIVERSITY OF LONDON.—The Senate invite applications for the Readership in Colonial Administration tenable at the London School of Economics (salary £800-£1,000-£1,200). Applications must be received not later than September 4, 1947, by the Academic Registrar, University of London, Senate House, W.C.1, from whom further particulars should be obtained.

WANTED: All copies of *Economist*, 1946, and issues February 22nd and March 1, 1947. Replies to Hulton Press Ltd., 43/44, Shoe Lane, E.C.4.

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Further particulars may be obtained from The Secretary, Universities Bureau of the British Empire, 8, Park Street, London, W.1. Closing date for the receipt of applications is July 18, 1947.

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Full particulars of the post may be obtained from the Principal, Technical College, Hopwood Lane, Halifax, and applications should be returned to the undersigned within a fortnight of the appearance of this advertisement.

C. E. GENT, Chief Education Officer
West House, Halifax

COUNTY TECHNICAL COLLEGE, GUILDFORD
Principal: J. R. I. Hepburn, D.Sc., Ph.D., F.R.I.C., F.I.M.
COMMERCE DEPARTMENT
Head of Department: J. H. McInnes, M.A. (Glas.), M.Ed. (Durham), B.Comm. (Birm.).

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Session 1947/48 commences on September 15, 1947.
Particulars on application to the Principal, County Technical College, Stoke Park, Guildford.

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The Economist

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Forever Amber

TUESDAY'S debate on import policy was unquestionably the most important economic occasion since the inquest on the state of the nation last March. It proved to be a drab, dispiriting and directionless affair. The nation is heading at breakneck speed towards a crisis of dollar insolvency; its prospective deficit on external account during the next twelve months is of the order of £450 million; it is living, quite plainly and obviously, beyond its income. And what is the policy of the Government to meet a situation which could, within a matter of months, jeopardise the British economy and the people's standard of life? Let Mr. Morrison answer:

The Government did not feel it right to impose, shortly after the war, any greater degree of austerity than actually had to be imposed on this country. . . . The Government are quite clear, having given deep and prolonged thought to this matter, that they should not impose cuts of a scale which would require a drastic adjustment of our standard of living until it is perfectly clear and certain that this is the only course open to us.

So Mr Micawber is still waiting, even at the twelfth hour. A series of trifling cuts is the only decision of policy, though Mr Morrison was forced to admit that, measured by the arithmetic of dollars, the cuts would be too little and too late. It may be interesting history to dilate on the contribution which Britain has made to winning the war and constructing the peace. But history is not policy. Nor is the analogy of wartime mutual aid, which Mr Morrison pressed into service as a possible remedy for the world's present ills, a dependable or even a respectable solution of Britain's problem.

The Government's painful hesitation is understandable, but even politically the point is surely that it is the job of government to lead, and that good leadership, however unpleasant its tasks, pays good dividends. The first duty of the Government, as the Lord President truly stated, is to keep Britain in full production, in full employment, in good health and in good heart. It is not to give hostages to fortune when time is running so desperately short. Britain has no right or reason to expect a current deficit of this order to be covered wholly or even mainly out of the proceeds of a new version of mutual aid or any other outcome of the Marshall offer. Mr Morrison might well reflect on the attractiveness of lend-lease in enabling its beneficiaries to spend beyond their income. But propping up the bastion of democracy is one thing; propping up an elderly and impecunious European aunt is another. The refusal of Poland, Yugoslavia, Rumania and Bulgaria to defile themselves with the root of all evil may relieve Britain from some embarrassing competition from countries whose needs are infinitely greater than its own. But, even so, what exactly is the common bond of mutuality which would impel a Middle Western Senator to guarantee to Britain a standard of living still well above the European average? Would America accept this as a rational system of international finance? And are Americans so despairing of the resilience of their own economy that they are ready to accept the principle, as enunciated by Mr Morrison, that gifts to other countries are a positive advantage because they promote stability of employment and a high national income? The American electorate is hardly likely to be moved by such a degree of economic

sophistication. It will show an old-fashioned desire to see its dollars back with interest. It will demand to know whether it is American or British incapacity that accounts for the lower productivity of British industry, and why America should pay for what are, in large part, its consequences.

Mr Morrison was plainly right when he claimed that the gap cannot be filled by cutting imports; equally certainly increased production and exports cannot provide the entire short-term solution. But the debate revealed no intention on the Government's part of making a real effort to reduce the gap by these means. The import programme, large though it is, could easily be larger. Food, if dull, is adequate, and imports of manufactures can be temporarily postponed. But imports of raw materials cannot be deferred without doing further damage to British industry, and they are running well below the level which is needed to give industry a chance to show what it can do. The worst shortages, in coal and steel, are largely for Britain to rectify. But their acuteness merely masks—and sometimes fails to mask—the equally hand-to-mouth supply of many imported raw materials. Yet it is a dangerous and supine doctrine to assert that Britain cannot increase production enough to make some difference in the short run. Production has already recovered impressively from the February slump in many industries—motor vehicle output, for instance, reached a new high level in May. The crucial question is whether the proper proportion of the current output of British industry is being devoted to paying for essential imports—whether, in addition to a standard of living which is being partly paid for on credit, the British consumer is not getting too many motor cars, too many houses, and too many clothes.

It is surely debatable, to take up another of Mr Morrison's points, to say that Britain cannot quickly increase exports or reduce imports by direct measures without imposing an unreasonable cut in the basic standard of living—the standard, that is, which is needed to maintain working efficiency. The Chancellor of the Exchequer, with perhaps unconscious wisdom, pointed to one main line of approach—to cut down inflation and to reduce the pressure of demand in the home market; though, in characteristic fashion, he distorted the plain common sense of a call to arrest the rise in British prices and production costs into an attack on full employment and the national standard of living. A debating point is no answer to plain facts. A reduction of inflationary pressures would correct many of the distortions in the British economy, and by taking some of the easy profits out of the home market, would stimulate manufacturers to seek more business abroad. A return to wartime levels of taxation, a reduction of Government expenditure, and tighter controls over all but the most vital expenditure on physical capital are unpleasant measures for both the politician and the general public to contemplate. But until they have been faced, can the Government honestly claim to have made the best effort to correct the balance of payments deficit and the inflationary situation at home? And is it necessary, at this time of day, to make, once again, the case for an effective wages policy? Is it beyond the capacity of the Government (with or without Mr Deakin's blessing) to convince the nation of the simple fact that more money wages cannot mean a higher standard of living, that they merely increase the level of British costs of production and prevent the undermanned industries from obtaining an adequate share of labour? The faded injunctions of last January's White Paper on labour and wage policy have been buried beneath an avalanche of wage increases and shorter working hours. How does the Government regard the morality of working less and eating more?

The Government are undoubtedly right in claiming that the present levels of food and raw material imports cannot be cut to any large extent without affecting production. Nor are their costs likely to become cheaper—at any rate appreciably cheaper—if America again comes to the rescue; for the whole

sales value of the Marshall offer within the dollar countries lies in its promise that it will ensure that commodity prices will not break. But the fact that British imports are almost trimmed to the bone does not mean that no other savings are possible. Is it quite beyond the bounds of possibility to save £50 or £75 million in the overseas expenditure of the Government? The stock arguments about national prestige and giving a free hand to trouble-makers are wearing a little thin already, and they will vanish into thin air if the Government, having gambled on something turning up, has to announce one Friday afternoon that the dollars have run out, and that rations must be cut from the following Monday by a third.

Good government, good economics and good sense clearly dictate, at this stage of crisis, that increased production, reduced pressure of home demand, and increased exports are the only worthy policy. The sellers' market may be dying, but it is not by any means dead. The pace of world recovery would be brought to a standstill if Britain imposed a series of panic cuts on imports and failed to increase the exports, particularly of capital goods, for which the world will remain hungry for a long time to come. A bigger slice of durable goods production—everything, that is, not urgently needed for current consumption—could still be guided into the export markets. The export quota for cars has been increased; could it not be raised even higher? Why choose this, of all moments, to announce an increase in the clothing ration when 14½ million dollars have recently been spent on Japanese cotton cloth so that Lancashire can supply the Colonies? How great a contribution, in labour, scarce imports, and domestic output would be provided by a temporary reduction of, say, 100,000 houses in the current programme?

These measures would be severe and would doubtless not wholly close the gap. A new drive for British exports would have to face the fact that, in many areas of the world, sterling is now a scarce currency—a miniature rival of the dollar—and even in countries where it is not scarce, the doctrines of non-discrimination mean that a cut in dollar purchases must be automatically accompanied by a cut in sterling purchases. The slowness of world recovery, the succession of natural disasters since the war, the enormous rise in commodity prices during the past year—all these are factors for which no Government is to blame and which no Government unaided can remedy. But they are not going to be solved by a system of European mendicancy and American patronage. Britain is capable of helping itself—to some extent. It would surely be preferable to transpose Mr Morrison's words and say that the Government should impose cuts which entail some adjustment of our standard of living unless it is perfectly clear and certain that this course can be avoided. To base policy—or the negation of policy—on the assumption that the United States will willingly and inevitably solve Britain's problems is a bad example both to the British people and also to European countries whose plight is at least as serious as our own.

A solution has to be found, and found quickly, whether or not it is to the taste of the public, the Government, and the keepers of their conscience behind the scenes. And some attempt at a considered and sincere policy must be on the table in a matter of days, not months. The country is tired of solemn warnings followed by yet another recourse to the banker. It may be that even the best attempt to meet our obligations and to maintain a fair standard of living might fail. But, if so, Britain would at least have the satisfaction of feeling that it failed, not because it asked for charity and was refused, but because it exhausted every resource of effort and skilled leadership and still found it not enough. Only the purblind would say that the economic signals shining out over Britain to-day are still yellow; yet the Government seem quite prepared to act in a haze of forever amber. The colour is red—for danger

The Shadow of the Ruhr

THE attendance at the Paris Conference may not, after all, precisely reflect the division of Europe into Soviet and Western spheres of influence. The Czechs have accepted the Anglo-French invitation and, at the moment of writing, the Finns have not refused; the absence of the Poles, Rumanians, Jugoslavs, and Bulgarians seems certain. Whatever their number, the presence of delegates from Eastern Europe is not likely to alter Russia's fundamental hostility to the whole idea of a Marshall plan. The bitter accusations of treachery and imperialism thrown at Mr McNeil and M. Philip by the Soviet representative at the meeting of the Economic Commission for Europe in Geneva are a foretaste of the campaign which will be waged against the plan by every means in Russia's power. The conferring States, together with their American sponsor, must expect to work under conditions which will be as unfavourable as the Russians, by their influence on local parties and trade unions and by their use of propaganda, can possibly make them.

This campaign of propaganda is only just beginning, but some of its main lines are already clear—that the plan involves the economic enslavement of Europe by American capitalism, which is acting in a desperate attempt to stave off a slump, that Britain and France have "sold out" to Wall Street, that the idea of pooling European resources will wreck the national plans and infringe the economic sovereignty of the European states. One line, in particular, is likely to be given prominence—that the Marshall offer is really a cover for America's determination to restore the Ruhr to full working efficiency and that for the Americans the revival of Germany is the first European priority. On the day the French Communist leader, Thorez, made this allegation in the French Assembly, the *Daily Worker* appeared with a report of the Foreign Affairs Committee of the House of Representatives, which appeared to give German reconstruction top priority. The coincidence is obviously not accidental and it may well develop into the Communists' chief line of attack. Certainly, it is a fruitful one. Uncontrolled German industrial revival appears to the French, to the Czechs and to the Poles, and, for that matter, to the Dutch and the Belgians, to contain a double threat—a threat to their military security, and a threat to their hopes of replacing German industry by their own. It is also a challenge to their strongly held view that allies—not ex-enemies—should receive first consideration under any plan of reconstruction. The Communist attack will also be made more effective by the fact that west German industry is a subject upon which the Western allies are largely in disagreement.

This fundamental difficulty may not appear in the first days of the conference. The delegates will be occupied with

questions of procedure and the underlying points of principle may not emerge at once. But the discussions cannot develop far without the question of the Ruhr moving to the centre of the stage. The Ruhr presents the allies with three problems. The first is the level of production to be permitted; the second is the type of authority which should supervise the area; the third is the disposal of the Ruhr's products in a divided Europe. This third point has not yet received much attention and cannot, therefore, be said to cause major disagreement among the allies at present. But once the period of acute shortage and steel famine is overcome, it is possible that the Ruhr will be competing with France, the Benelux Union, Britain and the United States for markets very considerably reduced by the separate development of Eastern Europe. Any long-term plan which finds itself restricted to Western Europe will be compelled to face this problem. For the moment, however, it is on the level of industry and the type of control in the Ruhr that the controversy turns.

The French attitude to these two points is clear cut. The French do not wish to see a revival of the Ruhr iron and steel industry beyond the point permitted in the Allied Plan for the level of industry—in other words, an annual output of 5.8 million tons of steel. To replace the loss of production represented by this figure—the Ruhr is estimated to have produced some 14 million tons in a "normal" year—the French demand that their industry should be expanded to produce 15 million tons of steel a year, an expansion which is possible only if the Ruhr produces very large quantities of coal and exports them to Lorraine. On the question of controlling and managing this development, the French published a memorandum last February outlining proposals for an international authority in which ownership of the Ruhr's coal and steel would be vested and whose responsibility would extend down to the management. This, then, is the essence of the French approach to the Ruhr—more coal and less steel and direct management by the Allies.

The British have consistently supported a figure of some 11 million tons of steel for the Ruhr's annual production and accepted the lower figure with great misgiving. They argue that in an industrial area as inextricably interwoven as the Ruhr a reasonable output of steel is a condition of securing a high output of coal. They blame the present failure of coal production to rise not only on inadequate rations but upon the decision taken two years ago under the Potter-Hyndley Report to concentrate on the export of coal and to allot an altogether insufficient quota of coal to local reconstruction. They have, therefore, been very ready to consider any reason-



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able plan for raising the level of German industry and it is likely that an Anglo-American decision to do so may be announced very shortly. The British do not welcome the idea of an international authority, first because they wish to continue to run their own Zone themselves, and secondly because they believe the experience of the French in the Ruhr in 1923 and 1924 suggests that direct Allied management will hamper production, not increase it. In fact, the British intend to hand over almost complete responsibility for production and distribution to the Germans on July 15th, and consider that the socialisation of mining and heavy industry, with possibly some sort of international commission for broad surveillance, will be a sufficient method of control.

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The British and the French thus disagree at every point on policy for the Ruhr and two years have not overcome the divergence. Unfortunately, the beginning of a much more active American interest, both governmental and private, in the Ruhr has not resolved the differences, but has introduced new variations on the troubled theme. The Americans appear to share France's distrust of the British administration of the Ruhr. The criticism is often heard that neither in Britain nor Germany are the British getting the coal out of the ground. It is therefore likely that the Americans will insist before the year is out that the Ruhr should be managed either under Anglo-American control or under tripartite administration with the French. The American case will be all the stronger since it is clear that Britain cannot much longer meet half the costs of occupation in dollars.

So far there need be no conflict between the Americans and the French. Nor would the French necessarily reject the tentative project suggested by the International Bank—that its loans should finance the Ruhr's revival under an authority possibly representing the chief users of Ruhr coal. The French might even accept a feature of the plan which is disturbing to British opinion and would be instantly exploited by the Communists (whose hold on the Ruhr miners is not negligible)—that is, the possibility that private as well as government capital might form part of the total American aid, and that the body administering the credits would resemble a private cartel rather than an international authority. The Americans are known to oppose the idea of socialising Ruhr industry. They would almost certainly oppose it equally if the plan for socialisation were transferred to the international field. But the French (not to speak of the Czechs and the Poles) will certainly find it almost impossible to accept the chief feature of the new American approach—the desire to expand industry in the Ruhr as rapidly as possible (some observers have spoken of 18 million tons as the target for steel) and to give that expansion the first place on Europe's list of priorities. From an economic point of view, the American attitude is understandable. The gap between Europe's present scale of production and Europe's needed scale of production is almost precisely equivalent to the tremendous cut in German output.

The American concentration on the Ruhr has unfortunately been reinforced by a marked change of mood that has come over official and unofficial opinion in the United States in the last six months. It is still a mood rather than a policy, but it may be strong enough to affect policy vitally now that a plan for Europe is coming under concrete discussion. In essence, the mood is one of disillusion with America's wartime allies—Britain and France (and incidentally China). The British and the French have received loans and assistance, it is argued, and what has been the result? France faces a severe economic crisis and is riddled with strikes. The British have failed to increase coal output and are running a deficit of £450 million a year in their trading accounts. Is there any point, the argument runs, in giving further substantial aid to countries which

so obviously do not keep themselves? And may not the alternative be to concentrate attention on such hardworking peoples as the Germans and the Italians (and the Japanese)? No doubt, American thinking does not follow quite these over-simplified lines, but the speech made by Mr Dean Acheson at Jackson, Mississippi some two months ago in which he called for revived German and Japanese production, Mr Stassen's address in which first priority for reconstruction went to the Ruhr, Mr Hoover's appeal for the revival of German industry and finally Mr Clayton's warning to the British Government during his recent visit, that the British claims could be considered only as part of a Western Europe plan and would not necessarily receive a high priority, all point in the same direction—towards an American policy based upon the revival of ex-enemies and a certain depreciation of the efforts of wartime friends.

It is impossible not to be very seriously disturbed at the possibilities of deadlock, hostility and recrimination latent in this very complex situation. Yet if the Marshall offer is not to result in fundamental disagreement on principle, there must be some coming together of Allied opinion, some pooling of differences and some willingness for a compromise solution. The position today is that while the French and the Americans agree on inter-allied control and the British do not, the British and the Americans believe in a higher level of industry and the French do not. And this deadlock is reinforced by the lessening value the United States appears to attach to Anglo-French co-operation. Can any compromise be coaxed or screwed from this unpromising situation? Clearly it will demand some sacrifice of opinion from each of the Powers but it is at least possible to sketch out some potential lines of advance. The British record in the Ruhr coalfields and in Ruhr industry generally is not so brilliant that the suggestions the Americans and the French make for technical improvement should be automatically dismissed. Nor can the British afford much longer to run a separate zone on borrowed dollars. It seems clear therefore that the British should accept a more complete fusing of the Zones (with the French Zone included) and should agree to the setting up of a joint interallied authority or board of trustees or similar body to oversee the Ruhr. On the French side, the concession should be readiness—perhaps without prejudice to a long-term scheme for a new level of industry—to co-operate in getting German output up to say 5 or 6 million tons of steel in the next eighteen months, even if this policy meant abandoning for a time the hope of larger deliveries of Ruhr coal. The greatest change in attitude would, however, need to be made by the Americans and the difference should lie as much in the psychological approach as in any concrete economic measures. The first point would be to give the rehabilitation of British and French (if they come in, the Polish) mines and of the French and Czech industry at least as high a priority as the industries of the Ruhr. The second would be to conceive of the new joint authority for the Ruhr on the lines not of American domination but of cordial Allied co-operation such as was achieved during the war in Shaeft. The third point in a new American approach would be to realise that economic plans are inseparable from politics and that, to put it bluntly, an American plan to base European revival upon a German heavy industry built up as a cartel by private capital might well bring the Communist Party to power in France and in the Ruhr, and complete the absorption of the Czechs and the Poles in the Russian system. The memory of the Nazis is not so dim in Europe—within walking distance of the concentration camps—as it may (understandably) be on the far side of the Atlantic. It will in any case take all the wisdom and statesmanship there is in the world to coax Europe together. But if, lurking behind the reunion, there is a possibility of a future domination of Europe by a revived Germany, the plan is doomed to fail before it is even born.

Peace with Japan

“THAT is causing us to think very hard and very deep,” said Mr Bevin, speaking in London on July 8th, about the problem of making a peace treaty with Japan. It is now generally agreed that a peace conference for Japan will precede any which may ever be held for Germany. General MacArthur has called for a treaty within a year from now, Australia is also pressing for an early settlement, and Commonwealth discussions on the subject are to be held in Canberra next month. Japan is in the same category as the European satellite nations with which peace has already been made, in so far as it has a single recognised Government—and is unlike Germany, which has no central Government and no prospect of having one in the near future. Japan is free, moreover, from the special complications arising from the zonal division of Germany; for the authority of General MacArthur as Allied Supreme Commander extends over the whole country. This does not mean that the making of peace with Japan is going to be an easy matter or that the fate of Japan does not confront the victors of the Pacific war with an acutely difficult problem. If Japan has escaped the political disintegration of Germany, its economic plight is quite as serious and its position as an object of rivalry between Russia and the United States is very similar. From the British point of view the international situation with regard to Japan can give rise in some respects to even greater anxiety, for whereas in Germany Anglo-American co-operation has been obtained to a high degree and is a great factor of stability, in the Pacific the friction between the United States and Australia renders it much more difficult to reach a good understanding between London and Washington.

It is the economic situation in Japan which, more than anything else, is making a settlement in the Pacific a matter of urgency. This situation is becoming more and more acute as Japanese industry uses up the last of the fairly large stocks of raw materials which were left in Japan on VJ day and, being no longer required for war purposes, could be turned over for civilian production. It is these stocks which, by rendering possible a limited, temporary industrial recovery, concealed for a while the economic ruin which had overtaken the country. When the stocks were exhausted, Japan had no means to replenish them and the extreme poverty of its own natural resources was starkly revealed. There should, of course, have been nothing surprising in this, for the basic facts of Japan's industrial development were well known to experts on the subject. But in the hour of victory those who made the decisions on the Allied side saw only the war potential which had made it possible for Japan to strike so dangerously in December, 1941, and which must therefore be abolished by every possible means. Those were the days when eminent public personages talked of the “pastoralisation” of Germany and Japan, and an Allied general announced that the defeated enemy would get just enough relief from famine “so that their rotting corpses don't infect our troops.” Apart from the resolve to obtain future security by “de-industrialising” the enemy, there were powerful economic motives in operation: on the Russian, French and Chinese side mainly to obtain capital re-equipment and supplies by means of reparations, on the British and American side to eliminate German and Japanese commercial competition for the future. So all the emphasis was negative and destructive, on completing the havoc which the bombers had already carried so far.

A change of mind was bound to come. Once military administration was instituted and Allied Governments became responsible for the territories under their control, it gradually became clear that a certain minimum of economic life must be

maintained. It was not seriously proposed to exterminate the conquered peoples; therefore they must have enough food to sustain life. Moreover, the occupation forces themselves largely depended on local supplies and public utilities; they had an interest, therefore, in preventing a complete economic breakdown. But soon it was found that the minimum required to keep things going involved imports which the defeated countries were no longer able to pay for by export trade and which the victors had to provide out of their own revenues. Thus the deficit economies of Western Germany and Japan became charges on the British and American taxpayer—a state of affairs which aroused a lively discontent, especially in the less long-suffering beast of burden on the western side of the Atlantic. By a force of logic which even ex-pastoralists had to admit, it came to be accepted that the enemy economies, if they were to pay their way, must no longer be demolished, but on the contrary rebuilt.

This conclusion has been reinforced by considerations of another order. The danger of infection from rotting corpses is no longer the only cause of apprehension to the victors from misery and starvation in defeated countries; there is concern also about the minds of the former enemy nations. As long as it appeared that the victors were united, it was plain that the defeated and disarmed peoples were powerless to resist the force which controlled and it did not seem to matter what they thought or felt. But, as the great rift between Russia and the Western Allies became daily more visible to all, the political sentiments of the conquered were also seen to have some importance. It also began dimly to be appreciated in London and Washington that in a competition for political influence the advantage under existing conditions lay with Russia. Breakdown of the economic order was liable to turn the masses towards Communism, and if and when Communist rule was established, its dictatorial methods of government would enable it to defy unpopularity. But to give stability to a multi-party parliamentary democracy and avoid violent revolutionary upheaval a certain vitality of the body economic, if not a condition of definite prosperity, must be maintained. It is now a commonplace of argument in America in support of aid to war-wrecked countries, whether Allied or ex-enemy, that economic revival in each case is a prophylactic against Communism. Japan is no exception to this principle; economic aid is seen as a means of giving it internal political stability and at the same time keeping it within the American rather than the Russian orbit after the withdrawal of American occupation forces.

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If American aid to Japan is not to be a continuing subsidy, as it is now, and is to make Japan solvent within a term of years, it must be on a very large scale. Japan's modern industry has been highly artificial in the sense that it has been built up on a very slender base of homeland fuel and raw materials. Japan has evolved an economy exceptionally dependent on imports both of foodstuffs and raw materials. The population has more than doubled in three quarters of a century and, even though the birth-rate is gradually falling, there will be a considerable natural increase over the next twenty years. No great expansion of food production in the homeland is possible, and now that Korea and Formosa have been lost their food supplies are not available to supplement Japan's own production except through foreign trade. Moreover, in Japan as elsewhere, figures of total food production capacity cannot be taken as actual because the farmer himself is not an automatic machine; he depends on incentives. The altruistic farmer (*agricola philan-*

thropus) is as rare a species in Japan as in Germany, France, Britain or America. If the towns can give him nothing in exchange for his produce except a fixed price in paper money which will not buy any goods, he does not see why he should work to feed the towns, or if he does sell, it will be by barter in the black market where something of value can be obtained in return. In Japan there has long been a marked animosity between the countryside and the towns and to-day the Japanese farmer tends to regard the unproductive town-dweller as a parasite. Feeding the poorer classes in the towns has become a major problem for the Government and not until there is an adequate supply of industrial consumers' goods can it be fully solved even as regards home-grown foodstuffs; any coercion of the farmers not only requires a large police force but is politically dangerous for the party which attempts it.

If Japanese industry is unable to produce enough goods to induce the farmer to part with his harvest at controlled prices, still less can it now compete in foreign trade to provide Japan with essential imports. Japanese export trade was built up first on raw silk, and secondly on a wide range of light industries in which cotton and rayon textiles were most conspicuous; over the decade before 1941, and of course especially during the war, there was a development of heavy industry, which was mainly used for armaments and the capital equipment of Korea and Manchuria, but could theoretically provide civilian goods for export now that Japan has been disarmed. To-day Japanese raw silk has only very limited prospects because of the competition of nylon; industrial plant, both heavy and light, has been greatly reduced by bombing and what remains is mostly worn out or obsolete; raw material stocks have been used up; and, as nobody knows what will be the future permitted level of industry or how much plant will in the end be taken for

reparations, there is little inducement to invest in such capital improvement as is possible.

Japan's principal assets at present in seeking economic aid from America are first that the country has a unified and orderly state administration, and secondly that the Japanese have had a good reputation in the past for payment of debts and for efficiency of business administration. Japan has gained greatly by contrast with the chaotic condition of post-war China, and there is a strong disposition in America to regard it as altogether a safer proposition for American money. Meanwhile a peace treaty is desirable at an early date in order that the level of industry may be definitely fixed, that the American army of occupation (now a major charge on the Japanese budget) may be withdrawn and that the question of the American "strategic frontier" may be settled without further delay. There is indeed attraction for Americans in the idea of a disarmed Japan, rescued from feudalism and converted to democracy and Christianity by General MacArthur, protected against perils from the mainland by the loving care of American air power from bases not too remote, and paying its way as the American-financed workshop of Asia in ways which would not threaten conflict with American interests. The trouble is that some other nations, for various reasons, find less pleasure in this picture. Russia does not relish the thought of Japan as a permanent American satellite adjacent to the coast of Siberia, and many a spanner may yet be thrown into the works from Moscow. Nor do the countries which suffered most from Japan's pre-war trade expansion like the idea of its renewal as a subsidiary concern of the United States. There will indeed be plenty to talk about when it comes to peace-making with Japan and it is good that the Foreign Secretary has recognised the need for "very hard and very deep" thinking on the subject.

The Virtuous Monopolist

ECONOMIC institutions, like dogs, may be given bad names and hanged. Far as public opinion has travelled since the golden age of the classical economists, "monopoly" is still definitely a bad name. It conveys to the hearer the notions of sinister greed, of fantastic and immoral profits, of the hard-faced exploitation of public need. The dealings of Jacob with Esau are morally more repugnant, because more cold-blooded, than those of Cain with Abel. On the other hand "rationalisation" and "self-government in industry" are not bad names. They suggest order and seamliness, gardens in the economic jungle, the rule of law among the cut-throats. Economic theory, cautiously seeking a terminology both accurate in content and unemotional in association, prefers to speak of imperfect competition—and does so in a manner discouragingly incomprehensible to the lay mind. This is unfortunate, for if there is one subject on which, more than another, a keen and well-informed public opinion is needed, it is precisely this question; a question wider than, though akin to, that of the proper boundaries of public and private enterprise; the question of how to deal on the one hand with competition which promises to become self-destructive, and on the other with the situations which arise when it has been destroyed.

The nineteenth-century impulse to pulverise back into its constituent atoms any organisation which had grown large enough to control, by deliberate restriction of output, the market price of its wares, long ago proved itself futile. There is no need, in order to demonstrate that futility, to invoke the limiting case of an industry in which the technically most efficient size for a firm is one big enough to supply the whole market, nor the textbook example of unique natural resources, nor yet the unbridled lust for power of the wicked and megalomaniac

capitalist. Under the stress of a slump any heavily capitalised business with overheads to cover will sell at a loss rather than incur a heavier loss by not selling at all; any of its competitors will go one better rather than see the last of their markets overrun; and at a certain point the survivors will conclude an armistice, draw up a self-denying ordinance against further warfare, and establish, in one form or another, a governing body to see that this ordinance is observed.

When this sequence has played itself out, a monopoly has been born, whatever the organisation may call itself. It need not by any means be a bold, bad buccaneering monopoly of the kind lambasted by the classical economists. It is far likelier in this day and age to be cautious and even reasonably public-spirited, and to refrain from such flagrant abuse of its newly acquired power as might tempt authority to intervention. That power may not indeed be very great, if passable substitutes for its products are actually or potentially available, or the field is not too forbiddingly difficult for the entry of newcomers not bound by the original treaty. Indeed, the exquisite peace and quiet reigning in a newly cartelised industry has, since the first world war, been so impressive that Governments have not waited for battle and negotiations to run their course, but have often intervened with compulsory powers to "rationalise" the competing units—as witness the forerunners of nationalisation, such as the London Passenger Transport Act. Where Governments have not hurried on the process of monopoly-forming, they have allowed nature to take its course; war-time "concentration" and other exigencies of control have played their part, and the result is that the fields of economic activity in which competition is wholly free—in which any newcomer can try his hand, selling as much as he can profitably

produce and charging such prices as his judgment of the market freely indicates—are now, even leaving war and post-war restrictions out of account, the rare exception rather than the rule.

A good deal of this process is, of course, a by-product of the trade cycle. Depression notoriously breeds restriction; and a policy of full employment should in time remove much of the incentive to limit competition. But a full employment policy demands, if it is not to be hampered from the start and hamstrung in the end, not merely a halt to new restrictive practices but a prompt abandonment of the restrictionist mentality. This is less easy. A quota allocated some time back in the thirties is a wonderfully comfortable feather bed for the tired business man; a base price which all other concerns can be trusted to observe because of the penalties attached to undercutting tends delightfully to peace of mind. And, indeed, what cause has the general public to grumble? The modern British monopolist does not drive Esau's bargain, he does not reap inordinate profits, he does not rampage like his American opposite number in the lobbies of the legislature, he is not perceptibly corrupt, he may not even be grossly and obviously inefficient. Why not let well alone? After all, in a semi-planned society, it is much easier for the state to deal with a few big well-organised units speaking with one voice than with a mass of quarrelsome individualists; and how beautiful is peace!

Traces of this frame of mind are perceptible in the recently published reports of the Committees appointed respectively by the Ministries of Works and of Supply to inquire into the organisations dominating the manufacture of cement and of textile machinery.* Though both, particularly the latter, are open to criticism on specific points, neither is a conspicuously badly behaved or aggressively-motivated monopoly. On the contrary. Both were formed in mutual self-defence at the trough of the depression; neither has made exorbitant profits. The internal structure of the Cement Makers' Federation is democratic, and though that of Textile Machinery Makers, Limited, is less so, the shares of its dominant company are too widely distributed for any question to arise of a stranglehold exerted by a few "malefactors of great wealth." TMM is the result of a merger, a form of combine giving ample scope for rationalisation; the CMF, a cartel organisation, has quotas revisable at five-yearly intervals, so that any firm too willing to rest on its laurels is liable to find a share of its business transferred to more energetic members of the Federation. Finally, there is no suggestion that the skeletons of murdered inventions are to be found in the closets of either. With a sheet so clean of the traditional crimes of monopoly, why should anyone worry about them?

The loudly expressed discontent of the textile industry over TMM might well be taken as an adequate answer. But even were that discontent (largely directed against TMM's export policy) assuaged by some particular changes, there would still be plenty to worry about. Within both organisations there are wide differences between the operating costs of different units—TMM, indeed, is only just beginning, after sixteen years of existence, to set up a proper costing system. In both, research is a Cinderella. Neither in TMM, with its closely-knit central control, nor in the CMF, with its nominally variable quotas, has there been any attempt to concentrate production at the more efficient units. Possibly the more efficient have their hands so full, both administratively and technically, that they could not, even if they were allowed to, take away any business from the weaker vessels; possibly the cement quotas of 1934 or the machinery output of 1931 still correspond to just that division of resources, in manpower, capital and raw material, which would preserve just so many high-cost units in being as are needed to satisfy total demand. Possibly. But is it probable? The Committee on Textile Machinery do not think so, and even the

*Cement Costs: Report by the Committee appointed by the Minister of Works. Interim Report of the Committee of Investigation into the Cotton Textile Machinery Industry.

milder-spoken Report on Cement Costs expresses misgiving.

In a world of plenty and a self-sufficient Britain one might indeed say, "Well, what of it?" Efficiency may have too high a price. The driving force of competition is hard on the human element in industry. Let the convoy travel at the pace of the slowest, and no one's boilers will burst. What the public lose materially on the swings as consumers they will more than gain on the roundabouts as producers. The trouble is that this attitude, particularly attractive to a community most of whose members are dog-tired and longing for an ingredient of lotus in their diet, is disastrously inappropriate to the Britain of to-day. It is distastefully true that we work or want; and mere work is not enough, it must be work where work is most telling, work under conditions of the utmost technical and managerial efficiency. And that means that no one has a moral right, merely because he is doing a job passably well, to prevent someone else from trying to do it better; still less so, of course, if his performance is obviously inefficient.

That is the right claimed by even the most virtuous monopolists; and that is why the two Reports are so inadequate on the policy to be followed in dealing with monopolies in general. The Committee on Cement Costs found no evidence that new potential producers had, in fact, been deterred from entering the industry. Of course not. Confronted as they are by that impregnable barrier, buttressed by deferred rebates and armed with disguised transport subsidies, which guard the Federation's position, few potential competitors would be likely even to envisage themselves as such. A passing bright thought, quickly abandoned, that something could be done in cement if it were not for the ring is not likely to be subsequently offered as evidence to a committee of inquiry. Yet every economic advance, large or small, must have begun with a bright thought—and must also have made some established interest uncomfortable. One might as well deduce the innocuousness of a upas tree from the absence—since passers-by know enough to avoid it—of any actual corpses in its shade.

Needless to say, it is not only in private industry that a solution of the problem of monopoly is needed. It is still more needed where the rôle of the private combine is filled by a national body whose economic powers are backed by legal sanction. Theoretically, a perfectly integrated, publicly owned and publicly administered industry, whose constituent parts have no profit-making axe to grind, should be able to "play at competition," to "compete within glass walls," and to achieve the social justification of competition—the rapid spread of the best methods, the shifting of human and material resources to their point of highest productivity, the constant approximation of every part of the highest pitch of efficiency known—more swiftly, smoothly and painlessly and with less incidental waste and duplication than any group of independent and blindly battling units. Actually, the effect seems at least as likely to be the replacement of the profit motive by the trouble-saving motive; the gain from the absence of secretiveness and duplication being balanced by a cautious reciprocal willingness to let sleeping dogs lie, even when they are dogs in the manger. It is probably impracticable to devise any administrative machinery or to make any legislative provision which will prevent this all too natural development; its possibility is the price to be paid for the advantages of integration, whether under private or public control. The Russian method of keeping suspended over each executive's head a sword of Damocles in the shape of a possible trial for sabotage is hardly likely to commend itself here; the best that can be done is to encourage in those who, for the public's benefit, are to "play at competition," something of the man-eating ferocity and zest for victory which inspired the real thing in the bad old days. It is not enough for monopolists to protest, and for committees of enquiry to verify, that they are not King Storks. It is equally important for the national welfare that they should not be King Logs.

NOTES OF THE WEEK

The Royal Betrothal

Princess Elizabeth's betrothal to Lieutenant Philip Mountbatten will cause general pleasure. The Princess has earned the respect and affection of the people by her wholehearted acceptance of the trying royal round of public and official activity and by the simplicity with which she performs her multifarious duties. And from the affection has risen the natural hope that when the time came for her to marry, she would be able in her peculiarly difficult and special circumstances to choose a husband whom she really loved and not one to whom she would become betrothed for dynastic reasons. But to hope both for a love match and for a suitable consort is to hope for much, and in the past not all queens have had the good fortune of Queen Victoria.

Princess Elizabeth, however, is following the happy precedent of her great-great-grandmother. Not only is the match one of obvious affection; Lieutenant Mountbatten fulfils all the qualifications of eligibility. He is young, he is good looking, he is a commoner but of royal blood, he is related to one of the most popular and distinguished public servants in the country—the Viceroy—and he has served with conspicuous success in Britain's most popular service—the Royal Navy. Under these conditions, it is reasonable to hope that he will in the arduous public career that lies ahead of him play his part in cementing the links of affection, respect and friendliness between the Royal Family and the people upon which the British Monarchy is fundamentally built.

* * *

The Planning Board

The establishment of an Economic Planning Board, whose membership was announced by Mr Morrison on Monday, was first decided upon last March. In the three-day economic debate which followed the appearance of the Economic Survey for 1947, Sir Stafford Cripps told the House of Commons that the Government had decided to set up, first, a Chief Planner with a small staff and also a small board, representative of the planning staff and both sides of industry, which would enable the Government to consult industry as a whole on economic planning.

It has taken some time for the members of the board to be chosen, but now they are known they provoke little surprise, for as is usual in such appointments the representation of interests is carefully balanced. With arithmetic precision, the Board consists of three nominees of the Federation of British Industries and the British Employers' Confederation; three nominees of the Trades Union Congress; the Permanent Secretaries of three Government Departments—the Board of Trade, the Ministry of Labour and the Ministry of Supply; and three members of the Central Economic Planning Staff. In addition to these trinities, there is the Director of the Economic Section of the Cabinet Office and the Chief Planner himself, Sir Edwin Plowden, who will be in the chair.

Whether the Board will play any real part in planning seems very doubtful. Mr Morrison described its functions as being

to advise His Majesty's Government on the best use of our economic resources; both for the realisation of a long-term plan and for remedial measures against our immediate difficulties.

But how can a Board on which there is such equal representation of, in some respects, conflicting interests come to any big decisions? Such general economic planning as the Government, and Government Departments, allow is surely the task of Sir Edwin Plowden and his staff. Presumably the main object of the new Board is to enable the Government to put across more easily any policy that it may decide upon. It would, for instance, be easier to introduce a system of payment by results if the Government had secured the prior agreement of the TUC. But it is as well to realise that this method of putting plans into force has grave drawbacks. The Board is likely to be as obstructive as constructive, and will tend to whittle down plans to the lowest common measure of agreement. Its establishment is a further step in allowing big business—the smaller manufacturers, it may be noted, are not represented on the Board—and the TUC a veto on matters of high policy. It marks more progress towards the corporate state, but hardly towards the planned Socialist state the Government claims to have set in motion.

Discipline in the Coalfields

If evidence were needed of how little aware the people of this country are of their economic plight, it exists in the coalfields. Barely two months after the introduction of the five-day week the irresponsibility of the individual miner is revealed in Mr Shinwell's warning last week-end that the coal industry cannot afford to have passengers, that miners must work the full five shifts or go. The action of some of them, he said, was "deplorable." They had formed a habit of working one, two or three shifts a week and absenting themselves for the remainder.

That Mr Shinwell, whose position as Minister is commonly thought to rest on the miners' support, should feel moved to use such strong language is revealing enough. But his words are given even more force by Lord Hyndley's grave warning to the annual conference of the National Union of Mineworkers. In a letter to Mr Horner and in person he referred to the Coal Board's concern about the continued occurrence of unofficial stoppages, and gave a warning that if the Board and the union between them could not find a way of checking unofficial strikes, the Board would have to consider whether to resume the practice of prosecuting the striker for breach of contract. In an industry where relations between labour and management have such a bad tradition, the Coal Board has hitherto wisely avoided prosecution in the interests of building up good relations. But it is quite clear that some miners are utterly uninterested in good relations or anything else except how to obtain as much money as possible for as little work as possible. In the interests of the majority of miners, let alone the interests of the country, these wreckers should be prosecuted.

Yet it is a damaging commentary on the position of the trade unions today that the Mineworkers' Union has to leave the disciplining of its own members to somebody else. At the conference, both Mr Lawther and Mr Horner strongly condemned unofficial strikes. But this is nothing new; every time an unofficial strike occurs, in any industry, it is condemned by the union officials—with no effect. In the coal mines, voluntary absenteeism and unofficial strikes can be tolerated no longer, and the threat of action at last given by Lord Hyndley is in welcome contrast to the appeals and exhortations that are all that members of the Government rely on. More pay, more consumer goods, extra rations, a shorter week—all these incentives have been given to the miners to induce them to work harder and produce more. And the Mineworkers' Union has this week passed a resolution to press for an increase of £1 a week in the minimum wage. But none of these incentives has resulted in the output of coal that is wanted. They have only added to the cost of what coal is produced. The miners have only themselves to blame if the Coal Board now decides that the time has come for less rewards and more punishments.

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Coal Culprits

If some British voice does not say soon that many of Europe's political and economic difficulties are due to Britain's failure to export coal an American voice will. Mr Lawther missed an opportunity when he brought international politics into his speech on Monday to the conference of the National Union of Mineworkers. He was all for "standing alongside" the Soviet Union and for refusing to "sit at the foot of a new financial oligarchy": in other words, he did not like the prospect of further European dependence on American policy and aid. He might have gone further and explained to his audience how it had lain—and still does lie—in their power to make western Europe less dependent on dollars and credits by restoring that surplus of 35 million tons of British coal which was available for export in 1938. The argument is complicated but not beyond Mr Lawther's powers of exposition.

It is briefly this: that if British coal exports were at their 1938 level instead of being virtually non-existent the demands of France would have been met in full and her recovery would be far more advanced than it is. She would then have been able to reduce her demands on the Ruhr for coal which could have gone into the reconstruction of German transport, into producing consumption goods for the miners, and into the delivery of new mining equipment. Quicker German recovery would have saved Britain dollars, by providing goods with which German food imports

could have been paid for. In fact the vicious circle in which the west German economy moves would have been broken earlier. Britain has not escaped. The current wheat harvest is estimated at less than 10 per cent below the 1946 crop of 1,350 million bushels (excluding Russia), compared with a pre-war average of 1,670 million bushels. The Soviet harvest is reported to be good and above recent levels, and there will no doubt be an exportable surplus for necessitous countries politically worth helping. The European grain deficiency for the next twelve months has been put at between 30 and 33 million tons, of which 25-28 million tons are in bread grains alone. And this deficit will be larger than the exportable world surplus.

It is little use crying over lost coal, but foreigners—particularly Americans—are puzzled by our unblushing complacency over this failure of a major industry to provide exports. And the British, controlling as they do the Ruhr, look like chief culprits to anyone planning European reconstruction; for Germany's contribution to Europe's coal has fallen from 40 per cent to 15 per cent, while Britain's contribution has fallen from 32 per cent to a negligible figure. If the United States were not now contributing 27 per cent of Europe's coal needs, at the cost of 400 million dollars a year in 500 ships, the European coal deficit would be catastrophic. Of all the dollar extravagances caused by the war this is one of the worst. And there is no sign that Mr Lawther, or any other man charged with leadership in the coal industry, is preparing to cut it down. If the British could export coal and the Russians could export wheat to Europe, then there would indeed be a basis of common achievement from which to reduce dependence on the generosity and commercial sense of the Americans.

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Turning the Corner in France?

M. Ramadier, encouraged by successive votes of confidence in the Chamber of Deputies and in the National Council of his own party, is more determined than ever to continue the arduous task of governing France in defiance of hardening Communist opposition. The split on foreign policy, now that France and Russia are following separate paths on the Marshall offer, has made the Communists more intransigent, and they have dropped the pose of being a "parti de gouvernement"—an attitude they maintained since they left the Government.

The Socialists are certainly divided on internal policy; in particular the Party is concerned at the extent of the concessions to *laissez-faire* which may have to be made in order to keep the Radicals inside the coalition. It was on this issue that the final vote of the Socialist Council showed the Party divided into two almost equal halves: 2,576 for M. Ramadier and 2,056 against him. But on foreign policy the Socialists voted to a man for a resolution fully approving the Anglo-French initiative.

It can safely be assumed that the immediate result of the breach with the Communists will be a deterioration in the strikes situation, with the Communist trade union leaders exploiting the social discontent to impress and embarrass the Government. The nerve centre of unrest will again be the mines, where the workers only gradually returned to work after the last strike, which cost the nation between 3 and 4 million tons of coal. Not very much "orchestration" will be needed in the present conditions of disorder and distress, in which the one thing that has clearly emerged is that "strikes pay," particularly in the publicly owned sectors of industry.

M. Ramadier and his friends are counting on a gradual improvement of the situation as a result, in the first place, of the new harvest and, secondly, of the outcome of the international agricultural conference now meeting in Paris, which they hope will enable the French to improve the quality as well as the quantity of bread for the coming year. They also hope that external aid under a Marshall Plan will raise French productivity and enable the national economy to absorb higher wages. Finally, the Government may reasonably hope for some relief as a result of the public reaction against the strikes, which has been increasingly apparent within the last two weeks. Meanwhile, M. Ramadier believes it is a question of turning the corner. Whether he succeeds or not will depend partly on the scale of external aid, but also on the ability of the parties inside the coalition to sink their differences and evolve a coherent economic policy which, since the end of the Blum experiment, has been sadly lacking.

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Why Europe Goes Hungry

It is less than eight weeks since Mr Clinton Anderson, the United States Secretary for Agriculture, issued the warning that the food prospects next year are likely to be worse than now. The conference he then suggested began in Paris on Wednesday with nineteen countries taking part. It was convened by the Food and Agriculture Organisation to discuss the international supply and distribution of cereals over the next twelve months.

Statistically, the world grain position has deteriorated. The severe winter has wrought havoc with the European crops, which Britain has not escaped. The current wheat harvest is estimated at less than 10 per cent below the 1946 crop of 1,350 million bushels (excluding Russia), compared with a pre-war average of 1,670 million bushels. The Soviet harvest is reported to be good and above recent levels, and there will no doubt be an exportable surplus for necessitous countries politically worth helping. The European grain deficiency for the next twelve months has been put at between 30 and 33 million tons, of which 25-28 million tons are in bread grains alone. And this deficit will be larger than the exportable world surplus.

The current American wheat crop is expected to produce 1,400 million bushels, which will surpass the record figure of 1,156 bushels for last year, while Canadian prospects are also favourable. Even if the South American countries have a harvest of similar size to that of the past season, there would still be a gap between world consumers' requirements and world producers' exportable surpluses. But the problem goes deeper than one of supplies. Most European countries are faced with a dollar shortage, yet bread from abroad they must have; the maintenance of the present high grain prices means that imports of other goods have to be reduced. Were Europe able to withhold from purchasing cereals in the Western hemisphere, the effect on world prices would be drastic. But it is more likely that dollars will be made available under a Marshall Plan or some other scheme to sustain European demand.

The United States has already rendered great services in alleviating the world food shortage, and the American citizen at the moment is making a sacrifice for Europe by paying high food prices, bolstered up by relief exports. But the suspicions of Europe are aroused by other things. It seems strange that the United States, disinterestedly concerned for the welfare of the world, should again last month, at the Washington meeting of the International Wheat Council, refuse to meet the demands of other grain producers for larger export quotas, and of the consumers for lower prices. Such tactics suggest self-interest—selfish interest in the maintenance of high world grain prices.

It is difficult to see what value the present Paris Conference will have. What is required is either considerably increased supplies delivered quickly, or the provision of an adequate international scheme for allocating food. The present arrangement under the International Emergency Food Council cannot work satisfactorily so long as there is no restriction on consumption in the main producing areas. Australia and New Zealand have given a clear lead to the world in this respect, in rationing their own consumption of meat and dairy produce. It is not suggested that all countries should have the same quantitative rations, but provision for the vital needs of some countries should not depend on the unplanned "exportable surplus" of others.

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Farm Wages and the Consumer

Judged by the criterion of doing justice to a relatively poor section of the community, who have not yet gone on strike to get a forty-hour week, the recommended increase of a further 10s. in the farm workers' minimum wage (bringing it to 90s.) must be welcomed; but its probable adverse effect on the food consumer cannot be denied. The machinery for agricultural price-fixing is now such that an increase in wages is likely to mean a more than equivalent increase in guaranteed farm prices, for not only will the extra wage packet—estimated at £25 million—be passed on in prices, but it is accepted by the Government that the labour of the farmer himself and of his family should be valued at a level that takes account of increases in wage-rates. Under their informal agreement with the Government the farmers can ask for an immediate special review adjusting prices upwards and have in fact already done so; and no doubt Mr Williams's desire to maintain harmonious relations with the National Farmers' Union will ensure that any awards given now will be fully consolidated at the next annual price review. Who is to pay the extra cost? It cannot easily be the taxpayer. The Treasury is anxious, and rightly so, to prevent food subsidies from costing more than their current enormous rate of £400 million a year—indeed, it should have drawn the line much sooner, and Mr Dalton will make a big mistake if he permits any further increase. Therefore it can apparently only be the food consumer who will pay.

There is one other possibility. The price of imported food may fall even while that of home-produced food rises—thus disclosing the wide gap between the two price levels which *The Economist* has always believed will eventually appear. But the

signs are not yet very propitious. The moral for the Government is thus clear. It is essential to prune, not to raise the food subsidies; and it is even more essential to prevent the price of food to the consumer from rising rapidly or far. This can only be done if the cost of home-produced food is stopped from following wages in an upward spiral. A firm and intelligent price-fixing policy, which steers British agriculture into its most suitable branches of production, and a real policy for the elimination of the grave wastages of food distribution—these are the two things which can leave the farm worker with his modest new wage without bringing further hardship to taxpayer or consumer. But they require a degree of statesmanship on the part of Mr Williams and Mr Strachey which those two Ministers have still to make manifest.

Civil Service Pay Claim

The officer cadre of the Civil Service, comprising some 4,000 men and women out of a total of over 700,000 civil servants, have just staked their claim to an increase in pay. Their case is very strong. For thirty years the salaries of this class of civil servant have been falling in relation to the rise in the cost of living, while at the same time their responsibilities have grown heavier, their hours longer, and the advantages of security and pension slighter. This process was greatly accelerated by the war, and the growing sphere of centralised control makes it very improbable that it will be reversed. It may be that in another five years some of the grueling pressure may have relaxed, but the leisured days of Trollope are gone for ever. In addition, their work calls for imagination and enterprise, qualities which are far rarer than those demanded for the negative and regulatory forms of administration expected formerly. The demand for such men is, therefore, the greater.

In 1913 the head of a large department received £2,000, in 1920 £3,000, in 1947 £3,500; on an average the salaries of the top ranks of the Administrative grade rose by 70 per cent over this period, while the two lower ranks—of Principal and Assistant Principal—rose by 50 per cent. Over the same period the cost-of-living index, which is officially admitted to under-estimate the rise in prices, rose by 104 per cent. Thus at a time when their responsibilities were growing their financial position was worsening. Civil servants are not alone in suffering a fall in their standard of living since 1939, but in few cases can the relation between burdens and rewards have moved so far apart. The present claim does not cover the heads and deputy heads of departments, but it is here that the discrepancies are most glaring. The chairmen of the Coal and Steel Boards receive £8,500 per annum, of the Central Electricity Board £7,000, of the Port of London Authority £7,500. These are bids in the open market. It may well be that these salaries are too high, but those of their civil servant opposites are too low.

It would be embarrassing to the Government to grant the present pay claims now, but there is a case for at least promising a review in two years' time, and meanwhile for granting such reasonable expense allowances as would enable civil servants to meet business men on fairer terms.

A Disproportionate Sacrifice

To save some \$3,000,000 the Chancellor has dealt a heavy blow at the Press. The gain to the balance of payments is insignificant, but the loss to the public and to the daily newspapers is serious. Few industries have already made such large sacrifices

over the past eight years as the newspaper industry in order to save first shipping space and subsequently dollars.

British newspapers are already among the smallest in the world, and the proposed cuts now look like reducing them to their smallest wartime size. The modest increases which were permitted last year—for example, the extra page for the four-page dailies—will now disappear and with them much of the most

NEWSPRINT SUPPLIES
000 tons

Year	Imports	Production	Consumption
1939	35.3	15.38	23.1
1944	11.3	2.85	5.4
1945	15.5	3.11	5.9
1946	8.7	5.67	7.2

valuable sections of the papers. Those daily newspapers which have taken their responsibilities seriously have devoted much of this extra space to parliamentary reports and serious comment, and a reduction in these will do the Labour Government a far greater disservice than Mr Dalton and his colleagues appear to realise. Even now the public as a whole appear oblivious to the economic crisis that is upon it. Smaller newspapers is not the best way to bring it home.

One further aspect of the reduction deserves comment. In 1945 the newsprint contract with the Canadians, which was negotiated with the Government's full agreement, was rudely broken at a time of the ending of lend-lease. Only the most painstaking and delicate negotiations, again with Government agreement, persuaded the Canadians to renew the contract on terms which were far less advantageous than they could have secured by selling newsprint to the United States. Now without prior consultations or any apparent thought for the political consequences of the relations between this country and Canada, this long-term contract is to be broken again—and all for the sake of \$3,000,000.

Franco's Referendum

The referendum on the future organisation of the Spanish State has come at a time when the fortunes of Franco may undergo some modification. No one will under-estimate the Caudillo's capacity, like a child's toy with lead in its feet, for bobbing upright after pressures or crises that would have toppled a less shrewd and tenacious man. But the regime cannot isolate itself entirely from the outside world, and the events of the next months may be exceedingly testing.

So long as America and Britain were Russia's more or less active allies, fear of Communism was sufficient to counter the attractions of Western democracy. But now the rift is growing in Europe, and there are strong forces in Spain anxious for close rapprochement with the West. To this Franco is an insuperable obstacle. The British and American Governments will no doubt swallow a great deal, but not a Caudillo. Franco may attempt to counter this mood by arguing—as does Perón—that the world may again be divided by war, and that it is the job of Spaniards to keep out of such a struggle. And indeed it must be admitted that if the danger of war increased, and the presence of Franco offered the Spaniards any chance of neutrality, the overwhelming majority would opt for peace.

But suppose the development is on quite other lines. Suppose the Marshall Plan begins to bring prosperity to a Europe from which Russia has, for the time being, excluded itself. The Spaniards would then see the food, the fuel and the capital which they need desperately to end inflation and restore production flowing into Western Europe under impeccably non-Communist auspices, and they would be excluded simply because of the Franco regime. It is not unreasonable to suppose that under such conditions the potential alliance of moderate Socialists, Monarchists and dissident generals which has given Franco considerable uneasiness in the last year might become a formidable fact.

To this development the referendum of July 6th is purely irrelevant. As a piece of free voting it was a farce. As a proposal it alienated all Socialists and Republicans by confirming Franco in power and all Monarchists by making the "royal prerogative"

depend upon Franco's choice. Under these conditions one is left wondering why the regime troubled to hold the referendum at all.

Perón Offers Moral Leadership

When the ruler of a country broadcasts to the world with every possible solemnity and then devotes his time to the condemnation of extreme ideologies, general offers of material and moral assistance and assurances, that the spirit and action of our country will always be at the service of the forces of good, to overcome the forces dominated by evil...

he must not be surprised if people ask in a rather puzzled way what it is all about. Equally, he must not resent their speculations about his real meaning. President Perón clearly felt that he had something very important to say last Sunday, but his broadcast rarely departed from the plane of principle and platitude. His offers of assistance may, of course, be an attempt to map out a place for Argentina in a Marshall plan. Europe is potentially Argentina's best trading partner, and President Perón may argue that too exclusively American sources of aid might choke future trade channels. But the more likely explanation is that the Perón broadcast is one more incident in the President's effort to combine two more or less contradictory policies—on the one hand, to attest, underline and generally demonstrate Argentina's independence, strength and claims to Latin American leadership, and, on the other, to play a part in pan-American co-operation which, whatever Argentina may think about it, the other nations clearly support. Moreover, now that American plans for joint hemispheric defence have taken precise shape, and are to be discussed in the course of the summer, Argentina would be in danger of being outstripped in armaments by its neighbours if it were to abstain. But President Perón chafes at the dominance of the United States in pan-American councils, and loses no occasion of asserting a separate policy. Special diplomatic links are being sought with Brazil and Chile, and the heads of state have exchanged visits. And, by those who suspect the perfect correctness of every aspect of Argentine diplomacy, the President is also accused of forging unofficial military links with Paraguay and Ecuador, to the detriment, Brazilian Deputies complain, of Brazilian security.

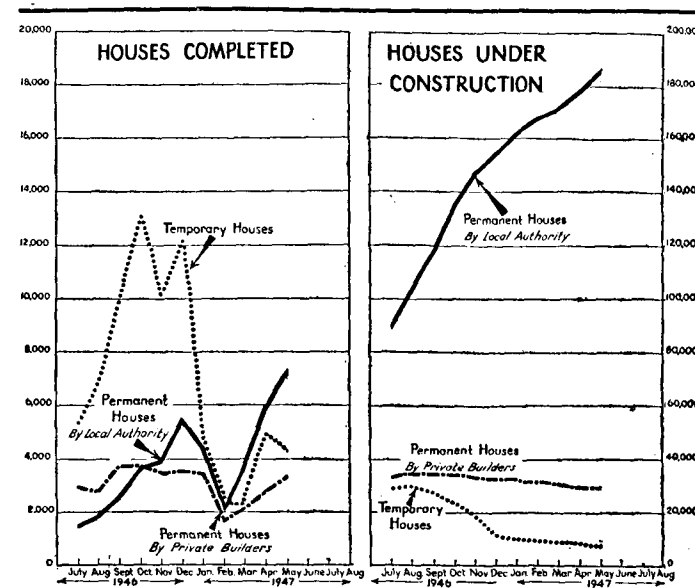
In this context of Argentina's ceaseless striving for influence, the President's broadcast may be read as a bid for leadership in Latin American affairs on the basis not of Left-wing extremism or Right-wing capitalism, but of a genuine indigenous, middle of-the-road moderate ideology. The response of Latin America is more doubtful. The various nations may be very anxious to steer clear of a Russo-American conflict, and Argentina may have demonstrated in the late war its capacity for neutrality. But the United States has the dollars and the arms, and they speak louder than noble sentiments.

Unfinished Houses

Stimulated by a sharp increase in the number of houses completed in the month of May, Mr Bevan made a cock-a-whoop speech last week-end about the Government's success in the housing programme. Judged by the criteria which Mr Bevan chose to select the record is good; under a Conservative Government something like 1,500 houses were built in the first two years after the 1914-18 war; after nearly two years of a Labour Government between 1945 and 1947 some 200,000 new homes have been built, including 110,000 temporary houses, 48,000 permanent built, including 110,000 temporary houses, 48,000 permanent houses built by local authorities and 42,000 permanent houses built by private enterprise. On this basis the difference is spectacular. Then, again, Mr Bevan used the much-quoted figure of 750,000 new homes required to provide every family with separate accommodation, and claimed that 613,000 homes were built or in the process of being built, and that already, with 226,000 in families rehoused in converted accommodation and 200,000 in new accommodation the Government were more than halfway home on their housing target.

By such standards the record might be considered good. But Mr Bevan's claims only tell half the story. The concentration of thought, planning and resources put into the housing drive for of thought, planning and resources put into the housing drive for the Government conceived of planning a house-building programme such as was put into action in 1945. The Labour Party made housing its foremost election issue on the home front, and

ever since coming to power priorities in administrative action, in labour and in materials, have been heaped upon it, so that it would be a scandal if the results had not been very much greater than they were last time. In 1920, for example, there were 750,000 men in the building industry, while at the present time there are more than a million. No one could accuse the present Government of lack of drive, or of underestimating the importance of



building more houses. What has been at fault is the lack of a sufficient sense of direction, which has resulted in an ever-rising volume of houses under construction and only a halting, dragging rise in the numbers of houses completed. This lack of balance is likely to continue to have serious repercussions, for the decision to concentrate now on completing houses will almost certainly result in acute shortages in the finishing trades, while leaving labour used in the early stages, such as bricklaying, under-employed.

The New Dominions

The Indian Independence Bill was formally introduced in the House of Commons by the Prime Minister on July 4th. It provides for the establishment of the two Dominions in what is now British India on August 15th, for the lapse of paramountcy over the Indian States on the same date, and for certain transitional powers for the Viceroy extending to March 31, 1948, "or such earlier date as may be determined by the legislature of either Dominion." Each Dominion will have a Governor-General, but it is apparently intended that Lord Mountbatten should act as Governor-General for both during the period of the exercise of his transitional powers for putting the Act into effect; it will be open to Pakistan, however, to insist on having its own Governor-General at once, and it is reported to be likely to do so, if only for reasons of prestige. A Governor-General, after all, cannot be in two places at once; and if he is in Delhi, he is not in Pakistan. Pakistan will be the more concerned about its formal equality with the sister Dominion because the latter is to inherit without qualification the name of "India," which geography and common usage will no doubt continue also to apply to the whole subcontinent.

Meanwhile the outlook is stormy both in the Punjab and on the North-west Frontier. The Sikhs have demanded that Pakistan shall not extend east of the Chenab and have made vague threats of "struggle" in which "no sacrifice would be too great" if the Boundary Commission's decision is given against them. In the North-west Frontier Province the Congress Ministry has called on its followers to boycott the referendum on adhesion to Pakistan and is credited with the intention of demanding a general election if the votes cast in the referendum are less than half the total electorate—the point being that the referendum is being carried out under the supervision of British officers, whereas elections to the legislature would by law be held by the Government in power, which would have no idea of not winning them. Both parties are reported to be busy arming themselves and a further complication has now been added by a demand from Kabul that Frontier tribes shall be free to join Afghanistan. Neither Con-

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(January to June, 1947)

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SIR,—It might be profitable to link discussions of the "hard currency" problem to the fuel shortage at home. On the whole, the probability appears to be that the "hard currency" areas want our high-class consumer goods rather than large quantities of the type of capital equipment which we produce. Broadly speaking, the fuel content of consumer goods is much less than the fuel content of capital equipment. The moral is surely obvious. It is to decrease the export of those capital goods which, if kept at home, would accelerate our production of consumer goods, and, having done this, to increase our export of consumer goods to the "hard currency" areas. The United States and Canada show

very little effective demand for our capital equipment, but a heavy demand for some of our consumer goods like textiles.

So long as fuel is so short here, it would appear desirable to keep our exports of it to the minimum, and this includes keeping down our export of goods which have a high fuel content. The rehabilitation of the "soft currency" areas may be a noble political objective, but it is hardly sound business in face of the twin problems of fuel and the balance of trade. The essence of the matter is that the policy which will produce dollars will also keep fuel where we need it most—at home.—Yours faithfully,

ARTHUR CROOK

"Blencathra," Guildford Avenue, Chorley

Knife Edge in Greece

SIR,—May I on my return from a fairly long visit to Greece comment on your article in your last issue?

With the implications of its title I fully agree. I agree too that the paramount requisite in American policy should be the playing down of border incidents. Unfortunately, there are grounds for believing that the American and Greek governments may do precisely the opposite—that is, increase the Greek army, thus leading to an increase in rebel forces by the recruitment of international brigades, thus leading to a form of international civil war on the Spanish model.

But with some parts of your diagnosis and with one important part of your solution I disagree.

First, the extreme Right does not dominate the Greek Government. It is in fact excluded from it. The shortcomings of the Populists are the negative ones of inadequacy and mediocrity rather than the positive ones of evil designs and sinister methods.

Secondly, the Greek Government has not moved to the Right. The inclusion in the Cabinet this spring of Messrs. Papandreos,

Venizelos and Kanellopoulos was a move towards the Left, and Papandreos, for instance, has introduced salutary measures dealing with local administration.

Thirdly, it is misleading to exaggerate the unpopularity of the monarchy, which—though successful in 1946 largely for anti-Communist reasons—has never forfeited the goodwill of substantial parts of the population, particularly the peasants. Moreover, distrust of George II does not extend to his successor.

Fourthly, although there is war in the air in Greece, I did not get the impression that "all too many people are not averse to lighting the fuse." All too many are convinced that the fuse will soon be lighted, but that is not quite the same thing. Very, very few want it to happen.

To your suggestion that men like Sophoulis and Sophianopoulos should be brought into the Government I would say two things.

First, the Liberal Party (the best led and most clear thinking unit in Greek politics) is still suffering from being put into power by the British in 1945 when public opinion had swung violently to the Right. If the Americans try the same sort of tinkering with the Greek cabinet they will do the Liberals more harm than good. Their experiences in Argentina before the last election there should be a warning.

Secondly, Western and Greek judgments on Sophianopoulos differ markedly. The West noted and approved his stand against Argentina at San Francisco; the Greeks, having just received large gifts of food from Argentina, thought that their representative should have taken a less prominent part against their benefactor. It is in any case quite wrong to describe Sophianopoulos as part of "the Liberal opposition."

Finally, a word of protest against the idea that Greece displays only "sloth and violence." In many parts of the country I got an impression of energy and initiative and a good working spirit—a better impression than one can get in many countries of Western Europe.—Yours faithfully,

PETER CALVOCORESSI

Guise House, Aspley Guise, Bletchley

Books and Publications

Cartels Examined

"National Interest and International Cartels." By Charles R. Whittlesey. Macmillan. 164 pages. 10s. 6d.

A BRITISH reader encountering, in a news item, an article or a book on economic topics, the word "cartel" receives a more or less accurate and emotionally quite colourless picture of a complex of independently managed firms pursuing, under an agreement backed by more or less stringent voluntary sanctions or possibly having legal force, a common price and output policy. He may approve or disapprove either of cartels in general or of the policy of some cartel in particular; but he certainly will not find the word a trigger to touch off an explosion of righteous fury. In America, as Professor Whittlesey points out, the word is not a descriptive term, but an abusive epithet. To call an organisation a cartel is like calling a political group a cabal or a local government official a Gauleiter; and much that seems incomprehensible in American public opinion concerning British economic policy—particularly in the domain of foreign trade—derives from the lurid emotional penumbra surrounding this convenient label.

National Interest and International Cartels is very far indeed from an apologia. The author concludes that cartels are almost invariably undesirable because they are almost invariably, on balance, an influence restricting the volume and distorting the course of economic activity. But he has no difficulty in absolving them, in the interests of justice and clarity, from the charges of special iniquity levelled against them. The sins of monopoly can be equally ascribed to any economic institution exploiting a dominating market position. The suppression of patents, or their use to clinch the monopolist's grip, is not their vice alone, and depends in any case more on faulty patent law than on laxity towards monopolies. The pre-war leaks of strategically important secret scientific knowledge, through cartel connections, from America to Germany was matched by an equal though less publicised return flow. The use of cartels as an instrument of Nazi aggression is a black mark against the Nazis, not against cartels as such. It is a pleasure to watch Professor Whittlesey sorting our invective from argument, bringing logic and common sense out

of disorder, and displaying the residual case against the international cartel in the cold light of day.

As a contribution to future policy he suggests the establishment of an international body "somewhat similar to the International Labour Office" and perhaps forming part of an organisation dealing with international business problems in general, but is surprisingly vague as to its objectives and methods; and a similar criticism applies to his discussion of the internal mechanism of control in the United States. The clarifying of opinion, rather than the formulation of policy, is evidently his first concern.

A Study in Inaccuracies

"Iran: An Economic Study." By Raj Narain Gupta. Indian Institute of International Affairs. 169 pages. Rs. 5/8.

INACCURACIES and misprints make this book of little use. It starts out with the assumption that Persia is "one of the richest countries in the world in matters of natural resources," which, true in so far as oil is concerned, is for the rest not borne out by the facts as known to us. To take at random a few of the misleading statements of the book: the *ayani* rights mentioned as giving security of tenure to the peasant are not, in fact, found all over Iran; the law of July, 1946, "to improve the lot of the peasants" has not yet been put into operation; the division of crops between the landlord and the peasant is subject to far greater variation than the text would suggest; in the description of efforts made to improve agricultural technique no mention is made of the Government Agricultural Institute at Hesarak or the Agricultural College of Tehran University; the experimental farm in Khuzistan is described on page 51 as "the Forestry School at Shadejan in Khuzistan" and on page 64 as "the farm in the marshes at Shadejan." The statement that there are 150 major factories in Persia owned entirely by the state (page 81) is an exaggeration. Similarly, the statement that there are 68 trades unions is, without qualification, misleading. No clear account is given of the effect of the war years on Persian economy, nor are such questions as wage rates, the cost-of-living index, and retail

and wholesale prices discussed. The Loan Bank and the Mortgage Bank mentioned on page 156 are, of course, one and the same institution. When Dr Millsbaugh resigned as Administrator General of the Finances, the American Financial Mission ceased to exist and did not stay on as stated on page 165, and by September, 1945, nearly all those who had been members of this mission had left Persia.

A Misnomer

"Failure of the Left." By Norman Mansfield. Staples Press. 192 pages. 10s. 6d.

It is always difficult to find a title which is at once striking, curt and accurate, and nowadays it is generally accuracy which goes to the wall. Mr Mansfield is likely to lose many potential readers, who will be led by his title and dust-jacket to think that this is a counter-revolutionary tract, heralding the revival of a capitalist or catholic or otherwise reactionary Right. It is not. It is a sturdy liberal essay; a realistic sermon on the Middle Way; a keen analysis of the many errors into which well-meaning democrats have been betrayed during the last thirty years. Mr Mansfield has dug patiently and profitably into the great burial mound which devoted hands have heaped above the Prophet Marx, and he comes out bearing many revealing shards. He selects four Apostles for special examination—Bernard Shaw, G. D. H. Cole, Harold Laski and John Strachey—and in all four gospels he finds the marks of totalitarianism, though he is charitable enough to show that all four possess liberal intentions.

In H. G. Wells, on the other hand, Mr Mansfield finds the pattern of the true liberal. Wells is quoted as saying, in *The Brothers*, that fascism and communism are "defensive hate systems." . . . "Both are obdurately dogmatic. Both pretend to be scientific and both suppress reason. Neither will face novelty. . . ." Let in the light of truth, says Mr Mansfield, and the world's problems will be solved by simple, common-sense methods. There is no one correct solution, as in school examinations. "Civilisation without planning is impossible, but civilisation subjected to the one plan ceases to be civilised." So Mr Mansfield wisely offers no plan of his own. When one leaves him, one is no further along the road, but one has a clearer head and a feeling of new vigour.

Australian Self-Defence

"Australia: Its Resources and Development." Edited by G. L. Wood. Macmillan, New York, 1947. ix+ 319 pages, with index. Price in U.K. \$20 net.

IN this book Australia again attempts to explain her background and aspirations to a world suspected by implication of indifference; this time the task falls to an imposing panel of Australian experts, who have produced a most readable and at times even an exciting book—exciting to those who can visualise the adventures and disappointments in the opening up of a continent of which so much is inhospitable. Excellent use is made of illustrative maps, and of statistics. The Australians are proud of their country, and are, on the whole, confident of their future. The reservation is necessary only because of the unknown factor of world influence upon the Commonwealth; if that influence was certain to be favourable, they would be quite confident. The book is thus in a sense a plea for understanding. As one of the authors puts it:

Australia has need of sympathetic understanding on the part of other countries in its attempt to construct a civilisation. For this it is necessary, as thinking Australians realise, for Australia to demonstrate to the world energy and practical achievement in the development of its resources.

One fallacy the book endeavours firmly to squash is that of Australia's supposedly vast empty spaces; the reader is conducted through the deserts by text, map, and photograph and introduced to formulae relating rainfall and evaporation to crop growing periods. The spaces are vast, but not empty, in the sense that anything much can be put into them. The Australians have tried and failed.

The Australians remain unrepentant protectionists, convinced that the stimulus to local industrialisation has been and is an

indispensable factor in maintenance of their standards of living. Now notice is served that:

Should the industrially powerful nations try to maintain an excess of exports over imports, should they refuse to lower their own tariff barriers, should they disregard the reality that Australia has come of age industrially, then Australia will be left with no alternative but to maintain her present protectionist policy.

There are other aspirations from which, the authors say, Australians will not lightly be diverted. Avoiding "tedious definition," the adjacent islands to the north and north east and west are down to become an Australian northern bastion.

Not to put too delicate an edge upon statement, the whole area not backed by military power to defend and financial resources to develop it. Whatever the protective system which finally emerges from international agreements, Australia's interests in shaping and sharing its defence are clear, and it is imperative that her position should be understood by the United Nations.

The book is addressed, it seems, primarily to the American reader; one wonders therefore whether a single paragraph on Dominion status and the relation of the Parliament at Westminster to the Commonwealth is sufficient to clarify Australia's position in the British Commonwealth. Nevertheless, the book as a whole is a successful attempt at that difficult exercise, a coherent symposium which covers much ground. It should whet the appetite of the interested for more, and it is therefore a pity that the authors did not close each chapter with a brief bibliography to guide further interest, particularly specialist interest.

Shorter Notice

"Citizens All." By Maurice W. Thomas. Nelson. 156 pages. 15s.

THIS book gives a straightforward description of how a local authority works, how rates and taxes are spent, and how parliament and the civil service and the judiciary carry out their functions. There have been dozens of books written on these subjects: this one combines in an unusual degree clarity of exposition, a lavish distribution of diagrams which are both helpful and attractive, and a deceptively simple style. The knowledge which Mr Thomas conceals behind his almost childlike descriptions must be considerable, for his simplifications are rarely distorted: the book is designed for the teacher or the uninstructed reader, but it is also a useful book of reference for those whose knowledge is more extensive, but not necessarily always at their finger tips.

From *The Economist* of 1847

July 10, 1847

There is, especially towards the end of every session, a general complaint that Ministers have not done enough, and that much of what they have done is not well done. The reason is apparent; they are required to do a great deal more than men can well do. They are the executive officers of the Government, obliged to attend at levees and drawing rooms, accompany the Queen on excursions, and administer the law in the last resort in all cases . . . in their keeping is placed the honour of the nation, and they have to attend to all our relations, commercial and political, with other countries. In a very complicated state of society, they have duties to perform as the executive government of this great empire. . . . In addition to these, they may be almost called our sole legislators. The least acquaintance with the manner of carrying on the national business is sufficient to show that theory and practice are now essentially at variance. According to the former, the executive carries into effect the laws made by the legislature; actually the executive dictates and, by the help of the Parliament as a council, makes the laws. Instead of acting on a rule laid down by another body, it lays down the rule it wishes to follow. Practically, it ceases to be the executive when it has ceased to be the legislative power. . . .

Engaged as Ministers are with such a multifarious quantity of business, it is impossible that they should be able to attend to a half, or even a tithe, of the measures they propose to Parliament. They are obliged to receive assistance from others. In fact, those others—obscurer and nameless barristers, or enterprising and industrious schemers—are generally the authors of the measures which the Ministers . . . recommend to Parliament. . . . It would be an approximation to improvement, if those nameless persons stood before the public, clothed with all the responsibility of their acts.

AMERICAN SURVEY

Reactions to Marshall

(From Our US Editorial Staff)

THE educational campaign to prepare this country for whatever the Marshall offer may be specified to require is gaining momentum. But it has still failed to answer two of the most important questions. Whether the silence in these matters is part of the plan or is indicative of planning yet to be done is not yet clear.

The first major step in the campaign has been a translation. The Secretary had simply said that reconstruction in Europe was a problem for which Europe should devise some solution, and that this country would listen to any proposals attentively. This has now been translated: at least an important part of the solution will entail provision of dollars in large amounts. This was strongly indicated by Mr Thorp, Assistant Secretary of State, and has been stated, with no amount given, in the latest report of the National Advisory Council. It was specified by Mr Cohen, the State Department's Counsellor, in Los Angeles as \$5 to \$6 billion annually for some years. It has been "guessed" by a House Foreign Affairs Subcommittee to be \$10 billion for the three years 1947-49 for 18 countries: the need for this period is put at \$17 billion, from which is deducted \$2,285 million of gold and dollars now held and \$4,783 million of credits now available. It is being elaborated daily by stories regarding the developing dollar shortage in Britain, France, Canada, Mexico, Brazil and Argentina. It is being underlined by the growing spread between this country's exports and imports, now perhaps at an annual rate of some \$12 billion.

The second step was the formation of the committees to study this country's ability to maintain its present high rate of exports. A group headed by the Secretary of the Interior, Mr Krug, will consider the drain on natural resources. The President's Council of Economic Advisers will study the economic impact. And a National Committee, headed by Mr Harriman, Secretary of Commerce, and consisting of public men from various walks of life will consider the reports and evaluate them. These committees are in accord with Senator Vandenberg's proposal, and presumably will establish limits and perhaps suggest methods. The Harriman Committee expects to report in September, so that its findings will become available about the same time as those of the European conference.

These two steps are of course necessary. And from them more specific information will become available. The first of the unanswered questions is that of appropriations and technique. What is the device that is being considered? Three techniques are possible: loans, the revival of Lend-Lease and the Hyde Park agreement covering Canada during the war, and outright grants such as those made by Canada, Australia and New Zealand. There are also the international organisations, the Bank and the Fund, which could be used, perhaps after reconstitution. Which of these methods is being considered now, or whether some new one has been devised, has not been hinted. It is not even known whether technique is being considered. Yet this will surely be one of the most vital aspects of the whole programme.

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

A part of the same question is that of appropriations and the budget. Will what is to be done be a budgetary item requiring appropriations? It is hard to see how this can be avoided. But the Republicans are still riding hard on budget and tax reduction, and "\$5 or \$6 billion" a year for several years in addition to what they have come to regard as necessary government costs will require extensive orientation. Mr Taber, chairman of the House Appropriations Committee, is severely criticising some current requests for expenditures abroad. Perhaps the solution of method will have to await the preparation of the data. But the recollection of the long controversy about the mere drop in the bucket called for by the Greece and Turkey programme suggests that the Congressional job is not a small one.

Some of the lines of questioning concerning the amounts needed are already clearly emerging. The July letter of the National City Bank is especially significant: the letter appeared just after the bank's vice-chairman, Mr W. Randolph Burgess, who is a leading spokesman for American banking and a member of the Harriman Committee, had returned from Europe. The United States, it says:—

have not wished to be, and have not been, ungenerous; but we have been apprehensive lest our resources be squandered and our aid unproductive. Only the Europeans can make it productive. . . . The will to work and the incentives to trade and enterprise must be strengthened, threats of confiscation removed, and printing press inflation brought to a halt. . . . To consider that giving away vast amounts of goods is essential to our "prosperity" is to see only one side of the picture. Money collected through taxes and used to pay for the exports could have supported just as many jobs if the taxpayer, instead of having to pay the tax, had his own free choice in disposing of his income. . . . Enough dollars are already in the hands of foreign nations, or will become available under existing programmes, to tax out export capacity for some time to come. . . . Gold holdings outside the United States stock, and outside the Monetary Fund and the World Bank, are estimated at \$15 billion at the end of May, even after the heavy transfers in February to get the Fund going. This compares with \$10 billion in 1940. Dollar holdings of foreigners evidently amounted to more than \$5 billion at the end of May. The total of gold and dollars is estimated at \$20 to \$21 billion. New gold production outside Russia may run to \$700 million annually. . . . (This) provides an answer to the more extreme statements about a world-wide "dollar crisis." Aside from the gold and dollars in foreign hands that can be used to buy American products, dollars are constantly being supplied under existing programmes. . . . The full potential of money so far unused under existing programmes runs to at least \$12 billion. . . . Their apparent needs may be greatly affected by their internal policies. . . . If the world produced more to sell us at attractive prices, we would buy more. . . . A whole group of other questions come up—the attitude of workers, the hours worked and individual productivity, incentive, the distribution of labour and resources among the industries. The inflation that prevails in so many countries itself induces a shortage of dollars.

Other students and observers, including some recently returned from Europe, are voicing similar views: the United States is willing and eager to import, but many countries are not willing to work and produce; the so-called dollar crisis is in fact in large part a crisis of production due to economic mismanagement abroad; the United States is criticised for elimination of controls and lack of planning, but the results of devotion to controls, planning and nationalisation abroad do not invite emulation. These views, it should be emphasised, are not those of western isolationists or chronic anti-foreigners, but of students, many of whom have jobs abroad.

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RESOURCES		LIABILITIES	
Cash and Due from Banks	\$1,113,745,115.62	Capital Funds:	
U.S. Government Obligations	2,168,562,691.23	Capital Stock	\$111,000,000.00
State and Municipal Securities	90,286,043.16	Surplus	154,000,000.00
Other Securities	167,465,578.51	Undivided Profits	52,316,584.36
Loans, Discounts and Bankers' Acceptances	1,203,007,457.14		\$317,316,584.36
Accrued Interest Receivable	10,326,383.08	Dividend Payable August 1, 1947	2,960,000.00
Mortgages	11,238,282.40	Reserve for Contingencies	16,448,721.84
Customers' Acceptance Liability	7,128,284.71	Reserve for Taxes, Interest, etc.	12,291,312.47
Stock of Federal Reserve Bank	7,950,000.00	Deposits	4,445,081,221.35
Banking Houses	31,848,639.55	Acceptances Outstanding	\$10,936,699.47
Other Assets	2,718,654.85	Less Amount in Portfolio	3,192,082.49
	\$4,814,277,130.25		7,744,616.98
		Liability as Endorser on Acceptances and Foreign Bills	1,361,007.39
		Other Liabilities	11,073,665.86
			\$4,814,277,130.25

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INCLUDING DOMESTIC AND FOREIGN BRANCHES BUT NOT INCLUDING THE AFFILIATED CITY BANK FARMERS TRUST COMPANY

ASSETS		
Cash and Due from Banks		\$1,301,215,569
United States Government Obligations (Direct or Fully Guaranteed)		2,154,497,314
Obligations of Other Federal Agencies		25,678,216
State and Municipal Securities		217,046,678
Other Securities		93,843,901
Loans, Discounts, and Bankers' Acceptances		1,181,679,629
Real Estate Loans and Securities		3,096,927
Customers' Liability for Acceptances		13,366,224
Stock in Federal Reserve Bank		6,900,000
Ownership of International Banking Corporation		7,000,000
Bank Premises		28,898,069
Items in Transit with Branches		7,528,414
Other Assets		3,494,982
Total		\$5,044,245,923
LIABILITIES		
Deposits (Includes United States War Loan Deposit \$22,664,132)		\$4,720,475,216
Liability on Acceptances and Bills	\$27,065,226	
Less: Own Acceptances in Portfolio	11,711,035	
		15,354,191
Reserves for:		
Unearned Discount and Other Unearned Income		4,695,686
Interest, Taxes, Other Accrued Expenses, etc.		33,034,529
Dividend	\$77,500,000	
Capital	152,500,000	
Surplus	36,936,301	
Undivided Profits		266,036,301
Total		\$5,044,245,923

Figures of Foreign Branches are included as of June 25, 1947, except those of the Dairen Branch which are prior to the outbreak of the War, but less reserves. \$266,372,976 of United States Government Obligations and \$1,588,219 of other assets are deposited to secure \$218,225,035 of Public and Trust Deposits and for other purposes required or permitted by Law. (Member Federal Deposit Insurance Corporation)

The second major aspect regarding which silence has been complete is that of monetary policy. Throughout the war, finance was a camp follower and funds were raised at 2½ per cent. But the consequences were that tremendous inflation of money supply occurred. This has been one of the basic problems in the American economy ever since. And ever since the war, cheap money generated through monetisation of debt has continued to pile up inflationary fuel and certainly has been a factor in the intransigent upward trend of prices. This was a consideration in the veto of the tax reduction bill and is clearly a political issue of first importance for 1948.

Is the financing of the "\$5 or \$6 billion" to follow the same plan, leading to more debt monetisation and inflationary tendencies? The only alternative would seem to be to find some way to increase savings, but neither of the two known methods can be used with ease: higher interest rates are anathema to the Treasury and many followers of "modern" theory of course doubt their effect on the rate of savings, while the imposition of any kind of rationing as the 1948 election approaches seems unthinkable.

Both of these unrevealed aspects may be within the realm of the assignment to the Council of Economic Advisers. But if so, this is curious. So far, the evidence is that the Council has made little impression on Congress, and it would be a strange vehicle to choose to "make a sale" regarding appropriations. And, so far as monetary policy goes, the Council virtually disavowed interest in that subject in its first report.

Europe may have some way to go in devising its plans. Certainly some distance has yet to be traversed in the United States. The only source of major accomplishment in demolishing barriers, preparing Congress for large-scale action, and sweeping aside all questions, is Mr Molotov. If his desire is to cause all groups of Americans to forget all doubts about aid to Europe in almost any amount, he is proceeding with brilliant success, and he may well be able by September to see his every wish fulfilled.

American Notes

The Peerless Leader

With one stroke of his pen on Monday, Mr John L. Lewis won for the miners the most triumphant contract in their history, by-passed important sections of the new Labour Law, and re-established his own position as the "peerless leader" of American labour. The new contract, signed by operators of Northern "captive," and some Western mines, provides for an eight-hour day (in place of the nine hours, including two hours overtime, previously worked), a net wage increase of \$1.20 a day; continued portal-to-portal pay; and an increase in the royalty payments to the union welfare fund from 5 to 10 cents a ton. Mr Lewis is to be chairman of the three-man board which will administer the fund. Most of the Southern mineowners later announced their grudging acceptance of the new contract terms.

The eagerness with which the negotiators for the industry met the miners' terms has three explanations, which interlock. The demand for coal is so unprecedentedly high that this was no time for haggling over cost or mere legal points, however dear to Senator Taft; this was a particularly potent argument with the representatives of the steel industry, who played, through their ownership of the "captive" mines, a dominant part in the negotiations. The oil shortage postpones the day when the miners may find they have priced their product out of its market. Nor does it appear that the coal owners put any faith in the ability of the new Labour Law to avert a strike, if John L. Lewis willed it. It is particularly significant that the operators finally agreed, after some soul-searching, to embody in the contract the provision—already part of the anthracite agreement—that it applied only so long as the miners were "willing and able to work." This is Mr

Lewis's *chef d'œuvre*; the operators become co-conspirators in evading the law. It means that the union is no longer liable for damage suits in case of unofficial strikes, and places in jeopardy all the elaborate provisions for mediation, injunctions and cooling-off periods of the Taft-Hartley Act. To say that the coal contract makes the Labour Law a dead letter is an exaggeration. Only the strongest unions will be able to follow the Lewis lead. But Senator Taft, examining his catch, may well say ruefully, "You should have seen the one that got away!"

Mr Lewis has demonstrated once more that for a combination of courage and cunning, and a sense of which card to play, he has no peer in the labour movement. If the long-heralded but never consummated marriage between the American Federation of Labour and the Congress of Industrial Organisations is ever to take place, Mr Lewis's throne is now secure. His victory has its wider political implications. In the past he was gallingly unable to persuade the miners to vote the Republican ticket, when Mr Roosevelt was the Democrat candidate. Next year he may be more successful, now that he has shown so plainly that in good times, at least, the miners need neither bow to Senator Taft nor seek favours from the Democrats.

Business Now

Industrial reports continue to assail all recent suggestions of a more or less immediate downward trend in activity. The volume of production is still at a high level, with commodity prices not very far from peak levels, and while the terms necessary to avert a coal strike are scarcely too high for industry to pay at this very critical period, they are hardly calculated to reinforce earlier moves for a downward adjustment of prices. It is perhaps fortunate that Mr John Lewis has secured his terms long after the negotiation of full settlements in most of the main industries. This will lessen pressure in the near future for another twist to the wage spiral, though the railroads operatives are now demanding wage concessions, and rail rates will probably move up again.

Altogether, Wall Street seems to have become convinced that it is now safe to postpone the deadline for a substantial break in business activity. And observers in that centre are at least inclined to minimise the present stress on the impending "dollar famine" with the comforting assurance that withdrawal of the Soviet Union from European reconstruction plans will bolster Mr Marshall's case in Congress, and thus assure the continuance of exports at a high level. Moreover, the so-called "defrosting" of Treasury bill rates (dealt with on a later page) is not a forerunner of any major adjustment in the structure of interest rates, while Treasury officials deny that the debt retirement programme over the rest of 1947 will result in deflationary pressure on the scale suggested by recent analyses.

Export Controls

The Congressional position on the Export Control Act seems still to be confused, with existing authority remaining in force by agreement of both Houses while committees are working to adjust outstanding points between bills approved separately by Representatives and Senators. Mr Truman's authority over the next year or so is thus still in doubt at the time of writing. Approval for the full wartime control of exports, and for import controls over such key materials as edible fats and oils, and scarce metals (particularly tin) seems to have been won in the Senate, which also deserves credit for a broad clarification of government authority defined only very loosely by Congress earlier this year, when a Decontrol Act put a sharp limit on continuing emergency provisions. The House has been far less responsive and has sought constantly to exempt foodstuffs from export control.

Washington, however, has already begun to discuss the much broader authority for priority and allocation which will almost certainly be needed for full implementation of the Marshall plan. The continuance of wartime export controls over such basic products as foodstuffs, coal and petroleum products, lumber and steel will by no means ensure adequate shipments of the machinery, machine tools and other specialised equipment necessary for a broad plan of European reconstruction. Moreover, development of these plans will almost certainly overlap with needs in other areas; the supply of mining machinery for the Far East, for example, is an essential factor in American, no less than European industry. To judge by recent debates in

Congress, such moves would meet with almost insuperable political barriers, and although the problem could be eased substantially by a slow-down in domestic activity, it seems clear that for many items, demand must outpace capacity.

Ultimately, this political battle will no doubt be resolved to a very large degree by the nature of the report made to President Truman by the recently established National Committee, headed by Mr Averell Harriman as Secretary of Commerce. In the longer run, the Marshall project must secure full bipartisan support for any type of necessary control. All that can be said at the moment is that (as with the very different debate on Lend-Lease) there is an increasingly influential section in Congress and industry which realises quite plainly that the future political and economic structure of the United States is worth a considerable measure of restraint in terms of consumer goods. Under emergency conditions, the Administration probably would not hesitate to move well in advance of Congress for priority and allocation. Such powers are always well within the limits of the service departments at times of crisis. These moves, however, would also be quite futile—unless designed purely as short-term commitments, supported by an overwhelming public demand for action in the face of delay or obstruction by a Congressional minority.

Congressional Log-Jam

A recent American cartoon shows Congress, a slovenly housewife, displaying with pride two plates labelled "Labour Bill" and "Foreign Aid" and saying airily of the stacks marked Housing, Health, Education, Armed Forces Merger, and Universal Military Training: "Oh, I'll do those next year." The seasonal log-jam is at hand. Congress hopes to adjourn on July 26th, yet by June 30th it had sent to the President only one of the twelve appropriation bills. Government departments are operating on hope and the promise of Congressional authorisation of interim spending. The new legislative budget, the flower of the Reorganisation Act, still reposes, as one acid Democrat remarked, on the bosom of the Republican Party.

Inevitably many admirable projects, like the Stratton Bill for admitting 400,000 DPs, will fall by the wayside. Legislation regarded as in the "must" class appears to include, beside the

appropriation Bills, the merger of the armed forces, the Mundt Bill to continue the broadcasts of the State Department, and perhaps the Bill raising the minimum wage from 40 to 60 cents an hour. Left-wing Democrats who have constantly pressed for the raising of the minimum wage are gratified, but hardly surprised, that the Republican leadership should consider the month in which the Taft-Hartley Bill was passed an opportune moment to go on the record as favouring at least one of labour's aims.

In the closing weeks of the session Congress will be much concerned with measures involving the national security. Before it are three measures backed by the Services: merger, standardisation of hemispheric arms, and universal military training. The last two appeared doomed by the hostility of Senator Taft, who has the power to decide whether they ever reach the floor. Universal Military Training, which was supported not only by the Compton Commission but by a new unofficial group headed by retired Justice Roberts, Senator Taft denounces as "un-American, wasteful and obsolete." The interest of the Services in these measures is, however, probably no greater than that in the fate of their appropriations, which were reduced by the House, and will, it is hoped, be restored in the Senate.

Sugar Plum

The vote of the House Agriculture Committee on the new Sugar Bill takes policy back to normalcy—defined as something a bit worse than pre-war. While Mr Clayton fights the battle of quotas at Geneva, the American sugar industry has written a Bill, with the approval of the Departments of State and the Interior, which would not only revive the quota system for sugar, but would increase the share of the market reserved for domestic producers and for Cuba. Under the Bill, which would replace the Sugar Act when it expires on December 31st, US producing areas would have a minimum tonnage of 4.2 million short tons, divided as follows: domestic beet, 1.8 million; mainland cane, 500,000; Hawaii, 1,052,000; Puerto Rico, 910,000; Virgin Islands, 6,000. The Philippines would have a fixed quota of 952,000 tons. Cuba would supply 98.64 per cent of the remainder of the American market, and fall heir to any domestic or Philippine deficits. The



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German officials could not persuade the peasants to pick the famous Kaisersstuhl cherry crop.

So far then as the peasant is concerned, the French cannot claim to have found any method of bribery or coercion more effective than British or American methods. Consequently heavy imports of food from overseas are necessary even to maintain the lowest ration scale of the three Western Zones. In the period August 1, 1945, to December 31, 1946, over 48 million dollars were spent on foodstuffs out of a total of 69 million dollars paid for imports from outside Germany. In the first quarter of this year, 24½ million dollars have already been spent on imported foodstuffs. To pay for these out of German production, or by joint Franco-German production, has been a main object of French policy from the first; and to achieve it every side of foreign trade has been kept practically out of German hands.

In the final article of this series the methods with which the French have made their zone pay its way by foreign trade will be examined, together with some of the problems which will arise when the economy of the French Zone (minus the Saar) is joined to that of the fused Anglo-American Zones. Reluctant though the French Government are to take any such step until the November conference of Foreign Ministers has made a last effort to attain German economic unity, they realise that the programme needed to qualify western Europe for the Marshall offer may make such fusion inevitable before many months have passed.

Two Years of Dutch Recovery

[FROM OUR CORRESPONDENT AT THE HAGUE]

A WELL-KNOWN Dutch writer and journalist who visited his own country recently after having lived in South Africa, the Netherlands East Indies and the USA since 1939, expressed concern at the large number of people in this country who wished to emigrate. "Do you realise," he asked, "that Holland is a comparative paradise on earth, in the economic as well as the political sense?" He was right, and it is a regrettable fact that the Dutch are not sufficiently aware of their relative good fortune. Recovery here has been extensive and the immediate consequences of the war have already been overcome. The inner core of poverty, the difficulties of "muddling-through" at a time when "going ahead" would have been a better catchword, become clear only on closer investigation.

In reviewing the general position it must be borne in mind that Holland, situated at a point where the Rhine, Meuse and Scheldt reach the sea, in the densely populated north-western corner of continental Europe, neighbour to some of the most important countries of the world, has always been largely dependent on foreign trade. During the 17th century the Dutch were the carriers of Europe; their industry began as a series of finishing processes for colonial products (sugar refineries and rice mills), and both the trade with the Netherlands East Indies and Rhine transport to and from Germany have been pillars of Dutch prosperity. The textile industry was started mainly to supply the native population of the Indies with low-priced textiles, and the *Nederlandsche Handelmaatschappij* with sufficient freight for its shipping service to the East.

The fact that before the war only 7 per cent of Dutch imports came from the NEI and only 10 per cent of Dutch exports went there, is not decisive. The economic interests in the overseas territories provided an outlet for many young Dutchmen and supplied Holland with a substantial income from abroad; interest and dividends valued at almost 200 million guilders were received from foreign sources, as against profits amounting to approximately 100 million guilders made by Dutch firms in the NEI. A further source of Dutch income from abroad was shipping, which in 1938 provided some 150 million guilders on the balance of payments. Half the Dutch mercantile navy was destroyed during the war, however, and income from this source has, to a large extent, dried up.

In May, 1945, the general situation in the Netherlands was as critical as that of any other newly liberated country, with the possible exception of Yugoslavia and Poland. Some 230,000 men had lost their lives in the war, amongst whom were included some 105,000 Jews, 31,000 PoWs, political internees and men forced to work in Germany. The total national wealth, estimated at 28,000 million guilders in 1938, suffered a loss of 8,000 million guilders (calculated at 1938 index values). Of the cultivated areas

12.5 per cent had been made unfit for use by fortification, evacuation and inundations (9.7 per cent). In a comparatively short time, however, nearly all this land has been made available again; but meanwhile the yield of a number of products was far below pre-war level, e.g., the sugar beet crop in 1945 was only 6.5 per cent of the pre-war crops.

Industrial output, too, was very low in the summer of 1945. The output of the Limburg coal mines, already liberated during the autumn of 1944, was down to 29 per cent of the figure for 1938, while comparative figures for electricity were 18 per cent, gas 16 per cent and textiles even far below 10 per cent. Exports were practically negligible at some two or three per cent of the pre-war figure, while transport could be said to be at a standstill. To illustrate how badly the transport system was damaged in this country of rivers and canals, it is sufficient to say that of the 21 major railway bridges, a mere five had been left in a condition fit for use. At the moment of writing sixteen are in use.

Slump in Rhine Traffic

Now for the record of recovery. One of the best examples of Dutch post-war reconstruction is that of the railways. Total length of tracks in Holland was 3,300 kilometres in 1939. In 1945 this figure had fallen to a mere 1,200 kilometres, as a consequence of the big strike of 1944 and subsequent German looting. At present tracks once again total 3,090 kilometres. Much railway material has been brought back from Germany, while it was possible to repair damaged material found in the country. Locomotives, trucks and other rolling stock have been borrowed from the Allies, and at present rail transport is fairly satisfactory.

Canal and river transport has been restored as far as material is concerned, but the current difficulties in conducting a normal trade with Germany make the prospects for Dutch navigation on the Rhine far from bright. A large number of ships are again lying in the port of Rotterdam; but their freight is now calculated in thousands, whereas before the war it amounted to millions of tons. Although the lack of motor-cars and trucks is still felt, road transport is more or less back to pre-war levels. Doctors and other priority classes have nearly all the cars they need, and the complaint is generally heard that too many businessmen possess new and expensive American cars—a heavy drag on the Dutch foreign exchange budget.

Dutch industry—as is the case with industry all over Europe—is handicapped by the low productivity of labour (60-70 per cent during 1946). For the current year it is calculated at approximately 78 per cent, while the pre-war level is expected to be reached during 1950. It is very doubtful, however, whether this target will be reached. The food situation is satisfactory at a level of 2,200 calories per day, with extra rations for heavy labour; but then again, as everywhere else, fats are sorely lacking.

Output in Industry

The social atmosphere has been reasonably calm, with some occasional minor outbursts of dissatisfaction. Some American firms are even starting to put up branch plants in Holland, on account of the lower wages and the greater stability of the country. But the general wave of European strikes, which began in the spring of this year, did not leave Holland unscathed; although general strikes, such as those in France, have not yet been attempted. But trouble may well be expected if general fighting should break out in Indonesia. It is insufficiently realised, however, that some of the pre-war time practices will never return as long as the workers have the power to resist inhuman working methods and that the general productivity of labour depends—among other factors—on a sufficient supply of up-to-date tools and machines, which is not available because of the scarcity of foreign exchange. Nevertheless there is no reason for dissatisfaction with present industrial output, although exports are far below the original target.

In textiles production of some items is rather below, while of others somewhat above, pre-war level. The appalling lack of clothes and other textiles is more the result of five years' wear and tear without replacements than of allegedly insufficient production. The Government is seriously to be blamed for not taking rigorous measures to end the black market in textiles, which, even two years after liberation, still flourishes. The more plentiful supply of household products and textiles is reflected in larger sales and lower prices, which compare with lower sales figures for luxury

articles. In a few months the prices of some indispensable commodities fell on an average 10 per cent.

The black market in other commodities has shrunk considerably. Important in this connection is the increased manufacture of tobacco products and cigars (approximately two-thirds of the 1938 output), and of cigarettes (117 per cent), which reduces the exchange value of the black market cigarettes, mainly imported brands. But pessimistic estimates of the number of persons still engaged in "black marketeering" range up to several hundred thousand. This activity is not only due to shortages, for most of the young men who have already been committed once on black market charges return to this line of business, simply because they are unfit for any other kind of work.

For and Against Controls

The situation of scarcity still prevails, but a large number of people do not sufficiently realise that their standard of living is less restricted, so far as necessities are concerned, than during the reputedly golden pre-war days. The pressure of wage and price "pincers," most apparent in 1946, has not increased since. A slight increase in prices over a period of a year has been accompanied by an equivalent wage increase; the level of real wages compared with pre-war levels is now estimated at 91 for industry and 127 for agriculture. The general picture of the present control-ridden Dutch economy is that restrictions are somewhat less stringent than at the end of the war, but not fundamentally so. Some controls are simply unavoidable, for example, those on the distribution of raw materials; but for the continuation of other controls the reasons are not apparent. Nevertheless, it is—rightly or wrongly—felt that the raising of the price-ceiling involved in their relaxation would cause a general increase in prices, resulting in a socially undesirable distribution of goods.

There is a third group of articles, the controls on which can be explained in only one way—by the tendency of every system of red-tape to be self-perpetuating. But it is an established fact that the release of an article from controls still tends to drive it off the market altogether; so that, although an overall revision of controls would be welcomed, and is even necessary, care must be taken not to lift them too rapidly. A number of businessmen realise that a certain amount of control by the Government is unavoidable. Others, however, look back on the legendary freedom and wealth of the years before 1940—for example, members of the Amsterdam Stock Exchange—and refuse to recognise that the end of controls on exchange operations would mean at the very least the loss of an important part of Dutch overseas investments and foreign balances. The great majority of people judge Government control as it affects their own line of business and reason—not always wrongly—that it is an annoying affair.

[A second article next week will examine the main problems of Dutch foreign trade and relations with Germany.]

Oligarchy in Bermuda

[BY A CORRESPONDENT]

THE facts about Bermuda have at last been published in this country. During 1940-45, ordinary British people, brought by war service to that luxury tourist resort, were amazed at the irresponsibility of the local legislators: they thought that if only people at home knew, "Front Street" (the white merchants and landowners) would surely never be allowed to run the place so shamelessly in their own interests.

And now the full text of a petition from the Bermuda Workers' Association, praying for a Royal Commission of Enquiry, has been published by the Secretary of State for the Colonies in a White Paper (Cmd. 7093) discussed in *The Economist* of April 19th, page 579. The major grievances are detailed in it: the restricted franchise; labour legislation which prohibits organised labour from political activity*; a repressive tax system; lack of social security measures; an educational system which is compulsory but not free, and which segregates coloured from white; coloured people barred from responsible appointments alike by Government, public and private undertakings. Finally, it puts into words "Front Street's" private conviction that Britain will

* Until 1946 there was no labour legislation at all and trades unions were technically illegal.

not interfere so long as the local budget is balanced. The White Paper also includes the Governor's memorandum on the Petition, which combines a disarming admission that some reforms are overdue with meticulous criticism of certain minor inaccuracies in the Petition, and an evasive vagueness on the subject of colour discrimination with a critical hostility towards Petition and Petitioners. His conclusion is that "neither the Petition itself nor the true state of affairs in the Colony warrants the appointment of a Royal Commission."

Mr Creech Jones, Secretary of State for the Colonies, in the acknowledgment which concludes the White Paper, thinks otherwise. He makes it clear that he must be able to satisfy Parliament that all the various grounds of complaint are being dealt with. Since, however, the Colony has enjoyed representative government for over three hundred years, its Legislature gets a last chance to put its own house in order. "It is clearly desirable and necessary that, in the first place at any rate, examination should be undertaken by, or at the instance of, the Colonial Legislature." "Front Street" is thus "in a spot": shall it destroy its privilege or wait to be liquidated by the Imperial Power?

Three Centuries of Prosperity

To understand conditions in Bermuda today, it must be realised that almost unbroken economic good fortune has enabled an anachronistic oligarchy to defend its privileges and powers for over three centuries, producing at the same time a coloured population more capable of responsibility and more prosperous than most. Like all colonies settled by Englishmen in the seventeenth century, Bermuda received a constitution more or less on the contemporary English model, representative government with the franchise restricted to landowners. But efforts to grow a remunerative staple crop (tobacco) there failed, and, since the end of the seventeenth century, the inhabitants have used their unique situation at a strategic point on Atlantic trade routes to make a living from some form of maritime activity. At first it was shipbuilding, the carrying and *entrepôt* trades, salt raking, privateering and piracy. Bermuda has for long been a contraband station in wartime, and since 1810 it has had a naval dockyard. Today it is also a port of call for cruise ships, a balmy island Mecca for the American luxury tourist and site of two United States bases.

Thus Bermuda has been spared the problems of a single-crop economy—collapsing markets, absentee landlordism, social tension bred from plantation slave labour—which in the West Indies led to the replacing of old oligarchic Governments by Crown Colony administration. Slavery in Bermuda was therefore of a different character. Without the need for a large labour force to work plantations, importation of negroes almost ceased after the seventeenth century. Maintenance, even of the existing slave population, became a liability rather than an asset, since the owner had to feed them, in sickness and old age as well as in health, on imported foodstuffs. Emancipation was as much a relief to the owners as to the slaves, and was conceded right away in 1834. It produced neither dislocation of labour nor excessive racial tension. The coloured people were already a community, with traditions and local roots extending back almost as far as those of the whites. The women were accustomed to easy-going domestic service and treatment as child members of the family. The men, many of them mechanics or sailors, were used to working alongside white men. Many were used to finding jobs for themselves, for they were encouraged to hire themselves out so as to help pay for their keep. A Governor of the early nineteenth century described them as a bold and hardy race of seamen. Another wrote:

The Negroes of these Islands are a very intelligent, docile race, far superior in every point of view, to the Africans. . . . The Bermudian Black considers himself an Englishman, and would feel happy to be placed in a situation that gave him his freedom and entitled him to the privileges of a British subject.

When emancipation came the coloured people of Bermuda were ripe, it seemed, to take their place as citizens. But the owners had no intention of sharing their oligarchic powers. At the same time that the Colonial Legislature enfranchised the slaves it reduced their opportunities of political power by doubling the voters' property qualification—this in an island of 18½ square miles. Now, when the coloured population is roughly double the white, plural voting (another seventeenth century survival) gives only 1,352 coloured votes against 1,634 white votes. The conflict which has developed since emancipation appears at first to be racial. Although most of the coloured people have some white ancestry, intermarriage is practically unknown and there are therefore two distinct communities. The oligarchy are well aware of Imperial disapproval of colour discrimination, and they do not wish to stir up trouble. The subject is, therefore, rarely if ever

referred to officially; discrimination is left to customary administrative practices. For example, the dual system of education is maintained in Government-financed, Government-directed schools by the face-saving expedient of describing them as private schools, leaving head teachers to discriminate between intending pupils. But it is a commonplace for white Bermudians privately to express alarm at the coloured population's rate of increase. An English observer who criticises racial discrimination is told, first, that since the present economy depends on American tourists who are even more anti-negro than Bermudians, the coloured people must be kept out if the tourist trade is not to suffer. A second reply is simply this: "It's all very well for you to come here and criticise. You can go home to England where you haven't any coloured population. We have to live here. Naturally we don't want the coloured people competing with us and taking jobs away from our children."

Fundamentally, however, the problem is one of property distribution, complicated by the fact that the dominant landowners and merchants are white and the workers coloured. In Bermuda a fortunate history has given the property owners greater powers and a more highly developed technique for their defence than perhaps exist in any other British colony—with the exception of the similar colony of Bahamas. Deducting from experience that Britain does not interfere in the internal affairs of a colony which makes no demands on the Imperial Treasury (and making doubly sure during the war by using revenue surpluses for interest-free loans to Britain, at the expense of local educational improvements) the oligarchy have perfected the arts of procrastination. Popular causes are referred to one committee after another; legislators express approval of the principle of reform but disagree about the method; so time passes and nothing is done.

The Colour Bar

The raising of revenue by import duties falls heavily on the poor, who pay taxes on virtually everything they buy, and the failure to introduce the usual social security legislation, adequate teachers' salaries or better schools makes it possible to get along without direct taxation. Racial segregation begins with education and goes on to bar coloured people from all categories of the local civil service except those of postman, policeman and messenger; it bars them from training at or being on the staff of the Government-financed and only fully equipped hospital, from any but menial positions under the city corporations or other large establishments.

The coloured people have been slow to resent their position. The same economic factors which have preserved the oligarchy have given the workers, skilled and unskilled, full employment and a comparatively high standard of living. The Governor is not exaggerating when he writes:

I have never before seen a coloured population—and I am fairly conversant with them—so well dressed, well fed or well housed as it is in Bermuda.

This, of course, ignores the fact that, with so much wealth in the island, there is no excuse for the poor social services and the bad cases of overcrowding and insanitary housing, malnutrition, child neglect and hardship in sickness and old age to be found there. But it was inequality of opportunity, not poverty, which three years ago drove some of the workers into the Bermuda Workers' Association, under the leadership of Dr Gordon, a more politically conscious coloured immigrant from Trinidad. Some individual members may have hoped for short-term advantages; but they

have been led to petition for something much more fundamental—an impartial investigation into the problems of the "voiceless, voteless and under-privileged masses of Bermuda."

"Front Street's" Opportunity

Naturally the Governor, Admiral Sir Ralph Leatham, K.C.B., is sympathetic to the oligarchy. The historical reasons which made it unnecessary for Britain to interfere in the Colony's internal affairs have, for the last hundred years, prompted the appointment of Governors likely to get on with the ruling Bermudians. Moreover, as in Gibraltar and Malta, the Governor of this "Gibraltar of the West" has normally been found, not among experienced Colonial Service personnel, but from "the Services." Anthony Trollope described the Bermuda Governorship as a convenient provision for a military gentleman in the decline of years. So the Governor's memorandum picks holes in the petition and counsels its rejection. He admits that the existing franchise should be reformed, but speaks of it as "a system which has withstood the test of time"; he points out that a committee of the Assembly has been appointed to consider extension of the franchise, but does not mention that this committee, set up in June, 1946, had not once met at the time he wrote, five months later. He ignores as much as he can of colour discrimination; he expresses himself as "sympathetic towards the employment of coloured men and women of sufficient competency in some (sic) more Civil Service posts..." but adds, "there are well-known practical difficulties involved which have their origin in the historical development of this Colony." He freely pleads for "time for cogitation and adjustment of ideas" after the war, and reveals his own prejudice by saying,

It would be so much more helpful and profitable to the Colony if Dr Gordon and his Executive Committee... could be persuaded to direct their energies and cleverness in the coming years to teaching their followers good citizenship and preparing them for greater responsibilities, instead of apparently instilling into them the wrong belief that these things are to be had for the asking, whether or not they have shown themselves to be competent.

No one could fairly claim that the average coloured Bermudian, as he is today, would make a first-rate leader of society. Generally speaking, he shows a characteristic indifference to family responsibilities, to work and to the good of the community. The white people, who have their own share of irresponsibilities, take this as evidence of innate inferiority, ignoring the effects of two centuries of slavery, the influence of white example, the demoralising play-boy atmosphere of a tourist resort, and, most fundamental of all, the disadvantages summed up in the explanation given by a coloured Member of the Colonial Parliament for parents' apathy towards education: "No outlet for the children, so the parents figure what's the use."

The white community are not devoid of generosity. The old patriarchal relationship between master and slave has lingered on: the coloured man still looks to the white for help, and there are Bermudian employers today who do to their coloured employees and other "deserving cases" many acts of kindness. But the time for mere charity is past. The serious protest that has come from the coloured community suggests that they will not rest content with their inferior status. If Bermuda is to keep what remains of the racial harmony it enjoyed at the time of emancipation, procrastination must end. The principle of equal opportunity must be established. If "Front Street" will not do it, then it becomes the responsibility of Great Britain.

THE BUSINESS WORLD

How Big is the Gap?

THIS week's debate on the import cuts, the wider aspects of which are discussed in an earlier article in this issue, has cleared away some of the obscurities in which Government policy was shrouded. But many remain. Why did the Chancellor deliberately abstain from putting his original statement in a statistical setting, thereby avoiding an evaluation both of the cuts themselves and of the size of the gap that needs to be closed? He himself, when taken to task on this point, lamely explained that he was afraid of "overburdening" his statement by "interlarding a lot of statistics into it." But in this statistical age, especially this dismal phase of successive revisions of nearly all the economic targets, the House and the public are scarcely strangers to figures. The balance of payments presents the crucial problem of Britain's whole economy, and the Chancellor was making his most important pronouncement since the issue assumed its present frightening dimensions. Would he dream of proposing tax increases without first defining his revenue and expenditure and the size of the deficit? Is the explanation, alternatively, that the statement resulted from a snap decision to reveal action while the Paris conference on the Marshall offer was still proceeding? Even that is unconvincing. The import programme has been under detailed scrutiny for many weeks, and the figures could obviously have been produced at a minute's notice. Yet Mr Dalton, responding to Opposition pressure, thought he could furnish them in about three days. It is hard to avoid the conclusion that, at the outset, obscurantism was a deliberate objective, designed to hide the vagueness and timidity of the policy itself.

The promised figures appeared just after the last issue of *The Economist* went to press. Despite the delay, they dealt with only one aspect of the problem, and this week's debate has shed very little light upon other aspects. Nothing further is revealed about the size of the gold and hard currency reserves, the rate of actual expenditure of dollars drawn from the credits, or the period for which the residual dollars might be expected to last. No further estimates are given of the overall balance of payments or the state of the "invisible" account, and nothing specific has been said about the dollar costs of completing the arrangements for full convertibility of sterling. All that has been furnished in any coherent form is a revised import programme—classified under the same very broad headings as those given in the now out-dated *Economic Survey* for 1947—and a minor interpretation of the information already given by Mr Morrison about the export prospect. But although much has been withheld that is indispensable to a proper appraisal of the problem, the published figures easily suffice to show the utter insignificance of the Government's contribution to its solution. They are set out in the accompanying table, which compares the new import programme (for the year beginning on July 1st) with that given in the "Economic Survey" for the calendar year 1947.

The original 1947 programme for imports of £1,450 million at f.o.b. values (excluding £18 million of invisible imports of films) was £350 million more than was actually spent in 1946, but it was understood to represent little improvement in the effective flow of imported supplies. Most of the increase reflected, first, the need to make good the 1946 inroads into domestic stocks and, secondly, the rise in prices in overseas markets, notably in the United States. Now the total, for a period ending six months later (and therefore overlapping by

six months with the original period), is increased by a further £232 million (nearly 16 per cent), to £1,700 million including films—or to more than 50 per cent above the 1946 level. Yet we are told that it represents "no significant change" in the bulk of imports embraced in the original programme: the "major change" results from the increase in prices. Although the rise in dollar prices affects Britain's import bills after an appreciable time-lag (only in recent months have the effects of last summer's decontrol of American prices been strongly felt), the significance of this factor was seriously underestimated in the budgeting of last February. The Board of Trade's index of import prices (which admittedly tends to understate the effects of the dollar changes) has risen by 20 per cent in the past twelve months and by 7½ per cent since the turn of the year; yet the official programme, for the same bulk of imports, has had to be stepped up by 16 per cent in four months.

It is unprofitable to consider whether this deterioration could have been foreseen sooner, but if the Government has been slow to drive the point home, it is now more than ever important to emphasise that this huge rate of importation affords no greater support for the standard of living or the export potential than did the much less costly imports of 1946. In bulk, it is equivalent to some four-fifths of what Britain imported before the war. But even an increase to the—at present unthinkable—level of 100 per cent would not suffice to restore pre-war

THE IMPORT PROGRAMME
(£ Million, f.o.b.)

	Economic Survey Estimates Year 1947	Revised Estimates Mid-1947 to Mid-1948
Food and supplies for agriculture.....	725	840
Raw materials and supplies for industry...	525	640
Machinery and equipment (including ships)	60	55*
Petroleum products.....	55	80†
Tobacco.....	50	40
Consumer goods.....	35	30
Film remittances.....	18	15‡
	1,468	1,700

* This represents some increase for machinery over the *Economic Survey* figures for 1947.

† Excluding possible effect of film import duty.

‡ Including requirements of coal/oil conversion.

standards of life (so far as they depend, as they vitally do, upon imports) because of the much larger slice which must be reserved for incorporation in exports. Yet this huge programme already takes credit for the latest cuts—all except the expected cuts in film imports. Incidentally, therefore, it gives no clue to their precise amount.

By contrast with the figures given in the *Economic Survey*, the prospective deficit on the balance of payments is even more depressing—though here, too, the Government has refrained from disclosing what the latest official estimates really are. The trend of exports has improved a little upon the worst expectations of a few months ago. Not only was the recovery from the shock-effects of the fuel crisis rather less protracted than many people had feared, but it now appears that the *Survey*'s estimate of the total for 1947 had already allowed for half the loss of £200 million which the crisis and its aftermath were expected to cause. But for that crisis, 1947 exports would have been put at £1,300 million; as it is, they are now estimated at £1,100



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million. No comparable revised estimate has been given for imports, but if the *Survey* estimate of £1,450 million was realistic at the time it was made, it might be reasonable to assume that the revised figure for the calendar year would lie nearly midway between that estimate and the £1,700 million now foreshadowed for the period from mid-1947 to mid-1948. On this basis, the 1947 import total (including films) would be, say, £1,550-£1,575 million, and the adverse balance would be no less than £450-£475 million, in contrast with less than £270 million estimated last February. If other net invisible outgoings are estimated on the basis suggested in the *Survey* (£175 million of net Governmental expenditure overseas, offset to the extent of £82 million by net receipts from other sources), the overall deficit for 1947 would be in the vicinity of £530-£560 million, compared with the original estimate of £350 million and with the £450 million actually experienced in 1946. By comparison with a gap of this magnitude, the cuts now contemplated are of so little account that it is hardly of consequence whether the figures are computed before or after allowing for them.

Nor is it reasonable to argue that the years 1946 and 1947 should be considered together, and that, from the point of view of the drain upon the dollar credits, the disappointments of 1947 might be regarded as being balanced by the unexpectedly good achievements of 1946. The overall deficit for the two years combined may be a little less than was contemplated at the time of the American Loan agreement. But the negotiators of that agreement assumed that British external borrowings of this magnitude would, by the end of 1947, have provided both much larger quantities of imported supplies for Britain, and a much higher proportion of capital and re-equipment goods, than will actually have been secured. The steep rise in prices and the concentration of Britain's deficits upon the hard currency areas have imposed a much greater effective strain upon the dollar credits than any such calculations might superficially imply.

As for the extent of Britain's remaining dollar resources, it is impossible, even now, to frame a precise estimate. The information regularly made available, like the figure given by Mr Dalton on Tuesday, relates only to the drawings upon the dollar credits (i.e., to the amounts transferred from the US Treasury to the British Treasury's account in New York); it gives no reliable clue to the rate at which the dollars are being actually spent or earmarked; and the latest figure for the dollars and gold in Britain's till is already more than six months out of date. Since the winter's crisis, dollars have been drawn from the credits at an accelerating rate. By the end of June, drawings on the US credit—excluding the £37½ million draft announced this week—had totalled £512½ million, and those on the Canadian credit roughly £165 million. The amount drawn on both credits in the first half of this year was about £400 million, and of this no less than £250 million was drawn in the second quarter. The acceleration suggests that Britain has been living from hand-to-mouth; but, in the absence of further data, it would be unwise to take this for granted. In the latest period for which ostensibly comparable figures are available—the six months to end-December last—the gross holding of gold and dollar reserves was increased by nearly £100 million. It is at least conceivable, therefore, that the true dollar position is a little more favourable than the Exchequer Returns suggest. But, if the dollars which have been drawn are assumed to have been spent almost immediately, the amount which remains at Britain's command in unutilised lines of credit is about £570 million (or £532½ million after this week's draft), to which must be added the £642 million of gross gold and dollar holdings which Britain had in the till six months ago. At the recent rate of drawings, the residue of the dollar credits would last until the early weeks of 1948, while the gold and dollar reserves would provide perhaps for a further six months of expenditure before the situation reached the direst

extremity—after allowing about £150 million for a minimum working balance and inescapable gold liabilities.

Obviously, the position is extremely grave. Yet there is, even now, a breathing space during which policy could be brought to bear. Moreover, the prospect on a twelve months view may be rather more favourable than it is for the calendar year 1947. In the first place, it is very questionable whether the recently completed arrangements for restoring convertibility to sterling will in the coming year add appreciably to the effective strain which convertibility arrangements have already imposed in the first half of this year. Although the arrangements generally are not reciprocal, it would be wrong to suppose that they work only one way. By conceding the right of convertibility to sterling accruing from current earnings after July 15th, Britain achieves two notable gains. First, a limit is set to the diversion of British exports from their urgent task of paying for imports to the role of simply repaying past indebtedness. These unrequited exports in the past have imposed a very severe strain upon the balance of payments, and probably would have been checked much sooner if Britain had not known quite definitely, long in advance of July 15th, that by that date at latest it would be necessary in any case to set a limit to them. In future, exports of this character will be limited to the amount of agreed releases from accumulated balances. Measured by the experience of the past, this is perhaps the most striking of the two advantages which Britain reaps from the July 15th arrangements. But, looking to the future, the second advantage may well be the more important: it has been made a condition of the granting of convertibility of sterling that each country agrees to accept sterling without limit when offered by any other country in settlement of current debts. Sterling, as many countries will quickly discover, is achieving a real multilateralism based on the confidence that it can be converted into the ultimate scarce currency. For that reason it will not only itself become a scarce currency, but will move with increasing freedom around Britain's series of trade connections, enabling deficits to be offset against surpluses and enabling Britain to pay sterling for supplies which in the past have cost her dollars.

There is probably no need, therefore, to assume that the pure technicalities of the exchange situation will at this stage seriously aggravate Britain's own problem. But the repercussions of the world dollar shortage upon British exports will become increasingly burdensome. The 1947 export target has now officially joined the list of abandoned objectives; the rate of 140 per cent of the 1938 volume of exports, which in the *Economic Survey* was planned for the end of 1947, is now projected as the goal for the middle of 1948. In relation to 1947 the 140 per cent was geared to an export value total for the year of £1,200 million; now it is geared to a value total (for the year—mid-1947 to mid-1948) of £1,300-£1,350 million, an increase which is apparently not wholly attributable to the rise in export prices. It will be an extremely difficult target to achieve, and the effort to achieve it will certainly involve further sacrifices for home consumers. But if it can be regarded as attainable, the prospective overall deficit for the year 1947-48 is about £400-£450 million (after allowing for £50 million of re-exports), or between £100 million and £200 million less than the prospective deficit for this calendar year. If, as is perhaps reasonable to expect, governmental overseas expenditure can be reduced below the £175 million estimated for the calendar year, and if income from tourism and shipping expands, the final result might be £50 million or so better than these figures suggest, leaving an overall deficit, on the most favourable assumptions about exports, of possibly less than £400 million.

The prospect is clearly alarming; but the gap on these assumptions is not so vast as to suggest to the fainthearted that it is hopeless to try to narrow it significantly without gravely impairing Britain's short-run capacity to produce.

Wages and Industrial Unrest

THE sense of restlessness among organised labour is clearly reflected in the recent outcrop of unofficial strikes. This week, shop assistants in the Royal Arsenal Co-operative Society's stores, provincial bus workers in the northern and midland regions and London Transport Board's busmen have all withdrawn their labour, and have brought great hardship to the public. The growing unrest and indiscipline in certain coal-fields is even more serious, for if it develops, it may result in an irretrievable setback to production. Fortunately, the findings of the Court of Inquiry on Railway Wages (which gives the men an increase of 7s. 6d., instead of the £1 for which they had asked) have been accepted by both the National Union of Railwaymen and the Associated Society of Locomotive Engineers and Firemen. The latest Ministry of Labour Gazette shows that only slightly more working hours were lost through trade disputes in the first five months of 1947 than in the first five months of 1946 (1,105,000 compared with 992,000), but the possibility of fresh waves of industrial unrest is ever present.

Trade union leaders have been loud in their condemnations of unofficial strikes. Mr Deakin described the Sunday strike of the London Transport workers—in defiance of a majority decision of a delegate conference—as “a violation of trade union principles.” Sir Mark Hodgson denounced unofficial strikes as “a body blow to collective bargaining.” Mr Will Lawther was even more outspoken in his presidential address to the miners, and described them as “a crime against our own people.” The trade union movement is understandably worried by independent strike action, for its own authority, as well as the public interest, is being challenged. Strictures and appeals for loyalty and discipline, so far, have not proved an effective curb.

There is general agreement on the need to speed up the working of industrial negotiating and arbitration machinery—or at least of avoiding unnecessary delay—but it is not easy to define the limits within which this could be done. This problem is under consideration by the Ministry of Labour's Joint Consultative Committee. The proceedings of the Road Haulage Board have shown that it is possible for months to elapse between the presentation of a claim and the announcement of an award; the delays create a restive atmosphere and make an unfavourable award even less acceptable to the men. Yet to impose a time limit on the deliberations of wage-fixing bodies would be an arguable step; clearly it would be undesirable for those claims which involved important points of principle, and had far-reaching repercussions on other sections of industry, to be considered, as it were, under duress.

The problem of overhauling and improving industrial negotiating machinery is not new. At the end of the first world war, as at the end of the second, the fact, or the fear, of industrial unrest prompted wide interest in the methods of settling industrial disputes. The schemes of the Whitley committee for setting up adequate safeguards for industrial peace were only partially successful, but they did result in the establishment of the Industrial Court. Recent bodies set up under the Industrial Courts Act, such as the Terrington committee on the road haulage disputes, the Forster Committee on ship-building hours and the Guillebaud committee on railway wages, have been instrumental in breaking deadlocks and preserving industrial peace. The war saw the extension of voluntary machinery and the gradually diminishing importance of the statutory bodies, and the Wages Councils Act of 1945 inherited the mantle of the Trade Boards Acts of 1909 and 1918. Voluntary machinery is more flexible and sensitive than statutory bodies

which tend to be hamstrung by their legal provisions. In general, therefore, the development of voluntary negotiating machinery should diminish the risk of industrial unrest.

It will be interesting to see whether the recently-established negotiating machinery for the mines will have the desired effect of reducing disputes in this traditionally troubled industry. It provides for an elaborate system of pit conciliation, with the object of establishing “a regular, speedy and efficient method” of dealing with grievances at the collieries. If no settlement can be reached directly between the workmen and the management, the matter is referred to a pit committee, with a time limit of 14 days. Then, if no settlement is effected, it will be referred to a disputes committee, with another 14 days' time limit, and finally, to an umpire selected from a panel appointed by a District Conciliation Board. At whatever stage a settlement is reached, it becomes binding on members of the union and upon managements.

The British system of industrial negotiating machinery, in spite of its haphazard and somewhat uneven development, is probably unrivalled, but in the last resort only a sense of responsibility determines whether industrial peace is to be maintained. The Government is in a dilemma on this question. It naturally wishes to minimise industrial unrest and to avoid loss to production. On the other hand, it must surely be concerned at the inflationary movement which is now developing from the concession of the claims of particular sections of workers whose demands are based on bargaining strength rather than a fair economic assessment of their wages and those of other workers in a weaker position. It has been suggested that an extension of the national arbitration machinery, to give the Government the opportunity, as a third party, to state its case for or against particular claims, might provide a solution, but, in practice, it would alter the two-party character of the present system, and might diminish the confidence of the workers in the independence of the arbitrators, if they felt that undue weight was attached to the Government spokesmen—even, probably, if they were Socialist Government spokesmen. Suppose that a court of inquiry rigidly followed the principles laid down in the White Paper on wages and hours, and refused applications for shorter hours or higher wages on those grounds. Would the unions be content to accept this because the Government have said so?

The dilemma was clearly recognised by the Court of Inquiry on Railway Wages. On the one hand, it admitted that the unions had a case for wage increases—especially in view of the drift of manpower from the railways—and that, with the general trend towards a reduction of working hours, it seemed illogical to withhold similar benefits from railway workers—a perfect example of the repercussive effect of labour awards granted to one industry being used as a lever for improvement in another. On the other hand, the Court had to take into account the effect on railway costs, which could only be passed on to the public in the form of higher fares and freight charges, and the effects on other industries:

We are aware of the tendency for wage increases in one important industry to have repercussions on the wage structure throughout the country, and we wish to make it clear that our recommendations have had regard to the special circumstances of the railway industry at the present time, and are not intended to serve as a basis for general upward movement of wages as a whole.

For this reason, their recommendation specifically states that the increase of 7s. 6d. should be regarded as a short-term measure, pending the very necessary examination of a system of

* Including East India wool, noils, shoddy, etc. † Including hair. ‡ Average of Sept.-Dec. only. § Ministry of Labour figures of numbers employed in the woollen and worsted industries. All other figures in the table are returns submitted to the Board of Trade.
N.B.—There is a slight difference in the four-weekly periods as between cotton and wool.

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policies and high rates they caused depression: the violent criticism they received after 1920, after 1929 and after 1937 is still exceedingly impressive. They have therefore been, and still are, seeking the best of two possible worlds.

* * *

Insurance and Nationalisation

In view of recent murmurings from unofficial Labour circles, the insurance companies will obviously have welcomed Sir Stafford Cripps's reaffirmation recently that the Government has no intention of extending nationalisation into the field of insurance. The Minister's reassurance was, indeed, quite comprehensive in its implications. Speaking at the anniversary dinner of the Norwich Union Insurance Societies, he reiterated the statement made when the new Assurance Companies Act was introduced in Parliament last year:—

The Government have no intention of interfering with the transaction of insurance business by private enterprise save to the limited extent to which insurance at home may be affected by the existing proposals relating to personal social insurance and industrial injuries. It is the desire of the Government that insurance should be in the future as in the past dealt with on an international basis and as business of an international character.

This re-statement of faith in the virtues of a free insurance business is the more significant in view of the recent discussions about the effects which industrial nationalisation may have upon the demand for insurance facilities. There have been complaints, for example, that the Coal Board is abstaining from insuring in the market its risks for fire, accident and similar contingencies, preferring to absorb them within its own organisation. Sir Stafford promised a considered reply to the representations which have been made on this issue but, in the meantime, categorically affirmed that it certainly does not follow automatically from nationalisation that the nationalised industry or service should not insure in the ordinary market. Given this assurance that there is no purely political factor in the equation, it is difficult to quarrel with the policy which is being followed: The nationalisation boards, as Sir Stafford pointed out, are designed to be virtually autonomous boards which should have sole responsibility for deciding matters such as these. It is true that the peace-time policy of Government departments is, very properly, to absorb their own insurance risks; but if national boards adopt the same procedure, it would be wrong to assume that they are merely assimilating their practice to that of Whitehall.

When an organisation reaches a given size, it is plainly more economic for it to rely upon the spread of risks within its own organisation than to pay a premium to the market for the service of providing a still larger spread. The policy adopted by the Governmental trading controls during the war—of insuring stocks and goods in transit—represented, not an admission that the normal policy was unsound, but simply a means of ensuring that no permanent damage was done to London's insurance market by the abnormalities of war-time trading. The nationalisation boards, if they decide that their business is sufficiently large to absorb particular risks without insurance, will simply be following a policy which has been considered appropriate by such organisations as the railway companies and London Transport. In the circumstances, it is hardly fair to regard the Government's attitude in this matter as inconsistent with its recognition of the important part which British insurance plays in invisible exports. Obviously the extension of nationalisation will tend to restrict the domestic demand for insurance facilities. But this is hardly a case in which the capacity of the insurance companies to perform services abroad is dependent upon the volume of the demand for their services at home.

* * *

Bigger Dis-savings

The recent trend of National Savings is hardly calculated to put fresh heart into the gilt-edged market. The latest figures, which relate to the last week of June, show a further increase in the rate of withdrawals and a negligible increase in the flow of new subscriptions. In consequence, the week's encashments (including the interest portion of savings certificates repayments) exceeded new savings by £3½ million, which is easily the largest amount of weekly dis-saving for the current financial year. Five weeks ago, when attention was drawn in these pages to the unsatisfactory trend, the cumulative total of net cash receipts (for the first eight weeks of the year) stood at £59.4 million, and thus was approximately equal to the target rate of £1 million per day.

Since then, although at the target rate the total should have risen by a further £35 million, it has actually fallen by £6 million to only £53.6 million—before allowing for roughly £7½ million for interest disbursed on the Savings Certificates encashments. Thus, whereas the "departments" could normally count upon at least a modest inflow of savings moneys which they automatically re-employ in the gilt-edged market, now they are having to find funds for the purpose of meeting small savers' claims. The following table summarises the trend for the financial year to date, and continues the series given in *The Economist* of June 7th:—

SMALL SAVINGS TREND (£'000s)			
Week Ended	Receipts	Repayments*	Net Cash Raised
April 5.....	31,988	17,917	14,071
" 12.....	20,735	12,055	8,702
" 19.....	18,071	14,688	3,383
May 3.....	26,546	15,976	10,570
" 10.....	30,384	19,504	10,880
" 17.....	20,740	14,992	5,748
" 24.....	17,441	15,630	1,811
" 31.....	17,717	13,450	4,267
June 7.....	14,711	16,326	-1,615
" 14.....	15,851	15,265	586
" 21.....	16,565	16,362	203
" 28.....	15,456	17,235	-1,779
" 28.....	15,596	18,824	-3,228

* Excluding interest portion of Savings Certificates encashments.

The year's target of £366 million for net savings is some £36 million above the comparable figure for 1946-47, yet already the total for 1947-48 is far below last year's level and over 40 per cent below the target rate. Sir Harold Mackintosh, explaining some of the underlying influences recently, attributed this contrast with 1946-47 mainly to the fact that the figures in the early weeks of that year were unnaturally swollen by the bumper demand for the last of the 3 per cent Defence Bonds. But, had it not been for the successive "last chance" drives, the 1946-47 savings figures would have been far below the level actually achieved; and, in raising their sights for this year by some 10 per cent, the National Savings Committee must be presumed to have taken account of this factor and to have assumed that the planned increase could be achieved without such adventitious aids as those of last year. If this savings target is not to join the long list of abandoned objectives, the Savings Committee will have to make even greater efforts to bring home to the public the need for maximum economy. Its task would be easier, perhaps, if the Government itself showed more realism in approaching the problem of the balance of payments, for the psychological and human issues which arise in both cases are closely parallel.

* * *

Exchange for Business Travel

The British exchange control authorities have this week taken necessary and belated steps to prevent the abuse of the regulations covering the issue of foreign exchange for business purposes. Hitherto such exchange has been made available to a business man and two members of his staff at the rate of £10 a day each, and authorised banks have had the right to grant exchange on these terms for periods up to three months without reference to the Bank of England. The only exception from this rule was that exchange allocations for Switzerland were restricted to seven days, any extension beyond this period requiring Bank of England authority. These highly elastic arrangements lent themselves to considerable abuse. Too often did the "other members of the staff" include the business man's wife masquerading as a secretary in order to qualify for the £10 a day with which wardrobes were restocked and scarce hard currency frittered away. Too often were "business trips" up to three months spent in the mountains. The main changes now made are to restrict to 15 days the period for which business travel currency can be allocated without reference to the Bank of England, and to make each application cover one person only. If secretarial or other services call for companions on the business trip, special application will have to be made for them.

* * *

Raw Cotton Prices Increased

The increase in raw cotton prices announced by the Board of Trade at the end of last week can hardly have surprised Lancashire. The home issue price had been for some months below

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MANUFACTURERS OF "ROBBIALAC" PAINTS.

SHARE CAPITAL

Authorised	Issued or to be Issued.
£200,000 in 6 per cent. Cumulative Pre-Preference Shares of £1 each.....	£153,231
£100,000 in 6½ per cent. Cumulative Preference Shares of £1 each.....	£100,000
£200,000 in 7 per cent. "A" Cumulative Preference Shares of £1 each.....	£200,000
£200,000 in Ordinary Shares of 5s. each.....	£125,000
£700,000	£578,231

The Company has no Debentures or Mortgages or Loan Capital (except a Charge in favour of Midland Bank Limited, to secure a loan which it is proposed to repay out of the proceeds of the present issue of Shares).

THE SUBSCRIPTION LIST WILL OPEN ON TUESDAY, 15th JULY FOR AN ISSUE OF

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The Prospectus shows (inter alia) that:—

- The Company, with its subsidiaries, manufactures all classes of paints, varnishes, enamels, cellulose lacquers and distemper, including the well known "ROBBIALAC" and other proprietary brands.
- Net trading profits for the twelve years ended 31st December, 1946, before charging taxation or War Damage Act payments, but after providing for Directors' remuneration, depreciation and amortisation, interest (other than on the Bank Loan, which it is proposed to repay out of the proceeds of this issue), and deferred repairs, together with the parent Company's share of the profits of subsidiary Companies to the extent only to which such share has been received by way of dividend were:—

1935.....	£42,542	1941.....	£49,080
1936.....	47,571	1942.....	98,341
1937.....	57,642	1943.....	127,816
1938.....	44,205	1944.....	145,229
1939.....	59,745	1945.....	109,599
1940.....	68,470	1946.....	234,352

- The arrears of repairs, maintenance and re-building throughout the world, together with the everyday demand for all the Company's products, should keep the Works fully employed for many years. The Directors are confident that, unless unforeseen circumstances arise, the dividend of 25 per cent. per annum, which has been paid on the Ordinary Share capital for the last four years, should be at least maintained on the enlarged capital. Such a dividend represents a yield of 5 per cent. at the price of 25s. at which the Shares are being issued.

Copies of the full Prospectus, on the terms of which alone applications will be considered, and forms of application are obtainable from:—

BANKERS: MIDLAND BANK LIMITED, New Issue Department, Poultry, E.C.2 and Branches.
BROKERS: E. B. SAVORY & CO., Basildon House, 7/11, Moorgate, E.C.2 and the Stock Exchange.
RAYNER & CO., 4 & 5, Throgmorton Avenue, E.C.2 and The Stock Exchange.
and from

THE CHARTERHOUSE FINANCE CORPORATION LIMITED
6, OLD JEWRY, LONDON, E.C.2.

Abridged Particulars

LONSDALE INVESTMENT TRUST LIMITED

(Incorporated under the Companies Act, 1929)

SHARE CAPITAL

Authorised:	Issued and fully paid:
£554,500 in 4 per cent. Cumulative Preference Stock Units of £1 each....	£554,500
445,500 in 4 per cent. Cumulative Preference Shares of £1 each....	—
1,170,000 in Ordinary Stock Units of £1 each....	1,170,000
80,000 in Ordinary Shares of £1 each....	—
£2,250,000	£1,724,500

There are no Debentures, Mortgages or Loan Capital

OFFER FOR SALE

BY ROBERT BENSON & COMPANY, LIMITED,
of 292,500 ORDINARY STOCK UNITS OF £1 EACH AT 45s.,
payable as follows:—

On Application	... ..	20s. 0d. per Stock Unit
On Acceptance	... ..	25s. 0d. per Stock Unit
Total	... ..	45s. 0d. per Stock Unit

The List of Applications will open and close on Friday, 18th July, 1947

The Offer for Sale shows (inter alia) that:—

- The Company has been formed to acquire substantially the whole of the undertaking and assets of Lonsdale Investment Trust Limited (which was the undertaking and assets of Lonsdale Investment Trust Limited) and the whole of the issued and paid up share capital of Lonsdale Investment Trust Limited, T. L. Lonsdale & Company, Limited, previously a Subsidiary of Lonsdale Investment Trust Share Capital of Robert Benson & Company, Limited, whose name is in the course of being changed to Robert Benson, Lonsdale & Co., Limited.
- The Company will continue to operate as an investment trust, and through Robert Benson & Company Limited, will conduct an investment and merchant banking business, which includes the issue, offer for sale, underwriting and placing of securities, both publicly and privately, the financing and development of commercial and industrial undertakings, and the management and supervision of investment trusts and private investment funds.

ROBERT BENSON & COMPANY, LIMITED,
24, Old Broad Street, London, E.C.2.

- The Directors consider that, subject to unforeseen circumstances, the profits of the group should be sufficient to permit the payment of a dividend on the Ordinary Stock, in respect of the year ending 28th February, 1948, of not less than 10 per cent, which would represent a yield of £4/8/10 per cent on the price at which the Ordinary Stock is being offered for Sale.

- Robert Benson & Company, Limited are aware of applications for 70,000 Units from underwriters and clients, which will be accepted in full on the terms of this Offer for Sale.

Copies of the full Offer for Sale (on the terms of which alone applications will be received) and Forms of Application will be available on Wednesday, 16th July, from the Offices of:—

Hoare & Co., 4, Crosby Square, London, E.C.3, and The Stock Exchange, London, E.C.2. and

the New York spot rate, and the only uncertainty was the exact time when the Government's price would be brought more into conformity. The present increase, averaging 1½d. a lb. for American type and 1d. a lb. for Egyptian type cotton, is in fact quite moderate when compared with the previous rise of last October, which averaged 5½d. a lb. for American and 4½d. a lb. for Egyptian varieties. Since that date the spot price in New York has risen from 33.45 cents to 37.30 cents a lb.—an increase equivalent to 2½d., which compares with the present increase of 2d. for American growth. To what extent the differential price increases as between countries of origin will induce spinners to use raw cotton from sources other than the United States will depend largely on the quantities available. That these other prices were not raised as much as US cotton—for instance, Brazilian was increased only 1½d. a lb.—suggests that the Government certainly desires to encourage the consumption of these extra-American growths.

The following table, which shows the development of British cotton stocks by growth, reveals certain interesting trends in consumption:

STOCKS OF RAW COTTON BY GROWTHS IN UNITED KINGDOM
('000 Tons)

End of Period	Total	American	Indian	Brazilian	E. & W. African	Egyptian	Sudan	Peruvian
Dec. 1939...	275.0	122.4	23.0	9.9	0.9	55.8	25.0	28.0
June 1945...	376.4	113.3	40.3	42.9	16.3	87.4	47.4	9.6
Dec. 1945...	411.1	101.9	44.0	75.3	16.0	89.6	51.5	13.1
June 1946...	416.2	85.2	43.2	98.1	22.6	79.0	45.3	18.2

Stocks of American cotton have declined proportionally since the end of 1939, and also quantitatively, so that by June, 1946, Brazilian cotton became the largest item of the British stockpile. During the last twelve months this trend has continued. There has also been a greater emphasis on cottons from British East and West Africa. This changing pattern reflects the saving in dollars that has already been made.

The most important question raised by the Board of Trade announcement, however, is that of price policy. It is an established principle that the Cotton Control have to cover their costs, but the methods adopted for determining the home issue prices remain a mystery. Under such a system of governmental trading, price changes will be less frequent than in the days of the Cotton Exchange, but the magnitudes greater. If the industry is to plan forward, it must have an idea of the future trend of prices. It was never easy to assess accurately a market's reaction; that, was acquired by experience. But to foresee what a Government body will do, and when, is an impossibility. If Government trading is to work harmoniously with private enterprise some mechanism seems to be required to replace the price barometer which guided the industry in the past.

Courtaulds' Expansion

After twenty-five fruitful years as Chairman of Courtaulds, Mr Samuel Courtauld, who is the father of rayon development both in this country and overseas, has been succeeded by Mr J. C. Hanbury-Williams. The new chairman gave a comprehensive outline of the company's expansion programme in his address at the meeting this week, saying that contemplated capital expenditure exceeds even the huge total of £27 million available for reinvestment resulting from what is pointedly described as the "confiscation" of the company's interest in the American Viscose Corporation. Even the £37.4 million of net liquid assets available at March 31st is regarded as possibly inadequate measured against current construction costs, and though there will be no immediate recourse to the capital market, this might be necessary in due course. The extension of the company's activities in the United Kingdom has had to be keyed in with the Government's plans to direct as many new factories as possible to the development areas. The chairman was not able to add much information on the progress of the company's development schemes, but progress in the initial stages is bound to be slow when labour and equipment are both difficult to mobilise. A year may elapse, for instance, before the company goes ahead with its plans for the new factory to be erected at Dundee for the production of staple fibre. In the main, attention is being directed to augmenting production in existing mills which are now working in most cases at full capacity. Overseas, a rayon factory is projected in Australia, and extensions to the existing plant at Cornwall, Ontario; a badly damaged factory at Calais is working again, while at Cologne the Glanzstoff-Courtaulds buildings are little damaged and connections in Italy with Snia Viscosa are being resumed.

An interesting break down of trading receipts shows that out of £1 received, raw materials took 6s. 2½d., wages and salaries 5s. 10½d., running costs, depreciation and selling expenses 5s. 7½d., leaving 2s. 3½d. to be split between taxation, 1s. 0½d., and a mere 1s. 3d. for other contingencies and dividends. This analysis shows that the equity holder is on the thin edge of a very broad wedge. In fact it was pointed out by the chairman that actual ordinary capital employed in the business amounts to around £46 million, including profits ploughed back. The latest dividend was equivalent to 7.6 per cent for a twelve month period, or taken as a percentage of the capital actually invested, around 4 per cent. The present emphasis on long-term expenditure suggests that Courtaulds' ordinary shares cannot yet count on a more than moderate chance of higher dividends, though the eventual return on the new investment should certainly exceed that obtained on the gilt-edged securities now held by the company.

Cash for Damaged Chattels

It is perhaps anomalous that the long delayed payments of compensation for bomb damaged private chattels, which the

(Continued on page 83)

COMPANY MEETINGS

NATIONAL BANK OF NEW ZEALAND, LIMITED

RECORD DEPOSITS

The seventy-fifth ordinary general meeting of the National Bank of New Zealand, Limited, will be held in London on the 24th instant.

Sir Sydney Parkes, the chairman, in his circulated statement, refers to the strong ties binding the Dominion to the Mother Country, as evidenced by the gift of £10,000,000 sterling to the British Treasury and the generous subscriptions for the relief of flood distress in England.

Dealing with the balance sheet he states that deposits had increased by £5,342,000 to the record figure of £26,840,000, and advances have expanded by £2,731,000. The demand for loans has come from most classes of borrowers, but the increase is due mainly to the requirements of the Dominion's expanding industrial structure, to the cost of rehabilitation and restocking of business generally. Higher price levels have also contributed to the increase.

The net profit at £110,798 shows a satisfactory increase owing to increased lending and some slight relief from taxation. The proposed final dividend is 3 per cent. (less tax at 9s. in the £), which with the interim dividend of 2 per cent. makes 5 per cent. for the year.

Referring to general business conditions, he states that trading has been good in spite of many shortages. Expansion of secondary industries continues to be a market feature of Dominion economy. Coal and electricity, especially in the North Island, have been in very short supply. Building construction has been confined, through lack of an adequate supply of materials, to housing and essential works.

Overseas assets of the Dominion in March last stood at £NZ99,508,000. The con-

tinued high level of these funds is partly the outcome of increased prices for exports and partly the result of the difficulty of obtaining imports.

Dairy production has been better than last season, butter graded for export for the eight months ended March 31st being 18.5 per cent. higher than for the same period last year.

Two years ago the joint organisation (U.K. Dominion Wool Disposals, Ltd.) took over the responsibility of disposing of the accumulated war-time stocks of wool. Since then world demand for wool has exceeded all expectations, and it is gratifying to learn that more than half of the surplus has already been sold. There was almost a complete clearance of the current New Zealand clip, and in addition surplus stocks of New Zealand wools are now down to about 1,000,000 bales, or roughly a year's production.

BANCA COMMERCIALE ITALIANA, MILAN

ANNUAL GENERAL MEETING

The ordinary general meeting of this Bank was held on April 29, 1947, in Milan, the chairman of the board, Signor Camillo Giussani, being in the chair.

Mr Raffaele Martioli (managing director) submitted the directors' report for the year 1946.

It illustrates the more salient changes in the balance sheet. They reflect the economic and financial developments in Italy during the past year and the policy pursued by the bank in its endeavour to give the fullest support to the country's post-war reconstruction.

Without departing from its habitual caution in undertaking fresh liabilities, the bank has unhesitatingly brought to this task the full weight of its efficient organisation and of the spirit of enterprise which animates it.

There has been a fresh and substantial increase in the bank's resources consequent upon its ever-growing participation in national economic life. This has made it possible to meet in full the requirements of customers. The recognised canons of banking orthodoxy have been strictly adhered to. The bank has carefully refrained from granting accommodation for business of a speculative nature and has also declined certain propositions which would have involved a lock-up of funds intended instead for the purpose of promoting production.

A survey of the means by which Italian economy is endeavouring to find a new structural equilibrium and to get through the transitional period of reconversion shows that the Banca Commerciale Italiana, in addition to facilitating the placing of a number of new issues through its nationwide network of branches, has, in conjunction with the other two Italian Banks of National Interest, lent its assistance to the "Mediobanca" for the realisation of its particular programme.

As is known, the said institution receives monies on time deposit for periods varying from one to five years for the purpose of financing industrial undertakings. Its activities have already commenced and transactions of some importance have been concluded.

The directors' report of Banca Commerciale Italiana states that, in view of the fact that the former London branch had, unfortunately, to be wound up, it has been decided to open a Representative Office in order to preserve direct and close contact with that great financial centre.

Appropriation of Profits:
Brought forward from previous years ... Lire 24,605,610.30
Net profit for 1946 ... „ 25,588,721.85
Total ... Lire 50,194,332.15
To Reserve Fund ... Lire 50,000,000.00
Balance carried forward to 1947 ... „ 194,332.15

(Continued from page 82)

Government had said must await a substantial flow of consumer goods, should fall to be made, after all, at a time when consumers face increasing rather than diminishing austerity. Most of the amounts now outstanding will be discharged on Monday next, when roughly a quarter of a million claimants will receive approximately £45 million. This sum includes interest on the agreed amount from the date of the damage and the supplementary payments which the Government last year agreed to make for certain losses which arose before the end of 1941. Obviously it is too late now to reopen the question of the basis of this supplementary compensation, but the sense of grievance felt by those who suffered damage after 1941 has certainly not diminished since last year's announcement was made, for every successive rise in prices makes the distinction the more inequitable. It is heightened, moreover, by the fact that many people secured substantial advance payments on grounds of hardship—and the authorities were certainly much less austere when judging what constituted hardship than in evaluating the amount of compensation due. The supplementary payments to those who have already received the full amount of their claims will not be made this week, but it is hoped that the payments will be completed in their entirety before the end of the year.

The £45 million now to be disbursed does not, therefore, represent even the greater part of the total disbursements for bomb damaged private chattels. The advance payments have already absorbed £65 million, and the supplementary payments to be made later this year will require roughly £10 million, to be made a total of about £120 million. Towards this sum the Government received during the war £16 million from those who voluntarily took out insurance policies for cover beyond the amount provided free under the Government scheme. The authorities now point out that "for the most part" the payments represent compensation under the free scheme for which no premiums were payable. This circumstance underlines the injustice of the other arbitrary feature of the arrangements for supplementary payments—that they are based on a percentage scale which descends as the amount of the claim rises; so that at the level of £1,200 no supplementary payments are made at all.

Shorter Notes

Deliveries of coal cutters to British coal mines during May totalled 73, compared with 75 in April and a monthly average of 70 in the second quarter of 1946. Deliveries of conveyors were slightly higher on the month, totalling 201 in May against 195 in April and 769 in the second quarter of 1946. Colliery tubs and mining car deliveries numbered 6,600 in May, compared with 5,370 in April. These, and other coal-mining machinery statistics, are given in a new table in the June issue of the *Monthly Digest of Statistics*.

A price-fixing agreement is being canvassed among the 1,400 owners of weaving sheds in Lancashire. Proposals follow the lines of the price-fixing contracts entered into already by members of the Yarn Spinners' Association, which covers 100 per cent of Lancashire spinners. It seems possible, however, that in the case of the weavers, rather less than 100 per cent agreement might satisfy the sponsors of the scheme.

Of the 6,330 European voluntary workers placed in employment between January 1st and June 30th, 564 were placed in textiles, 2,268 in agriculture and 1,836 in hospital work.

Addressing the annual conference of the National Union of Tailors and Garment Workers on Wednesday, Sir Stafford Cripps referred to the present lack of balance between supplies of clothing for men and women. The Wool Controller has requested manufacturers to make more cloth for men's clothes and less for women's. From July 17th the worsted flannels 214 and 214A are to be withdrawn from the schedules for women's garments.

SECURITY PRICES AND YIELDS

A fuller list containing 370 securities appears weekly in the *Records and Statistics Supplement*. Notes on the following company reports also appear in the Supplement: Richard Thomas and Baldwins; Rolls Royce; Timothy Whites and Taylors; Beecham Group.

Prices, Jan. 1-July 9 1947		Name of Security	Price, July 2, 1947	Price, July 9, 1947	Net Yield,* July 9, 1947	Gross Yield,* July 9, 1947	Prices, Jan. 1-July 9 1947		Last Two Days		Name of Security	Price, July 2, 1947	Price, July 9, 1947	Yield, July 9, 1947
High	Low		High	Low	(a)	(b)	(c)							
British Funds*														
103½	101½	Conversion 3% March 1, 1948-53.	102½	102½	£ s. d.	£ s. d.	113½	105½	% (d)	% (d)	Australia 3½% 1965-69.	108½	108½	£ s. d.
103½	101½	War Bonds 2½% August 1, 1949-51.	101½	101½	0 11 0	1 12 7	105½	99½	(d)	(d)	Birmingham 2½% 1966-71.	100	100	2 13 6
102½	100½	Exchequer Bonds 1½% Feb. 15, 1950.	100½	100½	0 13 6	1 8 7	142/-	120/-	(d)	(d)	Argentina 3½% 1972.	101½	101½	3 8 9
105½	101½	War Bonds 2½% March 1, 1951-53.	102½	102½	0 13 10	1 18 4	196/-	118/-	40	50	Anglo American Corp. 10s.	126/3	123/9	4 0 10
105½	101½	War Bonds 2½% March 1, 1952-54.	102½	102½	0 19 2	2 3 3	80/-	60/-	10	25	Anglo-Iranian Oil £1.	189/4½	195/-	3 1 6
106	101	War Bonds 2½% Aug. 15, 1954-56.	102½	101½	1 2 10	2 4 10	42/3	36/4	25	40	Assoc. Port. Cem. Ord. Stk. £1.	74/6	75/6	3 19 6
106	101	Funding 2½% June 15, 1952-57.	103½	103½	0 16 8	2 1 4	95/4	79/6	7	7	Austin Motor 'A' Ord. Stk. 5s.	41/10½	40/-	5 0 0
108½	103½	National Def. 3% July 15, 1954-58.	104½	104½	0 19 7	2 5 11	245/-	197/6	12	15	Barclays Bank Ord. 'B' £1.	87/-	89/-	3 2 11
109½	103½	War Loan 3% Oct. 15, 1955-59.	104½	104½	1 1 0	2 8 11	114/4½	88/9	8	8	Bass Ratchiff Ord. £1.	108/9	108/9	3 13 7
108½	103½	Savings Bonds 3% Aug. 15, 1955-65.	105½	105½	1 2 10	2 8 11	245/-	197/6	12	15	British Oxygen Ord. £1.	51/6	53/9	2 13 10
105½	99½	Funding 2½% April 15, 1956-61.	101½	101½	1 5 10	2 9 0	29/1½	24/-	7	8	Courtaulds Ord. £1.	25/9	25/9	6 4 3
109½	102½	Funding 3% April 15, 1959-69.	105	105½	1 4 4	2 11 3	81/-	68/6	12	15	Dormann Long Ord. £1.	77/6	77/6	3 17 5
122½	111½	Funding 4% May 1, 1960-90.	116½	116½	0 17 7	2 11 3	53/-	41/-	7	8	Emp. Chem. Ind. Ord. Stk. £1.	50/9	51/-	3 18 5
110½	103½	Savings Bonds 3% Sept. 1, 1960-70.	104½	104½	1 6 1	2 13 4	49/6	40/-	10	5	Lancs. Cotton Ord. Stk. £1.	44/4½	44/4½	4 10 2
104½	98½	Savings Bonds 2½% May 1, 1964-67.	99½	100	1 7 10	2 10 8	57/3	47/6	10	5	Lever & Unilever Ord. £1.	52/6	55/-	1 16 4
123½	115½	Victory Bonds 4% Sept. 1, 1920-76.	118½	118½	1 7 4	2 13 7	77/6	62/6	10	12½	London Brick Ord. £1.	63/9	65/-	3 16 11
112½	103½	Savings Bonds 3% Aug. 15, 1965-75.	105	105½	0 15 11	2 13 6	84½	78	(d)	(d)	L.M.S. 4% 1st Pref. Stk. £1.	79	80	5 0 0
108½	104½	War Loan 3½% (after Dec. 1, 1952).	105½	105½	0 15 11	2 13 6	36/9	33/-	24	4½	N.-Eastn. Elec. Ord. Stk. £1.	34/-	34/-	4 2 4
117½	110½	Consols 4% (after Feb. 1, 1957).	111½	111½	0 18 9	2 12 4	65/3	47/-	5	20	P'ch'n' J'nson Ord. Stk. 10s.	63/-	64/6	3 17 6
115½	107½	Conversion 3½% (after Apr. 1, 1961).	110½	110½	1 2 11	2 13 6	37/-	35/-	35	169-58	Prudential 'A' £1.	38	37	2 0 1½
100½	90½	Treas. Stk. 2½% (after Apr. 1, 1975).	91½	91½	1 10 1	2 14 11	63/4½	52/3	12½	12½	Sewards & Lloyds Del. £1.	55/9	54/4½	4 12 1
110½	102½	Treas. Stk. 3% (after Apr. 5, 1966).	103½	103½	1 9 3	2 16 3	108/9	91/7	12½	15	"Shell" Transp. Ord. Stk. £1.	102/-	102/6	1 9 3½
117½	107½	Redemp. Stk. 3% Oct. 1, 1986-96.	108½	107½	1 8 2	2 14 3	147/6	118/9	12½	12½	Tub. Invest. Ord. Stk. £1.	135/-	137/6	3 12 9
99	91½	Consols 2½%.	91½	91½	1 10 0	2 14 7	96/9	81/3½	8½	5	Turbine & Newall Ord. Stk. £1.	89/6	89/6	2 15 11
							107/6	93/1½	55	15	Woolworth (F. W.) Ord. 5s.	100/-	102/3	3 8 6

* To earliest redemption, except flat yield and assumed average life 17 years 6 months. Net yields after allowing for tax at 9s. 10d.

(a) Interim. (b) Final. (c) Whole year. (d) Int. paid half-yearly. (e) Also a capital bonus of 2½ per cent. free of income tax, viewed worked on 15 per cent. basis. (f) Fifteen months to March 31, 1947 (yield basis 7.6 per cent). (g) Free of Tax.

IMPERIAL BANK OF IRAN

RECORD FIGURE OF DEPOSITS

57½ YEARS' DIVIDEND AVERAGE

LORD KENNET'S SURVEY

The fifty-eighth ordinary general meeting of the Imperial Bank of Iran will be held, on the 17th instant, at the Charing Cross Hotel, London, W.C.

The following is the statement of the Chairman, the Rt. Hon. Lord Kennet, P.C., G.B.E., D.S.O., D.S.C., circulated with the report and accounts for the year to March 20, 1947:—

Our accounts this year show a further but more moderate increase in deposits, to the record figure of £24,663,000. Bills payable show a reduction of £684,000 in sterling drafts on London and items in transit. Credits and guarantees are increased by nearly £3,000,000. Much the greater part of the total of £7,000,000 in this item represents documentary credits opened by us in Britain and the U.S.A. and Europe to finance orders for goods of all kinds to be exported to Iran and Iraq. This is prime banking business for which we are reasonably secured, firstly by the control of the goods and secondly by the deposit, for a percentage of the value, which the importer in the Middle East leaves with us until he pays the bills and receives from us the documents enabling him to take delivery of his merchandise. As both the import of goods and the supply of foreign exchange are under Government supervision and control, the importer has to conform to varying limitations, restrictions and regulations, the object of which is broadly to establish an orderly supply of useful imports without drawing excessively on reserves of foreign exchange or flooding the market with excessive imports in particular classes of goods.

BALANCE SHEET CHANGES

On the assets side of the balance sheet there are two items which appear for the first time. Below the cash item we have a statutory deposit with the Bank Melli Iran. Under a decree issued by the Iranian Government on November 23, 1946, we have in future to maintain in a special account at the Bank Melli 15 per cent. of our public current deposits in Iran and 6 per cent. of our fixed deposits in Iran, all in Iranian currency. These redeposits do not earn interest. For the purpose of comparing this year's figures with those for March 20, 1946, the amount of £1,741,000 shown as deposited with the Bank Melli may be added to the first item, namely, cash in hand, at bankers, etc. The combined figures are very slightly below the cash figures for the previous year.

The second item of novelty in our balance sheet appears below investments. While conforming to the decree regarding redeposit with the National Bank of percentages of current and fixed deposits lodged with us by the public in Iran, we undertook simultaneously to hold Iranian Government Treasury Bonds to the extent of the same percentages of the same deposits with us by the public in Iran. We held accordingly at March 20, 1947, the equivalent of £1,914,000 in rial bonds. These bonds are repayable at three

months or six months after the date of issue. Since December 29, 1946, the rates of interest have been reduced to 1 per cent. and 1½ per cent. respectively per annum, and we understand that only three months bonds will be issued in future. It has been our practice for some years to hold these bonds, and in fact we held the slightly larger total of £1,953,000 at March 20, 1946. That was entirely of our own volition and the amount was comprised in our balance sheet in the figures for bills discounted, loans and advances, as I explained a year ago. The rate of interest on these bonds up to the end of July, 1946, was 4 per cent. per annum at three months, and 4½ per cent. per annum at six months.

EFFECT OF NEW OBLIGATIONS

The effect of these two obligations accepted by us last November is that 30 per cent. of our demand deposits and 12 per cent. of our time deposits in Iran will in future be immobilised and earning one-half per cent. per annum only. Discounts, loans and advances show very little change after deducting the Treasury bonds from the previous year's figures. In bills receivable we have an increase of £640,000 mainly in bills drawn under documentary credits. Notwithstanding the segregation of the obligatory redeposit referred to above, our cash and money at short call now amounts to 43 per cent. of our deposit liabilities, which we regard as quite adequate.

Our profit of £138,305 is a little more than the previous year. In placing £20,000 to reserve and so bringing that account into equality with our capital we mark another milestone in the march of our affairs. Our satisfaction at this stage is, however, tempered by a sense of the growth in our commitments and the uncertainty of the future. We are the better pleased to have been able to increase the carry-forward by £28,000. Maintenance of the final dividend at 6 per cent. brings the average gross return on the price of issue of our shares to 5 per cent. per annum over the 57½ years of our existence. You will remember that our shares were issued at a premium of £2. The average gross return on our nominal capital of £1,000,000 is 6 per cent. per annum over the same period.

GOVERNMENT'S DEVELOPMENT PROGRAMME

In reviewing the situation in Iran a year ago I referred to the unsettled state of the north-western province. The announcement in June, 1946, of a settlement of the Azerbaijan question did not inspire confidence, and it was not till six months later that the opposition to the central Government ceased, on the withdrawal of the Russian forces and the resumption of control from Teheran. The change was made in an uneventful manner, and the resultant improvement of the political atmosphere was very noticeable throughout Iran. Trade between the north-west and the rest of Iran has since been slow to recover, as the once-prosperous province of Azerbaijan had been impoverished by disorganisation and unrest.

With internal peace and confidence restored and good order re-established throughout the country, and with the parliamentary elections over, the Iranian Government is now free to pursue its policy of national development on constructive lines. The programme includes extension of the railway system, more factories, and a

pipled water supply for Teheran, also labour reforms and the extension of compulsory education and hygiene. The cultivation of opium, which has been discouraged for a generation, is now prohibited.

FOREIGN TRADE ACTIVE

Foreign trade in Iran has been active throughout the past year in spite of the Azerbaijan troubles, some tribal unrest in Fars and Bushire in the late autumn, and a period of congestion at the port of Khorramshahr. There is still considerable delay in the supply of imports, notably material required for capital construction or replacement. Substantial supplies of textiles and miscellaneous goods are being imported from the Continent of Europe. The cost of living has again fallen slightly. Some shipments of barley have been made to the Mediterranean. America is still the principal market for Iranian exports. The supply of sterling exchange at the official rate of 130 rials to the pound is limited, and sterling normally commands a premium in the unofficial market. The regulations controlling exchange vary from time to time to meet changing conditions.

As you know, our bank was established in Iran under a concession for 60 years from January 30, 1889, and we have always taken for granted that it would accordingly expire on January 30, 1949. Some months ago, however, we were told that in some quarters it was held that the period of our concession should be read as lunar years, not solar years, and that our concession therefore ended in April, 1947. The question of the expiry date is at present under discussion. After the concession expires we are liable to taxation on such profits as we may earn in Iran; but the expiry need not otherwise materially affect the conduct of our business.

PROGRESS IN IRAQ

Business in Iraq has continued to make satisfactory progress. The good harvests of last year resulted in substantial shipments of barley to Europe, the United Kingdom and North Africa, at prices well above those of the preceding year. Higher prices were also obtained for wool and hides and skins during the 1946 season, but these commodities were a bad market in early 1947, owing to lower prices in the U.S.A. The date crop was a good one and large shipments were made to India. The rise in the price of gold in India resulted in a reversal of the westward flow of gold as the Mediterranean price declined. This reversed movement has continued, notwithstanding the prohibition of bullion imports to India. Imports of all classes of manufactured goods have increased, including rayon and silk textiles from Italy via Beirut. Active development is promised for irrigation and flood control in Iraq.

Our branches at Kuwait and Bahrain and Dubai in the Persian Gulf are performing a useful function in trade with Iraq, Iran, India and Saudi Arabia. The oil developments at Kuwait give assurance of increasing activity at that prosperous port. Since my last review we have expanded our sphere of interest westward by opening branches at Beirut in the Lebanon and at Damascus in Syria. These towns have trade relations with Iraq and Iran which should improve with the quickening of transport facilities.

CHAIRMAN'S VISIT

In October last, accompanied by Mr Hale, I had the pleasure of revisiting Iraq via Beirut, and of going over our establishments at a number of our offices in Iran. On this tour I particularly valued the opportunity of making the acquaintance of our local staff. In the course of a short stay in Teheran I had many interesting talks about our affairs and I was glad to note the good feeling shown towards us. British banking has traditionally a good name throughout the world, and I feel that we uphold it in the Middle East.

THE UNION-CASTLE MAIL STEAMSHIP COMPANY, LIMITED

INCREASED TRADING PROFIT

PROBLEM OF RISING COSTS

SIR VERNON THOMSON'S SURVEY

The annual general meeting of The Union-Castle Mail Steamship Company, Limited, was held at 3, Fenchurch Street, London, E.C.3, on the 10th instant.

Sir F. Vernon Thomson, Bt., G.B.E., the chairman, in the course of his speech said:—

The outstanding event in South African affairs during the year since our last meeting has been the visit of the King and Queen with the two Princesses to the Union of South Africa and Rhodesia. The royal tour gave immense pleasure and satisfaction to the peoples of those lands and will promote and strengthen mutual goodwill. It has also focused attention upon the natural beauties and the fine, health-promoting climate of Southern Africa, stimulating a desire on the part of many of the inhabitants of these Islands to visit that great part of the Commonwealth.

ACCOUNTS

The profit on trading for 1946, after providing £600,000 towards Deferred Repairs and renewals, shows an increase of about £500,000 on the corresponding figure for 1945. This is in part accounted for by the additional tonnage which we had available during the greater part of the year. With the additions to our fleet, the charge for depreciation (which has been calculated at the same rate as for the preceding year) is accordingly higher at £713,747. In pursuance of the policy started in 1943, the normal annual depreciation written off the book value of the fleet for 1946 has been supplemented by the transfer of £690,114 from Fleet Replacement Account towards writing down the cost of new tonnage acquired or delivered in 1946 and built at prices increased by war-time inflation.

DISTRIBUTION OF 8 PER CENT.

After providing for depreciation the directors have again allocated £250,000 to general reserve account, it being prudent ship management to make provision now for less good times which, from previous history of shipping, are bound to be experienced. The directors are pleased to be able to recommend a dividend upon the ordinary stock of 6 per cent. plus a bonus of 2 per cent. less income tax, carrying forward the slightly increased balance of £467,000.

The accounts show that of the earnings for 1946, after providing for interest on debentures, £190,664 has been provided for taxation, £1,598,012 is being retained in the business, and £209,000 represents the net distribution to the holders of £5,480,000 share capital. The dividend and bonus recommended on the ordinary stock absorb £219,200 gross, and this figure represents 2.38 per cent. on the ordinary share capital plus reserves.

The Union-Castle is a continuing company with a record of service to Britain and South Africa now nearing a century. Its substantial liquid resources should not be regarded from the angle of the break up value of the assets, but as the wherewithal to renew the fleet as ships become due for replacement, thus enabling the company to maintain its high traditions of efficient service and to contribute of the best in our time.

FLEET AND SERVICES

The company's fleet consists of 24 vessels of 315,059 tons gross register, as compared

with 30 vessels of 383,000 tons gross register in September, 1939. It has been well maintained throughout the year and operated without any serious accident. Work has continued satisfactorily on the two new vessels under construction at Belfast for the Mail Service, although unfortunately, owing to adverse weather conditions and other factors, some delay has occurred and it is not now expected that they will be delivered until February and April, 1948, respectively. I should like to express cordial appreciation of the splendid work done by Messrs. Harland & Wolff, Limited—work-people as well as management—in the re-conditioning of our vessels and in the building of our new tonnage in times of exceptional difficulty.

Since the beginning of this year our weekly Mail Service has been resumed, and, pending the return of all our passenger vessels, our fast cargo vessels will continue to be used as supplementary tonnage in order to maintain the weekly sailing between Southampton and Capetown in each direction.

We have continued to operate cargo vessels in our old established trades between the United Kingdom and Continent and South and East Africa and Mauritius. We have in addition maintained frequent sailings from the U.S.A. to South and South-East Africa, and acquired primarily for this important dollar-earning service the fast cargo vessels "Drakensberg Castle," "Good Hope Castle" and "Kenilworth Castle." We also retain our interest in the trade from East and South Africa to the U.S.A., and intend to devote particular attention to its development.

Southampton Dock Facilities.—After consultation with the Southern Railway, we have decided to take advantage of the opportunity to utilise berths at the New Docks at Southampton, which afford more scope for the provision of modern facilities for the expeditious handling of passengers and cargo. Considerable work is required to be done before our vessels can regularly use these new berths, which are expected to be fully available to us before the end of 1948.

OPERATING EXPENSES

Unfortunately there is no sign of any reduction in the expense of operating vessels—on the contrary, costs have continued to rise during the past year. This is a matter of grave concern to Shipowners. Thus ship-building costs are more than twice pre-war costs, ordinary upkeep repairs are more than three times pre-war cost and oil fuel is about twice pre-war cost. Agreements made by the National Maritime Board on behalf of Shipowners and the various Seafarers' Unions came into operation on 1st April, 1947, and effect important improvements in the pay and conditions of employment of ships' personnel in addition to offering greater security of employment. These we welcome in the belief that they will encourage the right type of seafarer. They will, however, entail a very substantial additional expenditure to this Company—more than £120,000 per annum over the Wartime rates. These are factors which affect freight and passage rates.

Another important item affecting operating costs is the slower turn-round obtainable in certain United Kingdom and overseas ports. In this country, serious delay has been experienced in some ports. The economical utilisation of high class and expensive tonnage requires the quickest

possible turn-round consistent with efficient cargo handling and satisfactory overhaul of the vessels' machinery. With the introduction of the new Decasualization Scheme for dockers, it is hoped that recent difficulties will now be overcome. If we all "go to it" that would be the best practical contribution we as individuals can make to the solution of our present economic problems as a nation.

CARGO AND PASSENGER TRAFFIC

Last year the volume of cargo shipped from the United Kingdom to South Africa fell short of pre-war quantity and, notwithstanding the drive for exports, outward traffic so far this year has, on the whole, been disappointing, partly in consequence of fuel and power cuts. Recently there has been a further falling off in cargo. In the trade from the United States of America, shipping competition is keen. Homeward from South Africa, the amount of cargo has fluctuated. Substantial consignments of citrus and deciduous fruit have been carried by this company's vessels, which have been specially built and fitted for the conveyance of perishable products under refrigeration. To and from East Africa, cargo has been steady.

The greater proportion of passenger space in our vessels is still allocated to various Government Authorities for outward use and the allotment at this company's disposal is therefore limited, whilst there is still a long list of persons waiting for passages to South Africa. It is a matter of regret to us that the hopes of intending passengers to South Africa are still being deferred owing to our present inability to cope with the demand for accommodation, but every effort is being made to meet requirements. We are hopeful that it will be practicable before long to increase substantially the passenger allocation in our vessels so that, with more frequent sailings as vessels return after reconditioning, greater progress can be made in meeting ordinary passage demands.

PROSPECTS

The immediate prospects in regard to passenger traffic, especially to the Union of South Africa (although there is also a pent-up demand on the part of South Africans for opportunities to visit this country), are good and the competition from increased facilities for travel by air is consequently not felt so acutely as it would otherwise be. South Africa offers good opportunities to British manufacturers but present indications suggest some recession (temporary it is hoped) in the sellers' market, and strenuous efforts are needed to improve or even maintain our position in the export trade to the Union. Homewards, the outlook is uncertain until the import programme as a whole is settled. South Africa being Britain's best customer, it is important not to curtail U.K. imports from South Africa lest South Africa may find itself unable to take as many of our exports, resulting in the loss not only of some of our imports but exports as well. Our fleet of cargo vessels is larger, with a higher average speed and greater carrying capacity, than before the War; it should prove adequate for the needs of our various trades, an objective constantly in mind.

The people of this country have had impressed upon them constantly in recent months the facts of the economic situation. Apart from the basic necessity for maximum possible output and the urgent need for considerable expansion of export trade, there is no more important factor in this country's economy than the overseas earnings of British shipping, which constitute our principal although "invisible" export. This fact is apt to be overlooked but in my opinion its importance cannot be over-emphasised.

The chairman concluded by expressing warm appreciation of the loyal and diligent service of the staff ashore and afloat.

The report and accounts were adopted.

EDMUNDSONS ELECTRICITY CORPORATION, LIMITED

LORD ROYDEN ATTACKS NATIONALISATION

"RUTHLESS EXTINCTION"

"In this, the fiftieth year of the life of this great company, Edmundsons is facing an arbitrary and nationally harmful destruction under the Electricity Nationalisation Bill, to satisfy academic party doctrines."

Lord Royden, chairman of Edmundsons Electricity Corporation, Limited, began his speech with these words at the fiftieth ordinary general meeting of the company, held at Gillingham Street, London, on the 3rd instant.

He went on: "The Corporation has six main subsidiaries and owns twelve other companies, covering a total area of more than 15,000 square miles. A great measure of uniformity of tariffs has been brought about within this vast area, which represents nearly a quarter of England and Wales. To-day we serve 565,000 consumers, more than three times as many as in 1932. And they are consuming nearly ten times as much electricity:—387 million units in 1932, 3,536 million units in 1947.

"Since 1932 our capital expenditure has increased from £17 million to £41½ million; mains constructed, from over 5,200 to over 15,500 miles; receipts from sales of electricity rose from over £2 million to over £12 million; the average domestic price was reduced by 62 per cent. to 1.7d a unit. On the other hand there was a decrease of nearly 40 per cent. in return on capital expenditure from 4.5 per cent. (1935) to 2.8 per cent., while the average cost of coal per ton for generation more than trebled—from 13s 8d to 44s.

RIISING COSTS

"Coal costs were not the only ones to rise. There has been an enormous increase in the capital costs of erecting and equipping power stations."

Lord Royden compared two of Edmundsons stations, Little Barford and Llynfi, showing that the cost of a 120,000 kw. station in 1938 was much less than half its counterpart to-day. He also showed that the cost of heavy equipment had in some instances increased three-fold since 1938.

"Could anyone say that destructive inflation is not already with us, or suggest how we are to meet foreign competition if the cost of a prime necessity of manufacture is to be so profoundly affected by increased prices?"

CRIPPLING SCARCITIES

"I am continually surprised by Government spokesmen's references to co-ordinated research as though this were something which only nationalisation could bring about. Our research is most up to date, and has a direct impact on our extensive areas. Many varied benefits are accessible to consumers and I have heard of such amenities, and research, being named by Socialist speakers as the prospective fruits of nationalisation. Such men are hopelessly out of date.

"The crucial test of any public utility company or industry is to answer fairly and squarely these questions:—Does it serve the public? Does it succeed? Does it progress year by year? If the answer in each case is 'Yes,' then the future is secure. There can be no doubt that 'Yes' is the answer in the case of Edmundsons."

After detailing facts proving that the industry as a whole has a record of success comparable to any country in the world, Lord Royden enumerated the crippling scarcities extending over the whole field of electricity supply. "The new organisation proposed by the Electricity Bill," he said, "will have to operate under the same con-

ditions of world-wide material shortages. If on these grounds the industry is hard pressed today, the proposed Electricity Boards will be just as hard pressed.

"It has been said by protagonists of nationalisation that the industry has no alternative to offer. Far from having no alternative to offer, the industry is perfectly aware of the rearrangements required in its structure, but insists that they can be carried out without the wholesale disruption of nationalisation."

RURAL DELAYS

He ventured to say, too, that there was no possible chance of the Government dealing with rural electrification more quickly than the companies under the £72,000,000 scheme which they and the National Farmers' Union put forward in September, 1946.

"Nationalisation of electricity, added to the present burden of material shortages within the industry, may well lead to another disastrous industrial breakdown."

Dealing with the supposed benefits of nationalisation, he contrasted the wording of the Electricity Bill—the development and cheapening of supplies so far as practicable—with the Minister of Fuel and Power's own words, during the Committee Stage of the Bill, on this point:—

"There can be no guarantee that every potential consumer in the country will be supplied with either a cheap or an abundant supply until the physical resources to enable that to be done are available."

And (referring to cheapness in rural areas):—

"It does not matter whether it is nationalisation or private ownership, physical factors cannot be ignored."

REPORT AND ACCOUNTS

The corporation's balance sheet showed an increase in "investments in and advances to subsidiary companies" which now stands at a figure £700,000 higher than a year previously. This increase indicated the development of a capital nature which was taking place in the subsidiary companies.

On the liability side of the balance sheet the most noteworthy feature was the increase in the corporation's reserve. The reserve had received the usual appropriation from profits and had benefited as usual from the operation of the debenture sinking funds, but, in addition, the tax position had been carefully reviewed, after the termination of excess profits tax, and a further £145,000 had been taken to reserve. The increase in the reserve in the year was no less than £238,000.

The profit and loss account showed a considerable improvement, the net profit for the year being £647,362 compared with the previous year's figure of £572,397.

It will be remembered that the interim dividend had been increased from the usual rate of 2½ per cent. to 3 per cent. in the expectation that the final dividend would make a total distribution for the year of 6½ per cent. or even 7 per cent. From the figures submitted it would be apparent that the Board could have distributed the higher of these figures: because of the Electricity Bill, however, the dividend would have to be restricted to the previous year's total distribution of 6 per cent. thus adding over £100,000 to the amount to be carried forward.

The consolidated profits statement showed increased gross revenues, but smaller appropriations for depreciation, for contingencies and for deferred maintenance. The con-

solidated net profit was £909,851 compared with £620,499 in the previous year. Because of the Electricity Bill the increased profits could not be paid out in increased ordinary dividends and had, therefore, to be added to the subsidiaries' carry forwards. The net profit of Edmundsons Electricity Corporation for the twelve months to December 31, 1946, was £630,164 compared with £531,295 for 1945.

On the statement of consolidated assets and liabilities the most noteworthy feature was the increase in the consolidated surplus, which had advanced by nearly 2½ million pounds during the twelve months. This increase was due to the release, mainly by subsidiaries, of tax and other reserves. Due to the termination of excess profits tax, £750,000 of tax reserves had been released. The figures of war damage sustained by the electricity industry had been published during the year and from these figures it was apparent that the Edmundsons group had over-provided for war damage contributions and no less than £500,000 of the reserves created for this purpose had also been released. Contingencies and deferred maintenance reserves had also been carefully reviewed and a further £750,000 had been added to general reserve or surplus. The parent company and the subsidiaries had added substantially to their carry forwards and all these and some other minor items made up the total increase of 2½ million pounds.

INADEQUATE COMPENSATION

Anyone examining these figures might well ask whether the take-over price for Edmundsons' ordinary stock (31s 6d for £1 unit) is not an entirely inadequate basis for compensation. The accounts before you are not themselves a complete answer to this question, but they show this much:—

£	
There is in the Corporation's balance sheet a reserve of.....	1,350,674
To this can be added:—	
E.P.T. refund	178,764
Provision for taxation	135,000
Proposed transfer to reserve.....	20,000
Carry forward of	304,994
Excess of market value over book value of the marketable securities	109,375
Total disclosed reserves are there-fore.....	2,098,807

The most substantial reserve, however, is undisclosed. It lies in the true value of our investments in our subsidiary companies. If the ordinary shareholdings alone are valued on a 4 per cent. basis, which appears to be the approximate basis of valuation upon which the take-over prices of like securities has been fixed, there is a further reserve of over £4,000,000 making a total of £6,200,000, or more than 18s per £1 unit.

Furthermore it can also be argued that nothing has been taken into consideration for future prospects, including earnings upon capital expenditure not yet remunerative. I have no hesitation in saying that the ordinary stockholders of this corporation would not be generously compensated if the take-over price were considerably more than £2 instead of the price fixed by the Electricity Bill, namely 31s 6d.

TRIBUTES

Lord Royden concluded his speech with a warm tribute to the loyalty and zeal of the 12,500 men and women comprising Edmundsons' staff. "I feel," he continued, "I should be guilty of a grave omission if I were not to refer to the outstanding leadership of Brigadier-General Wade H. Hayes, our managing director. Since 1932 he has carried the full weight of the heavy responsibilities which are inherent in a rapidly-expanding business like Edmundsons. The results achieved are his most striking testimonial. A great edifice has been built of which he was the architect and inspiration."

The report and accounts were adopted.

GOVERNMENT RETURNS

For the 5 days ended July 5, 1947, total ordinary revenue was £45,464,181, against ordinary expenditure of £43,071,137 and issues to sinking funds £592,369. Thus, including sinking fund allocations of £2,941,384, the surplus accrued since April 1st is £219,693,130, against a deficit of £288,100,129 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1947-48	Receipts into the Exchequer (£ thousand)				
		April 1 to July 6, 1946	April 1 to July 5, 1947	Week ended July 6, 1946	5 Days ended July 5, 1947	
ORDINARY REVENUE						
Income Tax	107,300	213,969	198,034	13,473	11,583	
Sur-tax	80,000	11,945	13,430	550	1,000	
Estate, etc., Duties	155,000	40,545	44,883	2,730	2,800	
Stamps	57,000	7,980	10,570	100	320	
N.D.C.	202,000	86,841	53,248	14,577	8,469	
E.P.T.	1,000	118	90	...	...	
Other Inland Rev.	156,800	369,792	326,065	32,462	24,372	
Total Inland Rev.	736,960	150,799	211,171	10,920	11,264	
Customs	643,040	140,800	135,900	3,800	2,400	
Excise	138,000	291,599	347,071	14,720	13,664	
Total Customs & Excise	50,000	5,431	6,161	290	406	
Motor Duties	95,000	853	29,435	308	117	
Surplus War Stores	55,000	...	20,000	...	...	
Receipts from Trading	11,000	1,110	2,140	...	...	
Post Office (Net Receipts)	1,000	190	210	...	...	
Wireless Licences	21,000	3,619	10,366	100	6,334	
Crown Lands	270,000	4,621	14,062	359	470	
Receipts from Sundry Loans	345,100	677,215	885,510	48,238	45,464	
Miscell. Receipts	144,230	32,000	35,380	1,880	1,680	
Total Ord. Rev.	49,000	57,311	5,795	6,300	146	
SELF-BALANCING Post Office	364,423	766,528	926,685	56,338	47,290	
Income Tax	...	...	...	...	...	
E.P.T. Refunds	...	...	...	...	...	
Total	...	...	...	...	...	

Expenditure	Estimate, 1947-48	Receipts into the Exchequer (£ thousand)				
		April 1 to July 6, 1946	April 1 to July 5, 1947	Week ended July 6, 1946	5 Days ended July 5, 1947	
ORDINARY EXPENDITURE						
Int. & Man. of Nat. Debt	525,000	114,435	122,462	11,658	9,499	
Payments to N. Ireland	23,000	2,659	5,778	443	896	
Other Cons. Fund Services	8,000	2,986	2,902	2,347	2,356	
Total	556,000	120,081	131,142	14,449	12,751	
Supply Services	262,537	842,683	531,734	46,300	30,320	
Total Ord. Exp.	318,137	962,763	662,876	60,748	43,071	
SELF-BALANCING P.O. & Broadcasting	144,230	32,000	35,380	1,800	1,680	
Income Tax	49,000	57,311	5,795	6,300	146	
E.P.T. Refunds	...	...	...	...	...	
Total	337,457	105,207	704,051	68,848	44,899	

After increasing Exchequer balances by £431,577 to £3,103,323, the other operations for the 5 days increased the gross National Debt by £4,475,430 to £25,464 million.

NET RECEIPTS (£ thousand)	
Tithe Act, 1936, Section 26	160
NET ISSUES (£ thousand)	
P.O. and Telegraph	360
E.P.T. refunds	179
Overseas Trade Guarantees Act, 1939, Sec. 4 (1)	44
Housing (Scotland) Act, 1944, Sec. 4 (2)	455
Local Authorities Loans Act, 1945, Sec. 3 (1)	3,300
War Damage: War Damage Commission	1,500
Finance Act, 1946, Sec. 26 (7), Post-war Credits	167
Total	6,005

Statistical Summary

CHANGES IN DEBT (£ thousand)

NET RECEIPTS		NET REPAYMENTS	
Treasury Bills	47,700	3% Defence Bonds	*5,051
Nat. Savings Certs.	1,700	3% Ter. Annuities	1,252
2½% Defence Bds.	1,507	Other Debt:—	
Tax Reserve Certs.	2,122	Internal	903
Other Debt:—		Ways & Means Advances	6,985
External	40,136	Treasury Deposits	73,500
	92,165		87,691

* Including £4,481,000 paid off on maturity.

FLOATING DEBT (£ million)

Date	Treasury Bills		Ways and Means Advances		Treasury Deposits by Banks	Total Floating Debt
	Tender	Tap	Public Depts.	Bank of England		
1946 July 6	1950-0	2542-9	430-2	23-25	1411-5	6357-9
1947 Mar. 31	2185-0	2699-7	613-5	...	1456-5	6954-6
Apr. 5	2185-0	2704-4	592-7	18-75	1443-5	6944-4
" 12	2185-0	2728-8	580-6	...	1463-5	6937-9
" 19	2185-0	2708-6	583-8	...	1463-5	6941-0
" 26	2190-0	2692-1	519-9	...	1463-5	6865-5
May 3	2190-0	2661-5	507-9	...	1463-5	6822-9
" 10	2190-0	2629-4	402-3	...	1463-5	6684-1
" 17	2190-0	2627-1	348-0	5-25	1463-5	6633-8
" 24	2190-0	2620-1	327-5	...	1463-5	6601-1
" 31	2180-0	2603-3	337-5	5-5	1463-5	6585-8
June 7	2180-0	2584-9	341-5	10-25	1453-5	6582-9
" 14	2180-0	2592-1	341-9	10-0	1443-5	6589-8
" 21	2180-0	2537-3	369-9	...	1442-0	6529-2
July 5	2180-0	2584-9	356-7	6-25	1368-5	6496-4

TREASURY BILLS (£ million)

TREASURY						
(£ million)						
Date of Tender	Amount			Average Rate of Allotment %	Per Cent. Allotted at Min. Rate	
	Offered	Applied for	Allotted			
1946 July 5	150-0	255-7	150-0	10	1-60	47
1947 Apr. 3	170-0	293-9	170-0	10	2-60	43
" 11	170-0	296-2	170-0	10	2-57	43
" 18	170-0	280-7	170-0	10	3-10	51
" 25	160-0	291-8	160-0	10	2-72	27
May 2	160-0	308-0	160-0	10	0-84	32
" 9	170-0	296-3	170-0	10	1-38	44
" 16	170-0	281-2	170-0	10	1-62	49
" 23	160-0	284-6	160-0	10	1-45	43
" 30	170-0	282-5	170-0	10	1-66	49
June 6	170-0	290-5	170-0	10	1-49	45
" 13	170-0	277-7	170-0	10	1-61	49
" 20	170-0	282-0	170-0	10	1-65	49
" 27	170-0	288-4	170-0	10	1-43	46
July 4	170-0	292-1	170-0	10	1-51	46

On July 4th applications for bills to be paid on Monday, Tuesday, Wednesday, Thursday and Friday were accepted as to about 46 per cent. of the amount applied for at £99 17s. 5d. and applications at higher prices were accepted in full. Applications for bills to be paid on Saturday at £99 17s. 6d. and above were accepted in full. (170 million (maximum) of Treasury Bills are being offered for July 11th. For the week ended July 12th the Banks will be asked for Treasury deposits to an amount of £60 million (maximum).

NATIONAL SAVINGS (£ thousand)

	Week Ended		Totals Mar. 31 to June 28 1947
	June 29 1946	June 28 1947	
Savings Certificates:—			
Receipts	2,400	2,600	77,200
Repayments	2,950	3,500	36,900
Net Savings	Dr 550	Dr 900	40,300
Defence Bonds:—			
Receipts	3,500	1,670	24,060
Repayments	...	752	8,921
Net Savings	3,500	918	15,139
P.O. and Trustee Savings Banks:—			
Receipts	12,005	11,326	160,521
Repayments	11,778	14,572	162,381
Net Savings	227	Dr 3,246	Dr 1,860
Total Net Savings	3,177	Dr 3,228	53,579
Interest on certificates repaid	472	630	7,635
Interest accrued on savings remaining invested	2,164	2,275	29,334

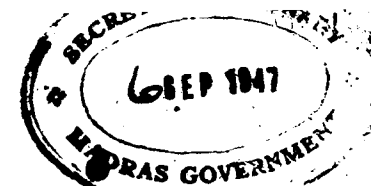
BANK OF ENGLAND RETURNS

JULY 9, 1947

ISSUE DEPARTMENT

Notes Issued: In Circulation	1403,591,325	Govt. Debt	11,015,100
In Bankg. Department	46,656,508	Other Govt. Securities	1438,162,504
		Other Secs.	814,522
		Coin other than Gold	7,874
		Am't. of Fid. Issue	1450,000,000
		Gold Coin and Bullion (at 172s. 3d. per oz. fine)	247,833
			1450,247,833

BANKING DEPARTMENT



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Working Our Passage

A SHORT bout of impatience in Paris has brought Mr Bevin diplomatic results which months of patience towards the Russians failed to achieve. Western Europe now has, after five days' work, what is virtually a standing economic committee for answering and briefing Mr Marshall. Not only is Britain a member, but it is on Britain's leadership that its success largely depends. It would never have existed had not Mr Bevin pounced on a paragraph of Mr Marshall's Harvard speech of June 5th and hustled the European governments into conference. It will not survive unless the British interest is whole-hearted and intelligent. And what that means has not yet begun to dawn on the public. To revive a war-worn metaphor, it means that Britain has to work its passage back to prosperity through American favour, in company with fifteen other nations, plus western Germany. It means that the European Governments who need American aid have been marshalled into a queue in which Britain's place is uncertain. It means that the main objective of American economic policy abroad is now not to meet British needs, whether short or long-term, but to promote a general European recovery from which Britain can only benefit if it works, sacrifices and plans as hard as the French, the Dutch and the Belgians. So before Mr Bevin is accorded the credit he deserves for what has been achieved in Paris, these warnings should be firmly held in mind.

The Paris conference on economic co-operation, thanks largely to British leadership and French tact, has polished off the first part of its task in a week-end. When it met last Saturday, only five weeks had passed since Mr Marshall issued his challenge, to the governments of Europe to get together, take stock, present a balance sheet and offer a plan for using further American credits and aid. Those five weeks have seen Mr Molotov dismissing the American offer, also in the course of a week-end, and the governments of eastern Europe following his lead with varying degrees of reluctance. Fourteen other governments nevertheless followed the Anglo-French lead, and have left behind them in Paris a working organisation of a kind which a few months ago would have seemed impracticable and inconceivable. For such a general and willing rolling up of sleeves by the hard-pressed western Europeans there should be some reward, some payment for results. A word of appreciation from Washington, some lifting of the curtain which still surrounds the content of American economic policy, would have been timely. Instead there came on Tuesday the news that no plan to aid Europe can come before Congress until next year has begun. It almost looks as if it was haste rather than speed that Mr Marshall wanted. The *Washington Post* put it trenchantly last week when it said of the Europeans: "We expected them to jump six inches or so. But we never thought they would jump ten feet."

What has been achieved in this diplomatic spurt? There now exists a central co-ordinating committee for economic co-operation consisting of representatives of all sixteen participating governments. Under it works an executive committee of Britain, France, Italy, Norway and

the Netherlands. And below that are four technical committees of experts in economic stocktaking: their respective tasks are to study the needs and resources of member nations in food and agriculture, iron and steel, fuel and power and transport. They have approximately six weeks in which to complete the present stage of their work, although in fact no one seriously expects the four-year plan to reach the Americans before October 1st.

So far so good. What hints of future difficulties have revealed themselves during the five days? The Scandinavian representatives insisted that the work of the conference must not lead to interference with national economic plans. That is a fair enough warning, provided that it is understood that no European plan is likely to work without modifications of some national plans, freely and willingly made. Then the French made a very firm declaration about German recovery: "the resources of Germany should be utilised for Europe, including Germany," said M. Bidault; "any other interpretation" of the idea of promoting German recovery would be "a distortion." By which M. Bidault must have meant that Germany must not be given first place in the European queue. If so, that is a matter on which the conference might well adopt some vague formulae until American ideas on the precedence to be given in the queue are officially made known. It is also clear that several delegations, among them probably the Swiss and the Swedes, want the door kept wide open for their trade with eastern Europe; they were reminded that one of the rules of the conference will be that there shall "be no restriction to the beneficial development of European trade." Here then are some signs of future difficulty: reluctance to modify national plans and agreements to fit into a larger scheme; anxiety that the recovery of Germany should not get out of hand or take undue precedence over that of devastated nations; determination not to jeopardise existing political and economic relations with eastern Europe and Russia. These symptoms are not at this stage alarming; they should remain harmless enough so long as the conference concentrates on stocktaking. But once the attempt at planning begins they will become serious, unless the sixteen governments decide very soon what concessions each will make to maintain effective co-operation.

*

Taken all in all, the achievement of Paris is impressive. The sixteen governments which contributed to it represent a greater concentration of economic strength than is generally realised. Between them they accounted before the war for nearly three-quarters of the imports and exports of Europe, excluding Russia. They contain 212 million inhabitants, among them the most highly-skilled and best-educated workers of Europe. Five of them have great colonial possessions with over 237 million inhabitants (excluding India) and command immense raw material resources. Politically, they are mostly old friends and allies, agreed on most major issues. If they can also agree on an economic plan and stick to it, their joint power of negotiation should be considerable. Shy though they are of all talk of closer association, they should sooner or later make it clear that they will negotiate for American aid as one body. If Washington's recent attitude to London is any guide, the Americans will not like to see individual governments leaving the queue to make known their special needs and proposals behind the counter.

The future prospects of these European planners will clearly depend very much on the leadership they are given. If Paris and London do not continue to work closely together and fail to agree—for example on policy towards Germany—the pressure of Russian diplomacy may well detach some of the more timid and cautious governments. And if there is any suspicion that the British Government thinks of stretching one hand towards America in the European plan and another in separate British overtures, then the newly kindled flame of mutual trust will

flicker out. In other words, the major American contribution to Britain's dollar needs will have to be sought in the joint European reply to the Marshall offer; which means that the "twelfth hour" of which Mr Morrison spoke last week will strike before any Marshall plan is known in detail.

Mr Morrison said the hour would strike "in the autumn"; and it is now known that Congress will not begin to act until the winter. If this is the only prospect ahead—and the American reactions to Mr Morrison's speech suggest strongly that it is—the British public should be at once informed and made to understand the serious implications. Does it mean that no further American aid can be expected before the spring, and then only as part of a European plan involving modifications of our own economic policy? Or is it hoped that the presentation of a convincing and workable programme between now and October 1st may be sufficient to tempt American bankers to extend indirect aid to Britain, for example by special measures to feed and equip the Ruhr and western Germany generally? If that is the hope, what sacrifices will the British people be called on to bear in case the European plan proves unacceptable, either to Mr Marshall or to Congress? What precisely are the stakes in the gamble?

These questions demand serious public discussion, with facts given in more detail and prospects more clearly drawn than they were in the recent speeches of Mr Dalton and Mr Morrison. There is a grave risk of "the Marshall plan" becoming for the British public a phrase as dangerous and debilitating as was "collective security" in the 'thirties—an anodyne that is taken for granted before it even exists. Indeed the risk is twofold; not only is the phrase being used to cover a shiftless, mendicant attitude of mind, but Mr Marshall's initiative is being applauded without any thought of the sacrifices which may be involved in accepting it. For it is inescapable that the consultations of the next few months, which the Paris conference is now preparing, will bring to light in Europe striking discrepancies in standards of living, productivity, equipment and efficiency. The French worker, for example, accepts the 48-hour week as part of his national plan; the British worker does not. German workers in the Ruhr need houses far more urgently than British workers; the Danes need cattle cake even more than the British farmers; Belgian and French miners work harder than British miners and could stake prior claims on any European stocks of steel, timber and equipment. There is no reason to believe that any of these points would become major controversial issues; but it is important to understand that these discrepancies exist, that the men who will prepare the Marshall plan are aware of them, and that the doctrines of equality which the British Government so assiduously practise at home are likely to be applied by the United States in any new economic assistance for western Europe.

It will now be tempting for the Foreign Secretary to rest for the moment on some well-earned laurels, to point to the Paris conference as a success for British diplomacy and to draw what conclusions he wishes from the fact that a major European meeting has been held without the Russians. But, for better or for worse, he has now hitched the economic hopes and plans of the Cabinet to a European movement; and that movement was started by an American Secretary of State answerable to Congressmen who are hard-hearted judges of the British Socialist experiment.

If the British public are not told—and Mr Bevin is the man to do it—why they have been booked to work their passage towards better times with fifteen allies and former enemies, they will learn the reasons from American voices. For a fortnight past these voices have been developing the theme that beggars cannot be choosers and must work hard to live; and they will not be silent until British statesmen take courage at the twelfth hour to explain just what sacrifices and changes in British policy are needed even to keep a place in the European queue.

Iron Curtain or Open Door?

NO country from the Russian zone of influence has, after all, joined in the Paris talks on the Marshall Plan. But this uniformity has been achieved only as a result of direct Russian pressure. Left to themselves, the Czechs, the Poles and the Finns would certainly have attended—indeed, the Czechs officially accepted at one point and, in general, there was little ideological invective in the refusals received, save in the case of Yugoslavia. The mood was rather: "We would prefer to participate, but this is not an economic issue. It is political and our great neighbour, Russia, has left us in no doubt that to attend would be regarded as an unfriendly act. Since we are neither prepared nor anxious to offend Soviet Russia, regretfully we decline."

This united Eastern European reaction, coupled with the fresh evidence of Russian leadership, will naturally reinforce in the Western mind the picture of a closed bloc lying in captivity behind the Iron Curtain, controlled and tyrannised by local Communist parties, following a strict party line laid down in Moscow, its military policy subordinate to the strategy of Soviet Russia, its economic interests overlaid by the exigencies of Russia's Five-year Plan. And from this picture, the conclusion will be drawn that Europe has reached a decisive parting of the ways and that Eastern Europe must be written off as an integrated exclusive and captive client of Russian state power. But is this conclusion in fact warranted? The assumptions upon which it is based have been taken for granted so long that now they are barely examined. A careful examination of Eastern European development in the last two years suggests a far less uniform—and less depressing—picture. The broad fact of Russian influence is not in doubt, but the vigour and variety of the Eastern lands are equally real.

The most complete subordination of policy probably exists in the military sphere. Full-scale military alliances have been concluded between Russia and Poland, Czechoslovakia and Yugoslavia, with provisions for joint training, the rationalisation of weapons and equipment and staff co-operation. The three smaller partners have similar military agreements with each other, the whole forming a co-ordinated military network over most of Eastern Europe. The ex-enemy states, Finland, Hungary, Rumania and Bulgaria, have normally no military policy and their armed forces are restricted by the peace treaties. But their officers were mainly trained in Russia, Rumania has a military understanding with Bulgaria and at a recent East European military staff meeting held in Belgrade it appears that the Bulgarians were represented. There can be little doubt that, in the event of a war, Russia would be able to count on the co-operation of its neighbours. It does not follow, however, that they would be parties to aggression.

Military dependence is one aspect of a wider relationship between Russia and its Western neighbours — the absolute leadership exercised by the Russians in all major questions of foreign policy. Russia's dominance does not extend to every detail — indeed, the Poles and the Czechs have occasionally pursued an independent line on questions of some importance, such as participation in the European Commission. But, broadly speaking, Russian domination is the salient factor in the foreign relations of the East European states. This domination should not, however, be dismissed simply as the result of Russian pressure or military occupation. It is also accepted as the best guarantee against a revival of German power.

*

The almost complete measure of uniformity existing in East European defence and foreign policy is to be found in no other field. The Governments of Eastern Europe have in common a strong, in some cases overwhelmingly strong, Communist influence and in each country deep social changes have been brought about by such measures as the nationalisation of all major industries and the introduction or extension of land reform. But otherwise, there is surprising variety. At one end of the scale is Yugoslavia (and Albania) in which the pretence of other parties existing side by side with the Communists has all but disappeared and in which, as in Russia, an almost legendary national figure is at the same time the party's boss and the nation's dictator. The Yugoslav system of government is also distinguished by its ideological fervour and its sense of revolutionary purpose. Another type of government exists in Bulgaria, Rumania and Poland. They are governed by more or less bogus political coalitions, in which the Communists play the leading role and some sort of vestigial opposition carries on, although the recent arrest of Nicola Petkov in Bulgaria and the arrests among the opposition in Rumania and Poland have even further whittled away the opposition's scope. But there are differences between them. Rumania has retained a "constitutional" monarchy, for instance—a reflection on King Michael's skilful opportunism in a country in which opportunism certainly appears to be more dominant than ideology. Again, there is a world of difference between the status, within the coalitions, of the various parties. The agrarian and socialist rumps which work with Dimitrov in Bulgaria and Groza in Rumania have a shadowy existence and influence. But in Poland, the vigour of the Socialist Prime Minister, Cyrankiewicz, coupled with the profound unpopularity of the Communists and their Russian masters, have given the Socialist group genuine weight. In Poland the coalition is far less bogus, and the division of political power far more real than in either Rumania or Bulgaria.

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The Czechs and the Finns continue to work a system of parliamentary democracy based upon genuine elections. Alone in Eastern Europe, the Czech Communists earned their predominance by an unfalsified popular vote. In both Czechoslovakia and Finland, the government is a coalition, but the influence of the other parties is uncontested. Until recently, Hungary, too, belonged to this category and even today, in spite of the enforced purge of the right-wing of the Smallholders and the formation of a new coalition, the non-Communist parties, agrarian or socialist, have an independent existence and exercise some influence. But Hungary has, undoubtedly, slipped back in the direction of the counterfeit coalition.

The validity and significance of these varieties of political organisation in Eastern Europe can best be measured by comparing them with the political pattern which existed before the war. Since 1939, few areas in the world have suffered so complete a social and economic upheaval. Yet, now that the tides of battle and ruin and foreign occupation are beginning to recede, it is remarkable how familiar are the landmarks growing visible below the ebb. Finland and Czechoslovakia, the only countries to have genuine democracy in 1938, have succeeded in keeping it. Hungary, after a brief spell of greater political freedom than the country had ever known before, is returning to the old system of "controlled" parliamentarism. In Poland, the forces of dictatorship and of popular government are still locked in struggle. In Rumania and Bulgaria the old dictatorships are back, under new names, and in Rumania the old odour of cynicism, opportunism and corruption is quite unchanged. Only in Yugoslavia is there a sharp distinction from the pre-war system, for where there was Serb hegemony and dictatorship, now there is the dominance of a man and a party. Even so, the Yugoslav government was and is a dictatorship and even such features as the regime's profound hostility to the Catholic Church existed in milder form before. The greatest single change in Eastern Europe—it may not be lasting—is the abatement of intense nationalist ferment. Even the Czechs and the Poles have at last laid their Teschen quarrel aside. Otherwise, under the new mask, the old face of Eastern Europe is recognisable in all its customary variety and force.

The picture of Eastern Europe's economic relations most current in the West is one of Russian domination and of a steady absorption of the separate economies into a single co-ordinated system, serving the wider needs of Russian state planning. When the Americans refuse loans to the Czechs or withdraw them from Hungary, they are not only expressing disapproval of political policy. Consciously or unconsciously, they also feel they are keeping dollars out of Russia's pocket. Yet again, as in the field of politics, the economic development of East Europe is far from uniform and is still in a very fluid state. Russian economic dominance is most marked in the ex-enemy countries and is exercised in the first place through reparations. Rumania and Finland are each paying \$300 million, in current production and capital goods, and Hungary \$200 million. Since an elaborate system of fines and penalties has been attached to the delivery on time of goods on reparations account, the three nations are, in fact, paying considerably more and the scale of the burden can be measured by the fact that, in 1946, Finland's reparations to Russia were almost equal to 50 per cent of its entire foreign trade. In addition, the states have to make Russia a certain number of payments for direct "restitution" and a further burden has been added in the shape of the handing over to Russia of German assets. Finland, for instance, has had to pay Russia the balance of its clearing account with Germany and the Hungarians have been obliged, while seeing the much larger German debt to them cancelled, to agree to pay their quota to the Russians. In Rumania and Hungary, the transfer of German and ex-enemy assets has become the basis of what may prove a more permanent type

of Soviet penetration. Where Germans owned shares in industry and transport, the Russians have taken them over and established joint trading companies with the local government. The practice has also been extended to fields in which there were no previous German owners. Today, in Hungary and Rumania, there are joint Russian-Hungarian or Russian-Rumanian companies for timber, bauxite, air transport, Danubian shipping, and oil (incidentally, the transfer to Russia—as a German asset—of the Austrian shipping company, the *Donauschiffahrt*, gives the Russians almost a monopoly in Danubian shipping). These Russian practices do not apply, however, to each ex-enemy country. Finland has no joint trading companies (although by the transfer of Petsamo to Russia it has lost all its nickel) and Bulgaria pays no reparations.

★

Throughout 1946, Russia played a predominant part in the trade of Eastern Europe. The disorganisation of old markets, lack of transport, and uncertain political relations hampered the restoration of commerce with the West, and meanwhile, under the fourth Five-year Plan, the Russians allotted a fair supply of raw materials, particularly textile raw materials, to their neighbours to be worked up for re-export to Russia. This was the typical trade exchange of 1946 and, since the prices charged for the raw materials were high and the price paid in return low, a current East European jest dismissed the transaction as "reparations from current production." Nevertheless, this trade was the basis of whatever foreign commerce a number of East European nations achieved in 1946. In Hungary, 45 per cent of the exports went to Russia and 49 per cent of the imports came from there. In Bulgaria, 82 per cent of the imports came from Russia and 66 per cent of the exports went there. For Poland, the figures show that Russia supplied 74 per cent of the country's imports and took 51 per cent of the exports. There are no reliable published figures for Rumania and Yugoslavia, but the percentages are believed to be similar.

But, as usual, there is no uniform East European pattern. In 1946 the Russians provided only 9 per cent of Czechoslovakia's imports and took only 12 per cent of its exports. The new trade treaty, agreed in Moscow last week, may increase these proportions, but until specific figures are published, it is impossible to say by how much, and the impression must remain that the treaty was rather a political gesture than a serious re-orientation of Czech trade. What may be called the "Marshall countries" (with the addition of Austria) accounted for 42 per cent of Czech imports and 54 per cent of Czech exports. If the United States is added, the proportions are 50 per cent and 62 per cent. Finland, too, traded vigorously with the West. In 1946, Great Britain was its largest customer, buying 27 per cent of its exports and sending in 21 per cent of its imports (the Russian percentage is 20 per cent for exports and 21 per cent for imports). All the "Marshall countries," together with the United States, supplied 70 per cent of Finland's imports and bought 70 per cent of its exports. One last point, the tendency in some Eastern European countries in 1947 had been for trade with the West to increase and the direct Soviet proportion to fall. Such agreements as the recent Anglo-Polish trade agreement will accentuate the trend. On the other hand, the Czechs have concluded in the last months trade agreements with Yugoslavia (for five years), with Bulgaria (for four years) and with Poland (for five years). This last agreement is more ambitious and lays down terms of reference for the integration of the industries of both countries. This agreement mirrors the desire of Czechs and Poles to use their new Silesian resources as a base for replacing Germany's old industrial predominance in South Eastern Europe and, in the long run, it could possibly be the basis for a general integration of Danubian and East European trade. But this is still a very long-term project.

The fact remains that, for some years to come, the most highly-developed areas of Eastern Europe must pin all their hopes for really advantageous and profitable trade upon Western Europe. Russia is not in a position to provide either the technical equipment or, above all, the consumers' goods, of which every East European country is desperately in need. Nor will Russia provide a large and stable market for agricultural surpluses when they begin to reappear in the East European markets. Before the war, over 80 per cent of the exports of Eastern Europe were consumed in Europe, mainly in the Centre and the West. To cut off all links running westwards would demand a dislocation of trade which these communities could risk only under the pressure of an exceptionally grave political situation. So long as doors are open, they will be used.

This necessarily condensed survey of a large and complex region suggests one or two conclusions. There is no single exclusive uniform undifferentiated East European bloc. The dominant influence is Russian, but countries which traditionally looked westwards have maintained their individuality and are doubly anxious to maintain their old connections. In the case of Czechoslovakia and Finland, this anxiety is a pressing need owing to the pattern of their trade. All are in a precarious

Is It Well with India?

LAST night," wrote Karl Marx in 1853, reporting from London for the *New York Tribune*, "the debate on India was continued in the House of Commons in the usual dull manner." In 1947 the India Independence Bill has been passed almost without debate, dull or otherwise. The Government introduced it as a matter of urgency and appealed to the Opposition not to delay it; the Opposition, consoled by the provision for Dominion status, refrained from the lamentations and prophecies of woe which might have seemed appropriate to the occasion. Nobody, indeed, was able to deny that what was now being done was what British statesmen of all parties had been declaring to be the goal of British policy for a generation, and after so much storm and stress the final act of renunciation no longer aroused the emotions which had long ago been exhausted on both sides of the argument. It was a foregone conclusion, hardly more than a statement of historical fact. That we have reached this point in such tranquillity, with no sense of crisis or of being swept away of events, is a matter for congratulation both to Mr Attlee and to Lord Mountbatten on their statesmanship during the last few months.

Yet it is a time for stocktaking if British opinion is to be prepared for the new era of British-Indian (or rather British-Indian-Pakistani) relations which will open on August 15th. What is now formally about to pass away has been a structure so solid in the memory of men now living that it has appeared to be an institution of remote antiquity. But the British supremacy in India is less than 150 years old; it has been but a brief episode in a history which archaeology has now taken back to the great brick-built cities of Sind in the third millennium B.C. When the British stormed Seringapatam in 1799 the greater part of India was still under independent native rulers; twenty years later everything except Nepal and the Punjab was under the sway of the "Koompanny Bahador," the strange impersonal being made manifest for the Indian population in the princely magnificence of such conquering soldiers as General Ochterlony. In a few years the whole Indian scene was transformed and the British in India became the ruling race; Elphinstone was soon to complain of the high-handedness of "our younger politicians who have never seen the Indian states in the days of their power." Yet there remained

position, for their best hope, both for external and internal peace, lies not in their own hands, but in the chance that Great Power tension will grow no worse. Each new deterioration in the relations between Moscow and Washington is mirrored in the local community by more tense relations between Left and Centre and Right. What, then, should be the Western reaction? Stern hostility? A slammed door? A cutting off of relations? Such policy would surely work to the disadvantage of all. The dependence of Eastern Europe on Western skill and industry is great, but equally, the countries of Eastern Europe remain an essential part of the markets of a revived West. The pressure of Western production may seem a pipe dream today. It will not remain so. Whatever relationship—loose or close—develops between the "Marshall countries," there is not a single economic argument to be advanced against a development of vigorous trading relations between them and Eastern Europe (in whatever integrated or individualistic national pattern it may develop). The absence of all the East European nations from Paris means that they cannot share the potential advantage of greater dollar supplies or more economic pooling. It does not mean that they cannot share in and contribute to the enhanced European prosperity, which all hope will result from the conference.

always an underground of memories and sentiments which the new rulers could ignore, but not dispel. A British official in 1832 wrote of "the ghosts of former reverence still existing in the immense shadows that make up Indian opinion, ghosts still active and for the most part malignant to the British." Some of these ghosts showed their power during the Mutiny. They are still active, but today their malignancy is no longer so much for the British as for the would-be makers of a single national democracy of India to succeed to the British Raj. The Congress leaders in the time of their anti-British agitation spoke confidently for "the Indian people" and cast no glance into the "immense shadows" beyond the light of their vision. But out of the shadows has emerged Pakistan.

The name "Pakistan," an artificial verbal compound, said to have been invented by a Moslem Indian student in Cambridge, is unknown to Indian history and was not current in Indian politics until a few years ago. It is not a name which in itself can stir patriotic emotions or evoke mental images of past glory and greatness. But what it really embodies for the zealots of the Moslem League is nothing else than the old Mogul empire, the great monarchy which for a while did rule nearly all India and, long after it had ceased to have any real power, retained such prestige that even in the second quarter of the nineteenth century the Princes sought honours from the "King of Delhi" rather than from the British Governor-General. This is the significance of the shouts of "Emperor of Pakistan!" with which Mr Jinnah was greeted by his followers after the announcement of the partition scheme. Mr Jinnah modestly declined the title of emperor; after all, this is a democratic age. But he is going to be the Governor-General of the new Dominion. This move has apparently taken Congress by surprise, and Mr Jinnah has been accused of a breach of faith; in the Congress camp it is said that it was agreed by both parties that for the transitional period Lord Mountbatten should be Governor-General of both Dominions. In the absence of any written undertaking it is not possible here to say whether Mr Jinnah went back on a promise or whether there was merely a misunderstanding on the subject. But the question is certainly one of importance, for Mr Jinnah's claim has introduced an entirely new element into the conception of

Dominion status and has raised a constitutional problem which could be very embarrassing to this country.

The constitutional theory of a Governor-General in a Dominion is that he represents the King and bears the same relation to the Ministers forming the Government as the King does to his Ministers in the United Kingdom. It is recognised that the rights of a Dominion include the right of recommending a person for appointment as Governor-General. But that the Governor-Generalship should be held by an active party politician, who frankly states his intention of continuing his political leadership after assuming the office, is an innovation which radically alters the nature of the Dominion bond. The development is the more serious because Mr Jinnah's rule gives promise of being a very thinly veiled dictatorship. His motive in demanding the office of Governor-General is no doubt to obtain the position which belongs to it in the eyes of the Indian masses. The Viceroy as Governor-General has been hitherto, even though to a restricted degree in recent years, the supreme executive ruler and his Ministers have been simply the members of his Executive Council. By force of mental habit the man in the street will continue to think of the Governor-General as being more important than his Prime Minister.

There is this much to be said for Mr Jinnah's case: that if Lord Mountbatten were to remain in Delhi in contact with Mr Nehru's Government while the Pakistan Government were set up in Karachi, he would be unduly exposed to exclusive Congress influence, while if he moved to and fro between the two capitals, his official duties would suffer from the waste of time and energy. But there is no doubt that it was an essential part of the British Government's original plan that he should be concurrently Governor-General of both Dominions, so that he might provide co-ordination, guidance and conciliation during the critical period before frontiers were defined, assets apportioned or troops sorted out. Whatever Mr Jinnah did or did not agree to, it can only have been on such an understanding that the Congress leaders, with their passion for all the forms of sovereignty, accepted the continuation of a British Governor-General in Delhi after August 15th. Mr Jinnah's move has now not only enabled the Moslem League to appear ahead of Congress in "Indianisation," but it has destroyed the basis on which the hope of achieving a smooth transition was chiefly built. The situation is a serious one, for partition is not a solution unless it can be completed peacefully. It was in principle the only way out for the British Government when it became clear that the attempt to impose a union through a single Constituent Assembly would be met with armed resistance. Partition can mean that communities which are unable to live together in one state agree to live peaceably apart. But they can only do so if they can first agree on what each is to take from the joint inheritance, and in this case the range of disagreement is still a wide one.

The frontier in the Punjab is probably the most dangerous issue. The division by districts which was laid down in principle in the White Paper is only provisional; the frontier itself has to be drawn by the Boundary Commission and, although Sir Cyril Radcliffe is to direct its work, it is doubtful whether even his icy clarity of mind and austere legal presence will be sufficient to prevail over the passions that burn in that distracted province. The Sikhs are in a fighting mood; any line which adheres closely to district majorities is bound to divide their community which is widely spread over the central Punjab, and they are insisting on a frontier for Pakistan so far to the west as to include a great part of the Punjab Moslems—the real core of Pakistan—within Congress India. So much blood has already been shed in the Punjab and hatreds are so intense that a resort to arms must be expected if either party rejects the award of the Boundary Commission. Meanwhile Pakistan is threatened from the rear by the menacing territorial aspirations of Afghanistan. If the Punjab boundary

could be settled, India and Pakistan would no doubt combine to resist any external pressure and to maintain the frontier beyond the Indus. But if there is a deadlock over the Punjab boundary, the Punjab is so much more immediately important to Pakistan than the barren hills around the Khyber that Mr Jinnah might be moved to make concessions to the Afghans in order to have his hands free to deal with the Sikhs. All the indications unhappily are that the Moslem League thinks more of the conflict within India than of the defence of the gates of the sub-continent.

The decision to make Pakistan proper and East Bengal (Bangistan, as the Moslems call it) into one Dominion may seem to have avoided the disintegration of British India into three parts instead of two, but it may itself become an additional cause of trouble. It is hardly possible to administer as one nation two pieces of territory which can only communicate by a sea voyage of a couple of thousand miles. Mr Jinnah's proposal for a land corridor to connect them has rightly been dismissed as fantastic, but it is not too fantastic to have a powerful emotional effect on the Pakistani mind. After all, if there is a barrier between, why not try to break it down? Deep down in the unconscious—and not quite unconscious—soul of the new counter-nationalism is the thought that when the Moguls reigned in Delhi there was no frontier between the Indus and the Bay of Bengal. The Moslems have their own version of the unity of India.

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To a situation already sufficiently complicated, at least two of the Indian States add factors of disequilibrium. Hyderabad is claimed by the Moslem League extremists as a third division of Pakistan in spite of its land-locked position in south-central India and its Hindu population majority. Its Moslem ruling group, having claimed the independence to which the British Government has declared the Indian States to be entitled on the lapse of paramountcy, is apparently planning some kind of alliance with Pakistan. Any military move against it might, therefore, involve general war in India; on the other hand, the persistence of this territory as a sovereign unit in the midst of Congress India will be a standing provocation and source of trouble. Equally, any adhesion of Kashmir to Congress India would be regarded as intolerable by Pakistan. The situation enables the ruling dynasties of these States to carry on a kind of political auction between the contending powers which seek their allegiance or alliance, and since there is no juridical principle by which their proper orbits can be determined, the temptation to make a trial of strength will be strong on both sides.

It is reported from New Delhi that General Sir William Slim and General Sir Francis Tuker are being unofficially tipped for the commands of the new Indian and Pakistan armies respectively. Presumably, if appointed, they will not wish to fight each other and will do their best to co-operate with Lord Mountbatten in preventing the blood-bath which threatens to engulf the hopes of Indian peace. Moreover it has been stated officially that both commands are to be subordinate operationally to a single supreme commander who will be responsible to the Chiefs of Staff Committee in London. The British observer, however, may be pardoned for feeling slightly bewildered. If the new Dominions are to be fully Dominions, these eminent generals cannot constitutionally be anything but servants of their Governments, which will dispose of their armed forces according to their policies. But perhaps one should not inquire too closely into these awkward questions and should simply be glad that such men are standing by for whatever happens. It has been said that the British Empire was acquired in a fit of absence of mind; it may be that, with a similar unawareness in the British public, the men on the spot will successfully achieve its transformation. We can only wish them good fortune.

Privilege and Pressure

ON Tuesday the House of Commons debated the report of its Committee of Privileges on the complaint referred to it at the instance of Mr W. J. Brown, Independent Member of Parliament for Rugby. Mr Brown has been closely associated with the Civil Service Clerical Association for most of his public life. At one time he was also a member of the Labour Party, and it was natural that during that time the minds of Mr Brown and of the executive committee of the union should follow parallel political channels. In 1931 Mr Brown left the Labour Party, and in 1942 he was returned to the Commons as an Independent Member. The political allegiance of the union did not change, and, naturally enough, the political views of Mr Brown and the executive lost their former common sympathy. More important, the situation suffered from the additional complication that there existed a written agreement between Mr Brown and the union by which he was to act as Parliamentary secretary to the union. The agreement expressly provided that Mr Brown should be free to think and vote as an MP in whatever manner he thought best. But the fact remained that Mr Brown was a union servant, drawing a salary and expenses from the union, and therefore linked by some legal and moral obligation towards the union, its members and its avowed aims.

It is important, however, to bear in mind that the question before the Committee of Privileges was not whether this agreement was in itself a breach of privilege. It was whether, in the course of negotiations between Mr Brown and the executive of the union for the termination or modification of the agreement, the actions of the executive amounted to improper pressure upon a Member and therefore a breach of his privilege of freedom from threats or pressure of any kind. On that issue, the Committee of Privileges decided that the actions of the executive did not constitute pressure, and their decision was affirmed by a free vote of the Commons by 275 votes to 114.

The development of this kind of situation is inherent in the Parliamentary life of this country as at present organised. An MP is not expected to be a full-time politician. He is now paid sufficient to enable him to live in reasonable comfort and to discharge his duties without depending upon any other source of income. But the margin is small. It is open to him, legally and by custom, to undertake other paid duties, and in general it is left to each individual to decide what those duties shall be. On the other hand he is not expected to enter into any commitment which will give any body other than his constituents the power even to attempt to influence his actions as a member of the Legislature. In this situation, it is perfectly obvious that preventing an unscrupulous or foolish politician from acquiring moral obligations that might be of the greatest embarrassment to him in his duty to preserve an open mind. Some men would, in fact, be completely independent in mind in the House even though they were bound by the most rigid legal contract of service with an outside body. Others would be distressed—and so influenced—at the thought of having to speak or vote in a manner inimical to a business acquaintance, or even to a man whom they had respected at school.

The MP is not alone in this dilemma, for in a modified way it confronts many public officials or professional men. True, these are less likely to become involved in such a sharp conflict of loyalties as the MP, for the civil servant may not enter into other employment, while the professional man rarely possesses the influence of an MP over public events. But the same pressures may be there. The auditor of a company is sometimes exposed to strains and stresses, to give only one example.

Yet, on the whole such men manage to survive them, and they, like the average MP, are no more than ordinary human beings.

But the business and professional world may offer some practical lessons. Professional men have always found that even those with the strongest characters are fortified by having some definite rules to supply a framework for conscience. Dishonourable conduct may happen from deliberate intention, but far more frequently it begins through lack of thought, and by the time the crucial decision comes to be taken the victim has already loaded the dice against himself by a whole series of previous actions and powerful precedents.

Clearly MPs must not make bargains, written or oral, by which they receive money, or gifts, or benefits in return for an obligation likely to influence their political independence. On the other hand, they can hardly enter into any spheres of activity or undertake any responsibilities outside Parliament which do not contain the seed of some possible conflict of interest. Speaking crudely, what matters is the money involved. It is not cynical to say that in public life it is money that has the strongest strings. Nor is it completely dishonourable that it should be so. The unscrupulous think of money in terms of what it will buy. The candid may also think in terms of the obligations that in fact they accept by its receipt. Most men like to believe that they earn what they receive. Bribery and corruption do not rest on the worst emotions alone.

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If MPs are to strengthen each other in their resistance to these seductions, they must face the issue frankly as a body. If they wish to be free to supplement their official salaries by moneys earned elsewhere, then let them at least tell each other, and the outside world, what these other sources of income are. A company director, at a meeting or in a prospectus, is bound to disclose his own personal stake in the relevant contracts. So by custom does an MP in a debate which affects his interest. Why should not the MP also be bound to declare to the Speaker what his outside sources of earned income are, and the prospective MP make a similar disclosure in his election address? The MP may reply that it is well known that X is a union official, whose salary is supplemented from union funds, or that Y's connection with a particular industry or trade association is notorious. But how many of their constituents know the existence of such ties, still less their strength? And who would deny that the man who receives £100 from a particular source is less subject to possible pressure than the man who receives £5,000? Finally, MPs should set their face against the receipt of gifts. Nothing can be the result of more varied motives than a gift, and, to an honourable man, as to the dishonourable, no influence may be more potent.

If there is any general lesson to be drawn from the case of Mr Brown (which is doubtful, since Mr Brown is too much of an individualist to provide many lessons of general application), it is not of the wickedness of outside bodies who wish to pay for the services and influence of MPs. *Ex hypothesi*, almost these must be assumed to exist. It is that all MPs would be strengthened in their resistance to such influences by the knowledge that the extra-Parliamentary financial connections of all Members were public knowledge, to those of the public sufficiently interested to find out. Then any Member of Parliament could be more certain that what money he received was earned by him as an individual and not paid to him as a potential exception to the honesty of public life.

of towns like Bradford; for, by reducing the average number of electors in a constituency, the change would again make it easier to carve out average-sized units from the large and medium cities.

The awkward question is, what happens if the local boundary changes are not completed in time? The best answer is almost certainly to let sleeping dogs lie. If parliamentary boundaries are changed too soon they will in a few years become thoroughly unsatisfactory and have to be changed again. Continuous changes are a nuisance both to political organisers and to constituents; to say nothing (if he deserves so much consideration) of the political historian. Certainly there are gross inequities about the present distribution. But, when all is said and done, every part of the country is represented, and no one would seriously deny that the result of the last election represented the general feeling of the electors. One reshuffle of boundaries is needed; two would be more nuisance than they were worth.

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That Little Man

Who exactly is this Little Man who has become the mascot of the Conservative Party? He is not the Common Man; for the Common or Proletarian Man's interests regrettably impel him to vote Labour. He is the small shopkeeper, craftsman, and perhaps professional man—though whether or not the professions come in depends a little on the definition—and before the war there were about a million and three-quarters of him in Great Britain. One in eight of all engaged in manufacturing, mining, building and public utilities was either a Little Man or one of the average of four or five employees of small firms—workers, that is, with a reasonable chance of becoming independent employers themselves. In shopkeeping and most service trades the proportion was, of course, far higher. As a factor in efforts to streamline British industry, raise PMH, and cut out waste, the Little Man clearly deserves a great deal of attention. And, as a political factor, he has provided a very substantial counterweight to the block vote of the trade unions; for on the whole he has been very faithful to the Right.

But is it only faith, or has the Right really done much to deserve his confidence? Or, indeed, the Centre or Left? The answer is unlikely to flatter Conservative complacency; for the most obvious fact to any investigator is that the Little Man is also the Forgotten Man. His life, when he newly enters into business, has been liable to be nasty, brutish and short. Before the war the chances were two to one against a new entrant into shopkeeping and the service trades surviving ten years. What exactly has been done either by Right-Wing politicians or by such bodies as Chambers of Commerce, by no means hotbeds of Socialism, to provide him with either the information or the capital needed to give him a better chance? And have the co-operative banks of the Continent, or the experience of the scheme for helping Service entrants into business after demobilisation, no lessons of permanent value? Even the more solidly established business man needs what he is promised in the Conservative Industrial Charter, protection against unfair forms of competition: but, once again, does this promise really mean what it says? Does it mean, for instance, a decision to knock the legal props from under price maintenance and restriction of entry, and give the small man with enterprise a real chance to fight his way through? Or does it mean, as it has in the case of Conservative policy for agriculture and transport, merely a blessing on the cruder forms of cartelisation? The Little Man is, in a sense, a legitimate preserve for Right-Wing politicians, and it may be that faith will keep this particular mountain firmly anchored in its present place. But, if it is asked whether a real policy for the Little Man exists, balancing his own legitimate interests against those of the rest of the nation, the answer is only too clearly that it does not and never has. And some day the Little Man may find out.

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Fewer Police, More Crime

The cardinal facts in the report of the Commissioner of the Metropolitan Police for 1946 are two. The first is that on December 31, 1946, the Metropolitan Police was very much below strength. The total establishment of its uniform branch is 18,229 men and its strength was no more than 12,848 (the CID was rather better off, being just over 10 per cent below establishment). The second is that crime has increased. In 1938 there were 95,280 crimes in the "preventable" and "detectable" classes. In

1946 there were 127,796, a small decrease over 1945, but an increase of 34 per cent over the 1938 figure. The largest increase occurred in the class of "breakings" into premises, where the total in 1946 was 78 per cent greater than the figure for 1938. It is never possible to attribute an increase in crime to any one cause, but it is impossible to resist the conclusion that there were more police there would be fewer crimes of the "preventable" kind.

The Police Commissioner also analyses the facts about crime. The report is full of valuable data: the variations in the number of burglaries over the months, the age groups of various classes of criminals, and the times of day when road accidents most frequently happen. The report does not, moreover, ignore the social causes of crime, particularly in the young. Much of it is due, the Commissioner says, to lack of reasonable interests and occupation. Nor do the police stop short at advice—in many areas the police themselves have started new boys' and girls' clubs, or assumed responsibility for older clubs, in their leisure time. London has one more debt to its police, and to a Commissioner who encourages them to work in this way.

The Commissioner is not concerned with finance in his report. The Metropolitan Police have a twin head, a Commissioner responsible for duties and a Commissioner responsible for money and property. It is a recurrent cry in the London area that, although local authorities find more than one-third of the total cost of the Metropolitan Police, they have no say either in the control of the force or in the way it spends its money. There has never been much substance in the first criticism. The Commissioner is directly responsible to the Home Secretary, and there is no evidence that police efficiency lacks anything because questions concerning it must be asked in Parliament and not at a local council meeting. But there is still something in the old maxim, "no taxation without representation." It is to be hoped that when the local Government machine is overhauled, some place will be found for a liaison between local authorities and the Metropolitan Police spending departments, so that local authorities will have the right and the means of asking directly where their money goes and why.

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"Free Greek" Government?

While the Security Council has decided to devote its next sessions entirely to the Balkan question, the situation inside Greece has deteriorated sharply. The guerillas have launched an attack in strength across the Albanian frontier and are threatening the frontier towns of Konitza and Florina. The area chosen is disquieting, for it is known to be thought most suitable for the establishment of a Communist "Free Greek" Government, a possibility discussed by the Greek Communist delegate at the French Communist Party rally at Strasburg in June, and ominously foreshadowed last week-end by the Greek Communist leader, Mr Zachariades, in the Athens newspaper *Rizospastis* where he wrote:

The present historic moment makes it imperative, for both external and internal reasons, to take a decisive step in this direction.

It is also disquieting that the guerillas should have felt able to make their attack at a time when the weather rather favours the Greek regular army, when the United Nations Sub-Commission of inquiry is at hand and when the whole affair is *sub judice* at the Security Council.

It may be, however, that the Greek Communists and their backers in the Balkans and Russia are pressing so hard now in order to have some base to work from in the event of American economic and military aid serving its double purpose—of restoring order and abating discontent. If so, Communist policy suggests a faith in the efficacy and speed of American help which is not borne out by the experiences of the last two years. Mr Griswold has just arrived and he and his team will need to work overtime if the benefits of his "new deal" are to offset the increasing severity of the measures necessary to keep the peace. The Greek Army is to be doubled and last week General Zervas, uncovering a Communist plot designed to produce a *coup d'état* on July 10th, ordered a mass arrest of Communist leaders. The suppression of the party and its press is under discussion. In view of the new menace in the North, it is difficult to criticise these measures, but they only underline the need for improved conditions in other fields to offset the depressing effect of more mobilisation, greater police powers and the accompanying undercurrent of suspicion, espionage and general distrust.

Terms for Turkey

The Turks, who are members of the Paris economic conference, signed last Saturday an agreement with the Americans which has novel and curious features. It lays down the conditions under which the financial, technical and military aid authorised by Congress last May is to be used and underlines some of the implications of the Truman doctrine. The Turkish Government undertakes to use any assistance furnished "for the purposes for which it has been accorded": in other words, there is to be no social or military extravagance. It further promises to give the American chief of mission—who has very large powers to represent his Government—"every facility and every assistance which he may request in the way of reports, information and observation concerning the utilisation and progress of assistance furnished." So far the guarantees are those normal between a creditor and a client.

But in articles four, five and seven the political and strategic ties which are to be knit are clearly revealed. Article four binds the Turks in the interests of security, to pass on no articles or items of information outside the country. Article five forbids them to use "any part of the proceeds" of any form of aid to repay or service loans from other governments. And article six leaves the Americans free to withdraw from the agreement "if the President of the United States determines that such withdrawal is in the interest of the United States." These articles will provide plenty of ammunition for Russian propaganda which will, of course, omit to mention that similar agreements exist in other parts of the world, but have not been made public.

It is therefore fair to mention that article three is the most unconventional of all; it guarantees to the "representatives and radio of the United States" opportunities to "observe freely" and "report fully" how American aid is being used, and binds the Turks to give "full and continuous publicity within Turkey as to the purpose, source, character, scope, amounts and progress of such assistance." This presumably does not mean for American newsmen the kind of closed shop they enjoyed for a period in Japan, or that the Turkish public should be surfeited with officially inspired propaganda. Throughout the document there is a note of arrogance which more careful drafting would have avoided, and which is out of tune with the moderation and tact of Mr Marshall's usual manner.

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An Untenable Position

The Economist has already protested against the proposed reduction in imports of newsprint, and there is little need to add to the arguments put forward in a Note last week—the table of newsprint supplies and consumption there given was incorrect, and the following table should be substituted. The arguments

NEWSPRINT SUPPLIES (000 tons)			
Year	Imports	Production	Consumption*
1939	423	800	1,201
1944	135	148	281
1945	186	162	307
1946	105	295	374

* Figures after 1939 cover total home consumption and exports

have, however, been amplified this week in a statement issued by the Newsprint Supply Company. The cut proposed will save the £1 million of dollars in the next six months, but it only £1 million of dollars in the next six months, but it will compel the newspapers to reduce their size by the equivalent of one page per issue or to achieve an equal reduction by cutting their circulation. Even this trivial saving of dollars at such a cost would be accepted, the board of the Newsprint Supply Company points out, if it were part of a wide programme designed to preserve the standard of living all round. As it is the cut stands initially alone, "and the Press is entitled to protest in the strongest terms" against this undue discrimination.

The Government would, in fact, be well advised to reconsider this hasty decision—taken, it seems, like the industrial close-down decision last February, without any calculation of whether the saving is worth the cost. But, in spite of the gathering opposition to the decision, there does not at present seem much likelihood of its being reversed. This Government does not like the press, Sir Stafford Cripps's coldly formal words of sympathy—"I quite appreciate the value of the press and am very sorry that it has to be curtailed"—notwithstanding. Nor does it like to climb down—in fact, the weightier the arguments for the

Opposition the deeper does it seem to dig in its toes. The Labour leaders have still to shed the load of arrogance they assumed with the responsibility of government.

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Reforms in Morocco

General Juin, the Resident-General of French Morocco, is walking a tightrope that is familiar to every modern mandatory, protector or trustee. He must find the mean between the nationalist aspirations of his wards and their unreadiness—in European eyes—for self-government. To left of him, Moroccan parties clamour for independence and profess their affiliations with the Arab League. To right of him, Frenchmen with a justifiable pride in their achievement as "protectors," and with a considerable economic stake in the country, adjure him to keep a hold on the brake. The political reforms that he has just announced are planned to appease both parties. Their object is to increase the share in the country's management that is taken by educated Moroccans. But even the new share is small, for there are not over-many of these. Perhaps the biggest failing in France's really remarkable effort in Morocco has been due to the attempt made to strike a balance—nowadays unstriking—between conducting a *mission civilisatrice* and, simultaneously, pursuing Lyautey's doctrine that Moroccan institutions must not be tampered with. This procedure has allowed a tiny minority to forge ahead by French standards, but has failed to harness into bi-national service the local Moslem universities, which have developed along fanatical anti-western lines.

Under the new reforms, a nominated Council of Ministers, half French and half Moroccan, is to direct all matters except foreign policy, defence and national economy. These remain the province of the Resident-General. The French ministers of the five other departments are in future to work with a Moroccan assistant of ministerial rank at their elbow.

Those who remember the bold speech in which the Sultan, visiting Tangier in April, failed to mention France and proclaimed Morocco's affiliations with the Arab League will wonder, and with some justification, why he signed the decrees establishing reforms of so mild a character. The answer is that he, too, is walking a tightrope, parallel to but distinct from General Juin's. The balance he must strike is that between hot-headed nationalists of the type that spirits renowned but awkward old firebrands like Abd-el-Krim out of French hands, and the French colleagues without whose presence his throne, and public security, and the possibility of exporting goods and collecting taxes with which to pay for many splendid economic developments now being planned, would all be in jeopardy. The role of Arab Sultan in a country largely composed of turbulent Berbers and Riffis is not easy. Islam is its binding force, so he stresses its affiliations with the East. But Morocco is on the Atlantic and, simultaneously, General Juin dubs it "a western country destined to develop along western lines." The problem that stretches before them both is this: whether they can keep a jump ahead of nationalist sentiments while evolving a pattern of government suitable to a community that must, racially speaking, remain a mixture, if it is to play the part it could play in the world's economy and strategy.

* * *

Egypt's Case for Uno

The Egyptians have lodged their case against Britain with the Security Council. As soon as a date is assigned for its discussion, a substantial delegation, led by the Premier, Nokrashy Pasha, will leave for New York. It will ask Uno to direct first that British troops shall leave the whole Nile Valley, and secondly—a new demand—that the present administration in the Sudan shall cease. The Egyptians do not say what, if they were to have their way, should take its place.

The document that supports these claims is based on such historical facts as suit them, but forgets those which do not. It argues that the troops must go but omits to mention that their departure by 1949 had been agreed upon and that the late negotiations broke down on quite another issue. It argues that the Anglo-Egyptian condominium of 1899 forced Britain's unwelcome presence upon the Sudanese without mentioning that but for that presence Frenchmen pushing from Fashoda, Belgians from the Lado Enclave and Italians from Kassala would have turned the Nile Valley into a less peaceful place than it has been. It argues that because the Anglo-Egyptian treaty of 1930 has "outlived its purpose" it is invalid.

Most of the Egyptian arguments (except the last, which calls in question the whole principle of treaty-making) amount to the tit for tat with which history abounds. Presumably the British answer will stick to the only two points which now matter: first, how soon can the British forces in Egypt wind up their commitments and leave; and, secondly, are the Sudanese to be free or not to be free to choose their own future. On the first point all Egyptians feel to be on firm ground, and are at one, and when they ask: "Why must exit from Egypt take longer than exit from India?" they are difficult to answer. On the second point they are on far less good ground, and some of them know it. Some, but not all, for the great bulk of Egyptians know and care little about what happens anywhere south of Cairo, and have swallowed whole the tale that all Sudanese yearn for union. The British, say the Egyptians, have weaned the Sudan from an ancient affiliation and fostered their separatism. Parochial the British servant in the Sudan may have been, but his parochialism is justified when he compares the near and smiling Sudan with the squalor and corruption that riddle Upper Egypt, next door. The flaw in the Egyptian case to Uno is that if it leads to an inquiry by unbiased superiors, this can but reveal that a great majority of the Sudanese want total independence and would regard a link with Egypt as a backward step. Therefore many faces will be saved if Uno simply decides that the dispute has not great dimensions and advises the parties to resume negotiations. Though Nokrashy Pasha could hardly do so, there are other statesmen ready to step into his shoes and try.

* * *

Disfranchising the African

Sir Godfrey Huggins, the Prime Minister of Southern Rhodesia, recently proposed that legislation should be introduced into the Colony's Parliament to prevent any more Africans from being added to the electoral roll, although those already on it should be allowed to remain. To compensate for this loss of voting rights he further suggested that two Europeans should be chosen to represent native interests in Parliament. Sir Godfrey Huggins stated, in making his proposal, that if the native franchise were not limited, in twenty, or at the most thirty, years the government of the colony would be entirely controlled by the African vote.

It is easy, of course, to condemn Sir Godfrey Huggins's proposal out of hand as reactionary and undemocratic. But before doing so people should ask themselves how they would feel if they were in the same position as the Southern Rhodesian Europeans who feel that all that they have done towards promoting the advance of the colony is now threatened. Southern Rhodesia's expenditure on social services for the African has hitherto compared favourably with expenditure in other African colonies, and it has been made possible by the capital brought into the colony by the European settlers. Nevertheless, even if the widest allowance is made for European feelings, it is impossible not to feel that the Southern Rhodesian Parliament will make a grave mistake if it allows the proposal to go through. It may be true, though it is by no means certain, that the British system of government is not suitable for the African. It is equally arguable that it is unsuited for the West Indian and the Ceylonese. But the Jamaicans have been given universal adult franchise; the Ceylonese have enjoyed it for many years, and are now within sight of Dominion status. Why should the Southern Rhodesian assume that the African will be unfitted to use the vote in thirty years' time?

The trouble is that to the Europeans in Southern Rhodesia, as in the Union of South Africa, the native is permanently and inevitably unequal. But they do not ask themselves whether his political immaturity is not in large part due to the racial discriminations already imposed on him—in particular, the industrial colour bar which prevents him from doing the same work as the European. Cannot the Southern Rhodesians learn from the deteriorating race relations in the Union, where the common citizenship enjoyed by the Cape native was restricted in 1936, that to limit the franchise would solve nothing? In neighbouring British territories, Africans are being chosen by Africans—admittedly not by direct suffrage—to sit on the Legislative Councils, the assumption thus being that they have a right, and are fitted, to have a say in their own affairs. The British Government should make it clear that if the Southern Rhodesian Parliament proceeds further with Sir Godfrey Huggins's proposal, it will exercise its right of veto.

Cereals Conference Disappointments

The Special Cereals Conference held in Paris last week ended, as was expected, in disappointment. It was convened on the initiative of the United States to make European countries realise that they could not continue to count on America feeding their towns while their rural areas fed only themselves. The conference therefore dutifully decided "to ration strictly, to assure the most rapid transport, to discipline prices, to assure the maximum amount of cereals for human consumption and at the same time to see that livestock obtained the necessary minimum of secondary cereals so that they were not fed with wheat." It also passed an emergency resolution, appealing for the maintenance of "fair and reasonable prices."

The European food problem is exceedingly complex. The grain shortage is due, among other things, to a lack of fertilisers, machinery and even manpower, and to post-war dislocations, which have caused fundamental social and political changes. The shortage of other foods like oils and fats, meat and sugar has itself increased the demand for cereals, which in turn has involved the diversion of feed grains and has thus delayed the post-war rehabilitation of livestock and prevented any increase in meat and fat production. It is the perfect example of the vicious circle. Moreover, Nature's blows in the past two years caused poorer yields. But despite the slow recovery of agricultural production, very few European countries are making the best use of their domestic output. Political and social backgrounds in Europe differ so widely that it would be impossible to adopt the British system of rationing (which the delegation expounded in detail) in other countries without serious modifications. The administrative difficulties of coaxing or requisitioning food supplies from unwilling peasant communities are notorious. In Europe, the black market flourishes because total quantities of food are inadequate, whereas in the United Kingdom food can be obtained in restaurants at relatively reasonable prices, to supplement the weekly rations.

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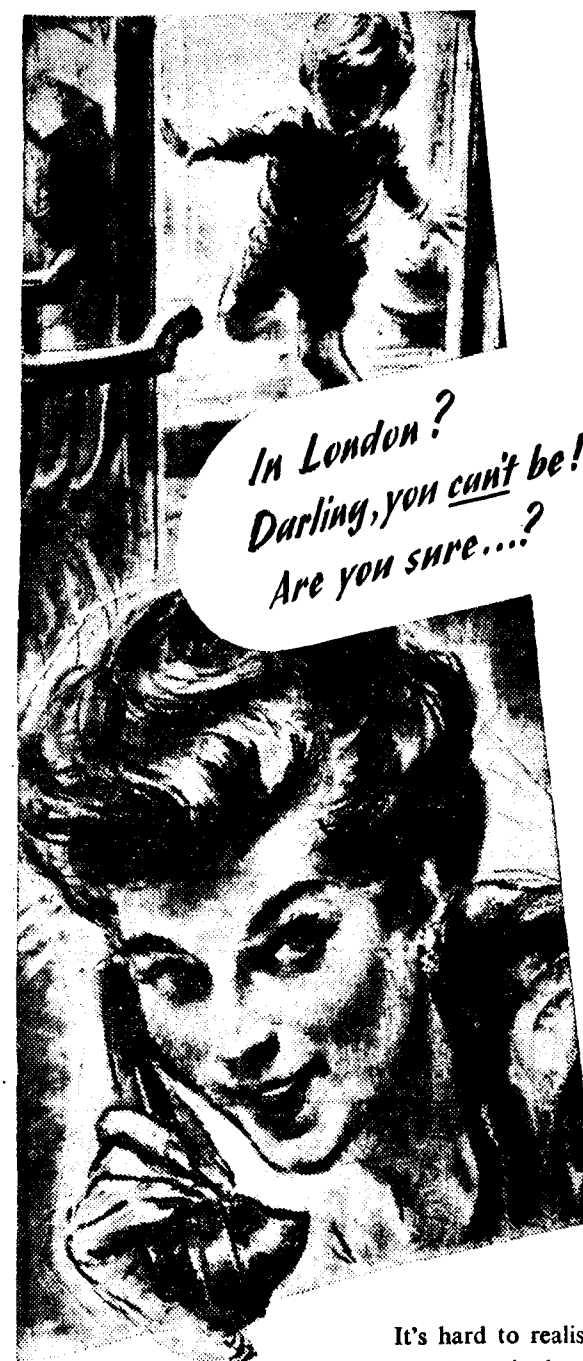
To the United States, which is making great efforts to export large quantities of grain to Europe, the spectacle of a black market flourishing side by side with hunger is naturally galling. To some European critics America may reflect the apotheosis of prosperity, exporting foodstuffs not to prevent starvation but to maintain home prices and to increase its wealth; to America, Europe must often be compared to the irresponsible, prodigal son, squandering its resources. No conference can reconcile these two views. An international rationing system is undoubtedly the appropriate policy, but national sovereignty is too highly cherished to permit its implementation. But there must at least be genuine co-operation between suppliers and consumers. Europe must realise that America is not merely concerned with finding markets for its exportable food surpluses, and if the United States takes the initiative to sell grain cheaply to countries in need, its good faith ought to be unquestioned. If the recent conference has clarified these viewpoints, it will have served some purpose, even though it has failed to establish any agreed policy or any effective administrative machinery for world cereal distribution.

* * *

Geneva and Paris

Very sensibly the European Economic Commission in Geneva has resisted the temptation to take the role of Cinderella while the wicked sister, called the Committee for Economic Cooperation, enjoys herself in Paris. As seen from Geneva, the latter is an upstart taking over tasks and opportunities which the United Nations had reserved for itself. But there is still important work for the Geneva body to do. So just before the Paris conference assembled the EEC delegates met for the promised stormy debate between the French and British on the one side and the Russians and the Poles on the other, only to decide the storm should not break.

In this spirit of live and let live EEC has arranged to take over and reconstitute three international bodies with excellent records; the Emergency Economic Committee for Europe by the end of August, the European Coal Organisation by the end of the year, and the Inland Transport Committee by September 27. When that process is completed there will exist committees for research and discussion on the following European problems: inland transport, coal, electric power, industry and materials (comprising timber, fertilisers and alkalis) and housing needs. Obviously these bodies can and should help the committees set up last week-end in Paris, and the presence on them of delegates from eastern Europe will help to keep alive contacts across the Continent. The

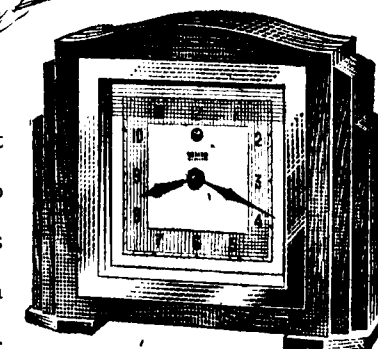


It's hard to realise, till something brings it home to you, how much the world has shrunk. On Monday, a man's in West Africa. On Tuesday 'phones from London that he's catching the next train down! Hard to realise; and when realised, rather breath-taking. Distances between sons and mothers, parents and children, husbands and wives, diminished overnight when B.O.A.C. came into operation. Africa's one day away, now. India's 1½ days, Canada and the United States are 21 hours. Hong Kong is 6 days — Australia 2½. There's scarcely one of us out in the world today who can't be home in less than a week by Speedbird.

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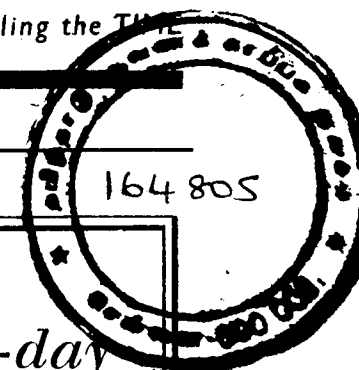
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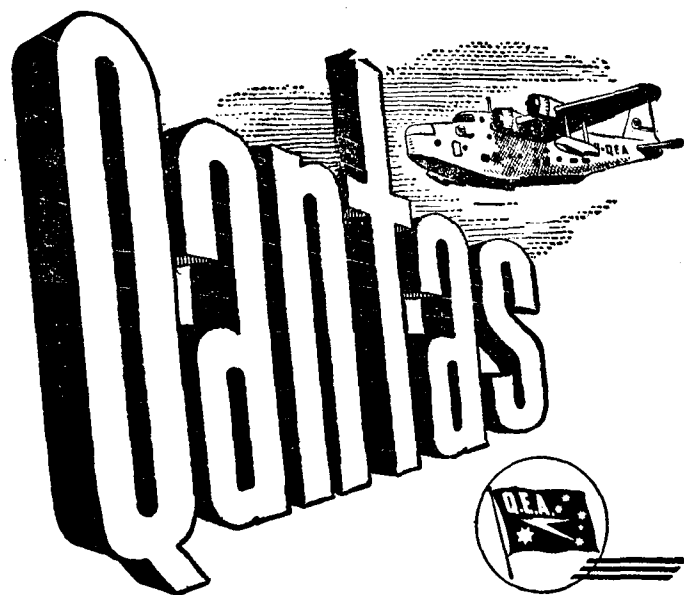
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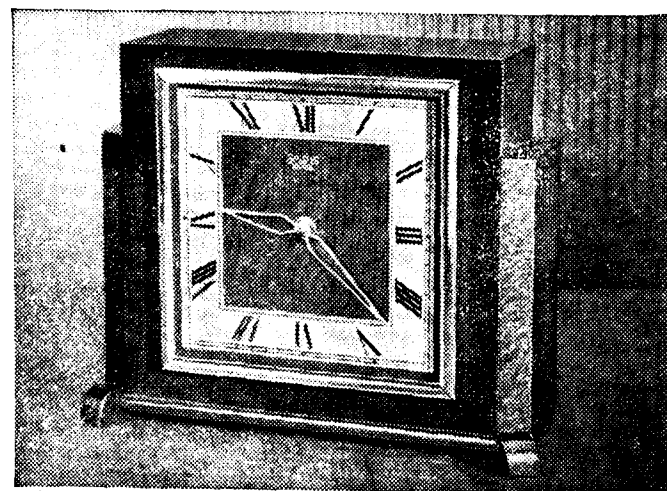
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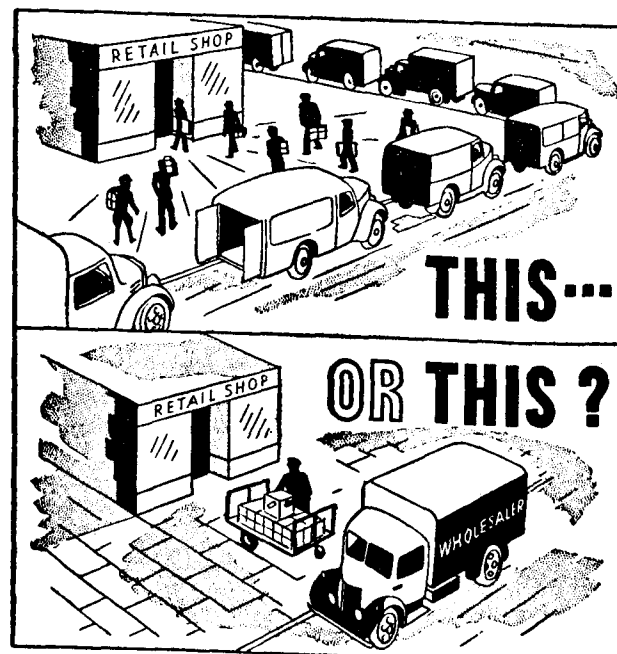
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objection that can fairly be raised to this dual system is that there may not be enough experts to go round. Co-operation between Paris and Geneva should be encouraged, but it will be delayed if Mr Myrdal does not bring his commission out of the present mood of injured dignity.

* * *

Inconvenient Attorneys

The trial of General Tojo and other former Japanese leaders charged as major war criminals is still going on, though the world at large has quite forgotten about it. If, indeed, it were merely a matter of hearing the case against yesterday's rulers, the trial would not be news again until the delivery of the judgment. But it has taken a most surprising turn; the Tokyo courtroom has in fact become one of the battle-grounds of contemporary Soviet-American conflict. The Tokyo trial has from the beginning differed from the Nuremberg model in that the defence has not been confined to Japanese, but has been open to American lawyers, and these have fought as hard for their clients as if they were acting in an ordinary criminal case. A crisis involving a prolonged adjournment of the trial has now been reached on account of the Soviet prosecution's refusal to produce for cross-examination three Japanese generals whose signed statements obtained under Russian interrogation in prison have been produced in evidence. The point at issue is the responsibility for the outbreak of fighting on the Manchurian-Siberian border in August, 1938.

Letters to the Editor

More Light

SIR,—The news that a second "Economic Report of the President" (and of his "Council of Economic Advisers") is to appear six months after the first, throws a distressing light upon the relative progress of the United States and of Great Britain in the provision of the statistical material necessary for informed public discussion of the problems of planning. Our own Budget White Paper (which is our comparable document) not only appears no more than annually, but has abandoned the practice of giving anything but annual figures—although in its first issues quarterly figures were given. In these days, when we move from one crisis to another every few weeks, annual figures are nearly useless. The annual figures for 1946 were useless; it is already clear that those for 1947 will be little, if at all, more informative. In view of our more difficult circumstances, what we need is better, not worse, information than the Americans have.—Yours faithfully,

Nuffield College, Oxford

Export or Die

SIR,—Britain today is being weighed in the balance of payments—and found wanting.

I suggest a slight change in the vernacular might do more to bring this fact home to men's business and bosoms than the present constant drizzle of depressing propaganda.

In the palmy days of the past we have made use of the words, Importance, Important.

I suggest that the words Exportance, Exportant be substituted in future. We should discuss the Exportance of the various proposals which come before us; should seek out and honour the Exportant individuals.—Yours faithfully,

Hayle Place, Maidstone

LAURENCE CLARK

Civil Service Pay Claim

SIR,—In your Note in *The Economist* of July 12th you say that:

For thirty years the salaries of this class (the higher grades) of Civil Servant have been falling in relation to the rise in the cost of living... on an average the salaries of the top ranks of the administrative grade rose by 70 per cent over this period (1913-1947)... Civil Servants are not alone in suffering a fall in their standard of living since 1939, but in few cases can the relation between burdens and rewards have moved so far apart...

Russian official comment shows great anger at the truculence of the American defence counsel, and this is only natural in view of the Russian conception of what a political trial ought to be. "The defence," complains I. Lemin in *Soviet News*, "makes no attempt to assist the Court in getting a clear picture of the war crimes and the degree of individual guilt of each defendant." That defence counsel should actually try to defend their clients when State interests are at stake is in any case intolerable to minds trained in Communist ideology. But more is involved in this matter than the effectiveness of the Allied nations' prosecution of Tojo and his fellow defendants. The Far Eastern Commission in Washington has laid it down that the sharing of reparations from Japan is to be determined on "a broad political basis, taking into due account the scope of material and human destruction and damage suffered by each claimant country as a result of Japanese aggression, and taking also into due account each country's contribution to the defeat of Japan, including the extent and duration of its resistance to Japanese aggression." To make a good claim for themselves as victims of aggression, the Russians have to prove their version of all Manchurian border incidents from 1932 onwards. It is not only a question of Japanese guilt, but also of the cutting of the reparations cake to be divided among the Allies, and the action of the State Department in releasing diplomatic documents for the use of the defence lawyers may seem to the Russians to indicate motives going beyond a mere disinterested zeal for fairness to the accused. Hence the bitterness of the forensic duel, which has no doubt afforded some ironical pleasure to the prisoners in the dock and to the Japanese public.

May I mention to you a case where the burdens and rewards have moved even farther apart—the fighting services. The pay of a full Admiral is now £2,924, but was £1,825 in 1816, an increase of 60 per cent, not in thirty but in a hundred and thirty years. The retired pay of a naval Captain is now £900, but was £600 in 1870, an increase of 50 per cent in 77 years. The pension of a Rear-Admiral's widow is now £150, but was £120 in 1820, an increase of 25 per cent in 127 years. I do not know the movements of Civil Service salaries during the nineteenth century, but since 1913 the salary and the pension and the widow's gratuity of the head of a large Civil Service department have all increased by 75 per cent, and look like going higher.

The fighting services, alone of the community, are debarr'd by regulation from putting forward collective applications for the betterment of their conditions. How much they suffer from their inability to do so is strikingly illustrated by the fact that so eminent an economic journal as *The Economist* can completely overlook their claims at a time when senior Civil Servants are pressing for more money, and when it is already more remunerative to be a senior Civil Servant (£3,500) than to command the main fleet of the British Commonwealth of Nations (£2,924).—Yours faithfully,

RUSSELL GRENFELL

Campden House, Burley, Hants

Italy's Former Colonies

SIR,—I am a constant reader of *The Economist*, and for this reason I hope you will allow me to say that I do not consider the article in your issue of June 28th up to your usual standard. It is rather superficial and contains several incorrect statements.

It is true that all our colonies were liabilities, but it would be right to add that, as they were mainly developed by agricultural enterprise, a long time must elapse before paying results can be shown. Libya is the best example: it was just beginning to pay the hard labour of our colonists in a desert land which nobody else could have cultivated with the same results. The war interrupted all this. I would add that in Libya the colonists were over 125,000 and not 89,000. In a lesser degree the situation was the same in Eritrea (74,000 Italians) and in Somaliland (15,000 not 3,000) where our colonists, although the country is an "unappetising desert," have achieved results which are admired by your own people: for instance, the plantations of the SAIS Co. and of Genale along the Uebi Scebeli river and the more recent but very promising plantations along the Juba river. The native populations of all the territories are very sparse and quite unprepared, as yet, for independence. They also suffer from the consequences of the war and of the complete stoppage of trade

imposed till recently by the British Military Administration between Italy and the colonies. Thousands of colonists and their families are waiting to return to their farms and resume work in the general interest. Why prevent them? It is absolutely untrue that the natives do not want them back; any impartial person knows this.

The real misfortune of our former colonies is, in your own words, that they "all flank the main trade and strategic route along the Mediterranean-Red Sea passage," and that all "possess strategic possibilities" in the new world situation. That will be the main difficulty to find a just solution for their future.

What is Italy asking? That she should be given the single trusteeship of her former colonies, under all international controls and strategic limitations that Uno decides upon. Italy is morally and juridically fit to continue her work and lead the native populations towards self-government. The principle of administrative continuity which has been recognised and adopted for some former mandates transformed into single trusteeships should also be adopted for our former colonies, in particular in the interest of the native populations. This would not mean, evidently, that they would "fall again under Italian domination!"—Yours faithfully,
G. E. CORA

8 Via dei Benci, Florence

Vivisection in the Lords

SIR,—In your issue of July 12th you say that "the judgment of the Lords [that an Anti-Vivisection Society is not a charity] provides a refreshing current of sanity through an area which was becoming increasingly sentimental." Surely the question at issue was not one of sanity, or sentiment, or utility, but of law. Lord Porter in his dissenting judgment, to which you make no reference, said:

In my view the object of this society is the protection of animals from the sufferings believed to be involved in vivisection. That object is, in accordance with the decisions in what may be called the animal cases, charitable, and does not cease to be charitable, in spite of the finding of the Commissioners that its success would be gravely injurious to the public benefit.

You could not possibly afford space for me to discuss the legal aspects of the majority decision, but it is clear that it was largely affected by the fact that the claims of benefit to humanity derived from vivisection were not at any point in the hearings rebutted. They were not rebutted because they were regarded as irrelevant.

Books and Publications

"Rise of the Spanish - America Empire." By Salvador de Madariaga. Hollins and Carter. 408 pages. 21s.

THE spreading of Spanish civilisation over an area larger than Europe is an astonishing achievement, to which nothing in the record of the North European nations quite corresponds. In North America and Australia the problem of natives and whites was solved by the elimination of the natives. In India and Indonesia it looks like being solved by the elimination of the whites. In South and East Africa there remains a clear cut division between two civilisations living side by side. Only in South and Central America has there been anything resembling a real fusion of races on the basis of a European culture.

How did it happen? Señor de Madariaga has done a real service to British readers in presenting a truth as illuminating and even startling as Tocqueville's *Ancien Régime*. The Spanish America of the mines, the Inquisition, and the tropical corruption is indeed there. But so also is freedom, both intellectual and economic; a culture far in advance of anything attained in Anglo-Saxon America, and equal to almost the best in Europe; active scientific research and universities comparing only too favourably with the Harvard, Yale, and Oxford of their day; a sense of law and order, and a battle by governments and church to defend the native, often successfully, against the interests of white settlers; a relatively high standard of living for Indians and Negroes as well as whites; and above all an abounding vitality. It was a Catholic land in the fullest and most Chestertonian sense of the word: a land of cruelty and humanity, of silk turning to sackcloth, of conquered territory held without troops. A land where extremes met: and first and foremost a land where life was a very different matter from anything in the experience of the witch-burners of New England or the slaves of Jamaica or British-occupied Trinidad.

You add some comments which follow the usual pattern adopted by uninformed (and informed but disingenuous) supporters of vivisection. You accept that experiments on animals are beneficial to humanity, that expediency ranks higher than ethics; and you accuse anti-vivisectionists of sentimentality and of ignoring other cruelties. On the question of the utility of vivisection, may I advise that your readers at least study the arguments on both sides, and bear in mind that, even if they come to the conclusion that the million or so experiments on living animals done every year in this country have some utility, there may be alternative fields of research and modes of treatment not based on vivisection that are less open to objection and equally fruitful. On the ethical point, my only comment will be that you accept the majority view of this and every known age that might is more important than right. As for sentimentality, it is to be found equally among anti- and pro-vivisectionists and is equally to be deplored on both sides. The sob-stuff about "millions of lives saved" (but no names or addresses given) and "devoted research workers" is a commonplace in the press and elsewhere. On the point of ignoring other cruelties, this accusation is simply untrue. There may be odd exceptions, but anti-vivisectionists as a whole are opposed to the infliction of any avoidable pain, and a high proportion of them are vegetarians. They cannot support the NSPCA because there is no such society, but very many of them are active supporters of the RSPCA.—Yours faithfully,
W. TYLDESLEY, Secretary,
British Union for the Abolition of Vivisection
47 Whitehall, S.W.1

Knife Edge in Greece

SIR,—In congratulating you on your article on Greece in your issue of July 5th, may I draw attention to two inaccuracies?

First, it is said that the United Nations Inquiry Commission reached its conclusions "with Russia and Poland abstaining." This is inaccurate. The Russians and Poles voted against, France abstained.

Secondly, you refer to the Communists as "advocating the dismemberment of Northern Greece to the benefit of Greece's Slav neighbours." But in fact the Greek Communist Party has never on any occasion advocated any such dismemberment, and has always declared its determination to defend Greece's present frontiers.—Yours faithfully,
PAT SLOAN
Yew Tree Cottage, Melody Road, Biggin Hill

Then why did the experiment fail? Why did the connection break: and why has the former Spanish Empire collapsed into a rabble of minor powers? The answer is as illuminating for our problems as for Spain's. The first factor was technique and the energy to develop and use it. Morally, what the Spaniards achieved may perhaps have been better than the culture of Manchester, Zenith, and Chicago. But moral influence depends as much on power as on principles: and the seventeenth- and eighteenth-century Spaniards let the new economic sources of power slip by. Secondly, there was the decline of Catholic faith. The cold dawn of the Enlightenment provided some sort of a substitute, at least in the sense of an incentive to overhaul the machinery of government and economics. But it led also to two

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other things. First, the church's passionate defence of the equality of men before God was forgotten, and, when the Liberation broke down the traditional control from Madrid, the Negroes and Indians learnt that the scorpions of a nineteenth-century radical plutocracy were infinitely worse than the whip of a conservative Catholic monarchy. And, secondly, under the false snare of an almost Bentham logic the Spaniards forgot to understand their own culture or the organic roots of their political system; and, in consequence, failed to pass on to America the clear understanding of these things which might have prevented both the break with Europe and many of the unfortunate later developments alike of Spain and of the American kingdom. Have we done better in India, or the Dutch in South Africa or Java?

Señor de Madariaga is a liberal of the school of Burke, not Bentham, and he deserves all praise for this latest of his many contributions to the hard task of convincing the elector that a study of history and the social balance of power is far more important than the planner's neat organisation chart. Every economist knows the difficulty of expounding the merits of free enterprise, global controls, and the equilibrium of competing forces over what at first sight seems the neater planned alternative. In politics the task is at least as urgent as in economics, and Señor de Madariaga has deserved well for so effectively attempting it.

The New Wage Structure

"Wages, Earnings and Hours of Work, 1914-47." By A. L. Bowley. London and Cambridge Economic Service. (Special Memorandum No. 50). 16 pages. 5s.

THE information contained in this compact Memorandum is essential to any student of contemporary economic affairs. Professor Bowley does not claim to make available here any statistics not already accessible in the relevant Government publications, but there are degrees of accessibility, and between the state of the subject as he finds it and as he leaves it there lies all the difference which separates a pile of bricks from a completed edifice.

The effects of the two wars on the wage structure have much in common. Each time, earnings gain on wages, thanks to the growth of overtime and the virtual abolition of short time and unemployment. Each time, the unskilled gain on the skilled, and women on men; the former tendency showing itself less, and the latter more, during the Second World War than during the first. Each time, both wages and earnings rise steeply in money terms, in a movement corresponding to the general rise of prices. A striking difference can, however, be observed when the ratio between earnings and the cost of living index is compared for the two post-war periods. In early 1919, wages were actually a point behind the cost of living in its upward race, and again, in 1922, a point ahead on the downward path. At no time in the period since World War Two ended has the rising cost of living even caught sight of the rocketing wage index, which in April, 1947, stood at 178½ per cent of its 1924 figure, while the corresponding proportion for the cost of living was 113 per cent. No doubt this divergence partly reflects the lamentable unreality of the moribund Cost of Living Index, but it also indicates a basic difference of economic policy and a corresponding change in the social structure of Britain.

War Economy

"Studies in War Economics." Oxford University of Statistics. Basil Blackwell. 410 pages. 25s.

THE collection in book form of these selected war-time papers of the Oxford Institute of Statistics, many of them now out of print and unobtainable, was an extremely happy thought. "Studies in War Economics" serves a triple purpose. Its historical interest, both to the general reader and to the historian in the search of materials and of further references, is obvious. By the illumination of several topics of abiding technical and theoretical interest it makes a lasting contribution to economic knowledge. And finally, several of the articles on controls and rationing, on the defence against inflation, on the problems of foreign exchange, and on the relations between those shaping and enforcing public policy and the leaders of the business world, throw a brilliant light on the corresponding problems of the post-war years.

The articles are grouped under eight main headings: Economic Mobilisation, War Finance, Income and Employment, Consumers' Rationing, Controls and Industrial Organisation, Prices and Consumption, War Contracts and Efficiency, Foreign Trade and Currency. They vary widely in length, in manner and in difficulty,

ranging from the short and straightforward notes, of two or three pages apiece, on the successive war-time Budgets, to Dr T. Balogh's massive examination, written with characteristic savagery, of "The Drift Towards a Rational Foreign Exchange Policy." Mr G. D. N. Worswick's fantasia on "Points, Prices and Consumers' Choice," and Mr J. L. Nicholson's "Rationing and Index Numbers," are unmistakably for mathematicians only, and the wisdom of including them in a collection of this kind is doubtful. The two articles on building costs, treating respectively of labour and of building materials, are quantitatively out of date (alas!) to an extent which leaves only their statistical procedure as a contribution of permanent interest. On the other hand the discussion of small savings, Dr Balogh's article on "Money Incentive and the Production Drive," Miss Ady's account of utility goods—these and many others are as fresh and as relevant as the day they were written. It would have been useful to add a sketch of the Oxford Institute's war-time role as a setting in which to place the articles which follow.

Economics of Advertising

"Advertising and Economic Theory." By E. A. Lever. Oxford University Press. 132 pages. 9s. 6d.

THE luck of the game has defeated Mr Lever; for Mr F. P. Bishop's "Economics of Advertising," which covers much the same ground, has beaten him in the snail's race to the book-sellers. And, into the bargain, Mr Bishop writes a much better book. Mr Lever is himself engaged in the advertising business, and comes nearest to making a valuable and original contribution to the subject where he draws on his own experience. But that, alas, he does only too rarely. A compendium of quotations from standard economists, a couple of unilluminating correlations, and a miscellaneous collection of statistics is no substitute for Mr Bishop's stimulating blend of economic knowledge with mature and practical wisdom. Some of the statistics quoted are certainly useful, in the sense that, though hardly original, they are not too easily accessible elsewhere. But even these figures, though useful for reference, lose some of their interest for the reader when Mr Lever so obviously fails to follow out the interesting questions which they open up. The analysis of selling and advertising expenses of 76 American industries, for example, raises a whole host of issues about the nature and inter-relationship of these expenses on which a writer with Mr Lever's experience should have been able to throw welcome light; but the chance is missed. It would be unfair to say that this book is bad or wrong-headed, for it is not; but it suffers the misfortune of challenging direct comparison with a book which is very much better.

From The Economist of 1847

July 17, 1847

Most of our contemporaries have complained . . . of the waste of time which is exemplified by giving up so many Bills at the end of the session; but they have neither traced out the cause of the evil nor suggested a remedy. Numerous as are the Bills put aside at the end of every session, it is still an important fact, that the number passed into laws every year is continually increasing. The number of public Acts passed last session was no less than 117. The waste probably does not bear any increasing proportion to the business done. . . .

There is no doubt whatever that a great many public Bills are pressed on the Legislature by "parties out of doors." Indeed, a large, perhaps the major, part of our legislation is so pressed on the Parliament. Protracted sessions—heavy debates—a great increase of business—and an annual massacre of innocents—all date from the Reform Act, and are mainly to be attributed to the increasing influence of the democracy over the Legislature. . . . As long as the House of Commons was mainly chosen and controlled by the aristocracy, the whole legislative business of the nation was in comparatively few hands, and the sessions of Parliament were then neither so protracted nor the business so extensive and so much neglected as at present. The Reform Act has both increased the quantity of business, and changed the influence under which it is introduced into Parliament; and those circumstances require a corresponding change in the mode by which it is conducted. We may hereafter consider what that change should be—whether or not the Houses should not be divided into committees, each with a department—one for trade, another for criminal law, another for religion—which should sift every Bill belonging to that department before submitting it for general discussion.

AMERICAN SURVEY

Preparation for the Marshall Project

(From Our U.S. Editorial Staff)

THE July issue of *Foreign Affairs*, analysing "Sources of Soviet Conduct," in an article thought to be by Mr Kennan, the top planner of the State Department, argues that, with the principle of infallibility of the Kremlin, and Party discipline, "the leadership is at liberty to put forward for tactical purposes any particular thesis which it finds useful to the cause at any particular moment. This means that truth is not a constant but is actually created, for all intents and purposes, by the Soviet leaders themselves."

When Mr Molotov answered his own question on the Marshall project—"What then would remain of the economic independence and sovereignty of such European countries?"—he illustrated this generalisation specifically enough to lift a great moral load off of the American mind. He said:

The Soviet government, while favouring the development of international collaboration on the basis of equal rights and mutual respect for the interests of the contracting parties, cannot lend its assistance to anyone in arranging his affairs at the expense of other countries of less strength or size because this has nothing in common with normal co-operation between states.

Americans have been sensitive to charges of imperialism. They have believed that American foreign policy ought to support the assurances of life, liberty and the pursuit of happiness contained in the bill of rights. They have held that extenuating circumstances should repeatedly be sought for apparent obstructionism. But when Mr Molotov wrapped himself in the mantle of Mr Wilson and championed the right to self-determination of small nations, the American reaction was, "Tell me another." Even the try-hards have come to certain conclusions about Russia.

Now that this point has been reached, what next? There are at least two alternative possibilities. One is to direct attention to the incompatibility of Russian and American aims, stressing that One World came to an end on July 2nd. The other is to concentrate on the vitality of the European economy, going ahead with however many countries will go ahead. The latter approach has several requirements. One is to examine the conditions of an adequate economic yield in Europe. Responsibility for initiating the plan on which American action will be taken is Europe's, but on this side, too, there must be an analysis of European capacities as a basis for judgment of what is a good risk.

Such analysis includes both the anatomy of the main commodities and services—coal, steel, power, transportation—required for renewed production, and the mechanisms of management which can make or break the transfer from paper estimates to three-dimensional operations. (At the far end of the latter, the relation to the World Bank must be considered—Mr McCloy and Mr Marshall were part of a team during the war, but use of international machinery has been little discussed during the present phase of the Marshall project.)

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

The analytical, industry-by-industry approach would lead to open-ended plans fringing off one by one in Eastern Europe. The Dutch and the Swiss would be expected to carry over some of the former German trade relations with Eastern Europe. Possibilities arising from Czech and Polish needs for western outlets to maintain their standards of living would be anticipated. Further British-Russian negotiations, comparable to those now in process, would be assumed.

*

But these very concrete calculations can only be made on the basis of some larger assumptions. What kind of Europe is to be vitalised? Viewed in terms of economic yield, reconstruction of the past is almost as uninviting to Americans as continuance of the present: the creation of an area susceptible to production and distribution in the 20th century manner would be generally accepted as a condition of sound capital investment. But "creation of an area" would by no means necessarily indicate formation of a single entity, either politically, in a United States of Europe, or economically, in a customs union; a series of functional bodies, rather similar to the wartime Combined Boards, and burdened to the least possible extent with the trappings of sovereignty, would be more readily obtained and might be more effective. Where the regime of a country to which US aid is extended has an Old World flavour, as in Greece, Americans are correspondingly even more dubious of supporting the past.

On the other hand, the Continental know-how and experience of American businessmen—and hence some of their predilections—are related to the 19th century pattern. Most of the Americans who know Europe, and most of the Europeans whom they know, have or have had connections with the cartelised structure, restricted distribution and German dominance of the pre-war years. Yet those Americans are the nearest equivalent to trained personnel for relating the United States to the shape of things to come.

Moreover, some of the alternative prospects of a New Europe strike various groups of Americans unfavourably. Is the initiative taken by the countries assembled in Paris likely to propose a large measure of socialisation? If so, antagonism is likely to come from three sources here. Many Congressmen and others doubt whether there is a fundamental distinction between Socialism and Communism. Many businessmen and financiers doubt whether production can be efficient if managed by bureaucrats. These doubts are shared by some sectors of military government. Obviously, the proposals likely to come from Europe will envisage operation by public authorities of only certain segments of the economy. Ground exists for accommodation; plans for the British and the US zones in Germany will be a preliminary test of the capacity to reach it. But suppose it becomes clear that European initiative is rather solidly behind centralised public control of some main factors in reconstruction. Will the Truman administration then find that the most reliable way to get American support—moral and financial—for the Marshall project is to confront the public with a still worse alternative, take the catastrophic view of July 2nd, and discover a Communist crisis affecting Western Europe comparable to the previous discovery in Greece and Turkey?

It is not enough that, on the statistical level, preparation for this autumn's decision goes forward. The three committees to whom the President assigned the task of exploration are at

work. But tabulations or studies of industrial anatomy are only part of the requirements of American preparation for the Marshall project. They tell little of the meaning of support of indigenous initiative in an area where life and liberty are precarious and the pursuit of happiness offers small hope of catching

Bread upon the Waters?

(From a Correspondent in Iowa)

THE rains descended and the floods came, and beat upon the farms and towns of the western half of the Midwest Corn Belt. May or June floods are normal in the Midwest, which tries to drain every farm pothole, cuts and burns its forests clean, ploughs its grasslands, plants its maize in straight rows up and down hill, dredges and straightens its meandering rivers to make them run fast, dikes them off with levees from their natural overflow reservoirs, and turns these last to ploughland and towns. A day's heavy rain will send the brownish torrents across the corn fields. This year there were weeks of rainy weather, and then downpours of three to six inches in a day, several times in some watersheds, though a year's normal rainfall is but 31 inches.

The worst flood in 103 years hit St. Louis at the end of June, with the Mississippi and Missouri rivers both in flood at once. Dozens of small tributaries upstream were out of their banks: the Des Moines, the Raccoon, the Iowa, the Cedar, the Nishna, the Grand. Farmers worked day and night replanting fields only to have them washed out again. The town of Fort Dodge, which had never been flooded before, lost the use of its water works and electric power plant for days. Des Moines, spread out over 55 square miles of low hills and valleys, had one-sixth of its entire area under water. Ottumwa, a meat-packing town of 30,000 souls, is used to minor floods, but is sodden and groggy after deluges covered much of the town on four successive weekends. In big valleys and small ones, the June downpours were the last straw for many farmers whose ploughing and planting and cultivating had already been dangerously delayed by ground too wet to work. A million acres of farmland in Iowa alone were flooded; half a million acres will bear no crop at all this year. Less serious for the individual farmer, but far more damaging to national crop prospects, was the cold, rainy weather which left the crop backward on millions of acres, across the whole Corn Belt from Ohio to Nebraska, so that only fine weather in July and a late frost can pull it through without a lot of soft maize, fit only for feeding to livestock as ensilage or pasture, or for distillers.

First warning of flood comes from Weather Bureau rain gauges, then from their elaborate system of stream level gauges ("stages"). At once public employees and those threatened go to work: getting people and if there is time, movable property out of the path of danger, sandbagging levees, establishing patrol and communications systems, shelters and soup kitchens. Volunteers in numbers soon join them, especially bottom-land farmers and their neighbours, boat owners, and volunteer teams organised by the local Red Cross offices, which have standing Disaster Committees in all the larger centres. Street and highway departments with their trucks and labourers and sand, their shovels and bulldozers; police and sheriff's men with their patrol cars with two-way radio telephones; Army Civil Air Patrol aeroplanes, Navy walkie-talkies; Army Engineers—all rally around. In the big towns, police and National Guards patrol, under orders to prevent looting by shooting to kill; yet there and elsewhere, there is much real neighbourliness.

It is a full decade since Franklin Roosevelt proposed to dot the nation with multiple-purpose river valley "authorities" on the order of the Tennessee Valley Authority, for flood-control, soil and water conservation, electric power, navigation, and in

up, and yet where the values contained in these words are longed for and understood. Unless that meaning is borne in upon the country as high policy over the next four months, next autumn's legislative tactics may distort the participants in Europe's initiative into the semblance of pawns.

Of these, the proposed Missouri Valley Authority has acquired a certain political following and the status of a perennial Bill in Congress. "Normal" floods every year and catastrophic floods several times a decade are powerful material arguments for some such co-ordinated attack on the valley's problems. But while the Missouri's watershed covers one-sixth of the land surface of the United States, the perennially flooded bottom lands are narrow strips strung through many states and congressional districts, most of them solidly and conservatively Republican. Republican political leaders distrust MVA proposals as "New Deal," "Socialistic," "spend-thrift,"—even though they would mean the nation investing heavily in their own region. In Nebraska itself, the state where the late George Norris' enthusiasm led to public ownership of all electric power facilities, the reigning Republicans know not Norris, and are anti-MVA. Private electric power companies elsewhere feel that they are fighting for their lives and "the American way of life," and their influence is large in Republican local and national politics. So far the present MVA bill has not been allowed public hearings in the valley by the Republican leadership.

This June's floods stirred up Congress, but in the pre-TVA patterns. "This is a matter of life and death," said Senator Hickenlooper of Iowa, and helped rush through an emergency \$15 million appropriation to repair levees damaged in the floods. The regular annual appropriations for new flood control works are being considered in the traditional way—the limited overall appropriation is doled out to as many as possible for the hundreds of dam and levee projects already given preliminary approval after surveys by the 39 Army Engineer Districts. Each Congressman wants to be sure his constituency gets "its share." The energetic new chairman of the Flood Control Subcommittee of the House of Representatives Appropriations Committee, Mr Albert J. Engel of Michigan (this state also had some floods this year) hopes to reform this system enough so that at least some projects will be completed in a reasonable time before a lot more are started, but that will be hard going, for Congressmen from each of the newly flooded areas are already beginning to trumpet for priority for their areas.

So far there has been little to show in the Missouri Valley for the Congress of Industrial Organizations' and National Farmers' Union's crusades for an MVA except a compromise worked out in 1945 between the Army Engineers' plans for flood control for the lower river and the Bureau of Reclamation's plans for irrigation works on the upper river.

The 1947 floods will undoubtedly boost the cause of soil conservation. President Truman has endorsed, not only MVA, but a broad programme of flood control for the Missouri, the Mississippi and Ohio River Basins. Torrential rains show more graphically than anything else the value of terracing, ploughing on the contour, grassed slopes and waterways, etc., and now at last there are samples of these sufficiently well distributed in the Corn Belt so that farmers need not go far to see it with their own eyes. But only time can show whether the present catastrophe is indeed a case of casting bread upon the waters.

The war led to ploughing up much more grassland for up-and-down-hill row crops. Topsoil losses this year have been very heavy—115 million tons in Iowa alone in three weeks of June, off one-quarter of the total acreage—the most serious

loss in any one year, though loss has been rapid since the plough came to break the tough prairie sod. Yet on the eve of the floods, Republican congressional leaders were cracking the whip to make Midwest Congressmen vote for cuts in the various Agriculture and Interior Department soil conservation appropriations, and to make Western Congressmen vote against irrigation programmes.

Damage to topsoil is done, like corn fields washed out too late to replant. But much of the rain damage is still conditional. The official July 1 estimates forecast a maize crop of 2.6 billion bushels, compared with 3.2 billion bushels in 1946. Unofficial estimates late in June were that there would be a lot of soft maize, its maturing caught short by frost; that the Iowa crop would be only 65 to 70 per cent of last year's record crop, but still twice that of dry 1934; that the country as a whole still had an excellent chance for a "fair to good crop"—but hardly another bumper one. Maize prices reached \$2.21 a bushel early in July, the tenth all-time high in four weeks. Farmers with large amounts of stored grain from the previous harvest are more hesitant to sell it, for fear they may need it to feed their livestock next winter.

The Federal Department of Agriculture late in May scheduled 12 million bushels of maize for export during July, on the basis of relatively optimistic crop forecasts. A month later it proposed 6½ million bushels for export during August. But in Congress, press, and throughout the country, complaints have been rising—with and without factual basis—that exports are the chief cause of high prices and short supplies here, in all sorts of commodities, grains now join the procession, along with farm machinery, steel tubing for oil wells, sugar, coal mining machinery, petroleum, and other items.

During the war Americans discovered that wheat could be fed to livestock; more Europeans discovered humans could eat maize. This new partial interchangeability of the two grains makes the prospect of a short American maize crop portentous for a grain-hungry world. Americans are still revelling in their war and post-war heavy meat-eating, while a newly billion-conscious Congress is getting more and more critical of loans and grants and even commercial exports overseas. Grain-fattened livestock is the major industry of the Midwestern Corn Belt; it is the darling table piece of the American people, from coal miners to salesmen.

American Notes

Moves in the Marshall Campaign

In his speech to the assembled Governors at Salt Lake City Mr Marshall was almost wistfully regretful for the impediments placed by his office in the way of plain speaking. Supporters of the Marshall approach may well be disappointed that the Secretary of State did not choose to break through the curtain of secrecy that surrounds the views of the State Department. The strategy seems to be haste in Europe; delay in America. What did emerge is Mr Marshall's keen awareness of the campaign of education necessary before the American public can be brought to understand the emergency. These months in America bear all the signs of the "phony war" period. No battle has yet been joined, partly because the State Department has given the opposition so little to go on, partly because, one suspects, the average Congressman hardly takes the plan seriously yet. The silence is not consent; it is the lull before the storm.

The issue which it will be Mr Marshall's task to press home is that of security. This is a matter on which his authority is paramount. In his speech he said, and it is most likely that it was this theme which he developed later off the record:

Either America must finish the task of assisting these countries to adjust themselves to the changed demands of a new age, or it must reconcile itself to seeing them move in directions which are consistent neither with their own traditions nor with those of this country. In this latter case, the United States would be faced with a radical alteration of its own position in the world. I ask you to consider most carefully the implication of such a development for the future prosperity and security of our country.

In some quarters there is doubt whether the theme of Communist domination, which was so prodigally resorted to in the debate over Greece and Turkey, can once again whip a laggard Congress into line, no matter how persuasively it is portrayed by

Mr Marshall and Mr Molotov. Senator Ball, whose internationalist reputation makes him a useful stalking-horse for the opposition, has already urged that if the choice is between Communism and Socialism in Europe, "then it is hopeless, and we had better conserve our resources for the inevitable conflict." Even Mr Stassen has not thought better of his plan for making a return to free enterprise a condition of American aid. Much more of the economic emphasis characteristic of Mr Acheson's able discussions before he resigned may not only be desirable, but necessary.

American friends of the Marshall plan have been offended, for example, by the tone of Mr Morrison's and Mr Dalton's comment. Any reference to a revival of Lend-Lease might well have carried with it a reference to the "most unseemly act in human history" rather than the intimation that the Marshall plan is a scheme of self-help for American exports as well as for European imports. The very natural reaction has been to point out that if that were true the money might more profitably be spent inside the United States, on building a Missouri Valley Authority, for instance. Only an American voice can point out that such a re-allocation of resources from the export trade to domestic public works would be painful; that corn and wheat farmers cannot be taken from their homes and taught overnight to pour concrete for new dams.

The Time-Table in Congress

Reliance on any time-table which requires Congressional action must always prove shaky. Congress has, indeed, this week extended export and import controls in a form satisfactory to the President, but at what might more properly be called the thirteenth than the twelfth hour, for these controls expired on June 30th, and were only kept in being by temporary legislation. But Mr Truman has now agreed with leaders of both Houses that no special session of Congress will be called to consider the American part in European recovery. The Senate Foreign Relations Committee may be recalled, but the plan will not reach Congress as a whole until the beginning of the next regular session in January. It will thus compete for place with urgent domestic measures, and discussion will almost inevitably be prolonged until early summer. It never seemed very likely that the Marshall plan could be kept free of domestic controversy; now, even if the Republican leaders refrain from making it a campaign issue, it will suffer from the split mind that afflicts the United States in election year.

How many devices are available to Congressional intrantsents was shown this week by the determination of the economy bloc, led by Mr Taber, not to pass the appropriations for post-Unrra relief, or for Greece and Turkey, until every dollar of prospective expenditure has been approved. The Bill for aid to Greece and Turkey was hotly debated for three months; it was signed seven weeks ago by the President. Yet it remains still-born as things go from bad to worse in Athens, and all the money that is available is an advance from the Reconstruction Finance Corporation. This is nothing more than a delaying action, but it is instructive. Senator George has insisted that no long-term commitment for European aid is possible; Europe will have to come to Congress once, perhaps twice a year, for the life-giving transfusions of dollars. Each occasion will present new opportunities for re-opening the debate and delaying the programme.

This is a peril which will attend success, but there are other bridges to be crossed first. In making arrangements for regular meetings with the Foreign Relations Committee of the Senate, Mr Marshall has carried a formal step further the technique of prior consultation which stood Mr Hull and Mr Byrnes in such good stead in past crises.

Inflation Again!

The terms of the coal wage agreement have banished all recent discussion of deflationary possibilities ahead. The stress is now on a further upward twist to the price spiral, and most authorities predict a new wave of buying, and new peaks for activity. Senator Taft is taking evidence from industrial and union leaders as chairman of the Joint Economic Committee in Congress, and he declares quite simply that industry cannot afford to absorb fresh cost advances without a corresponding price adjustment. The spokesman for the Labour Federation, Mr Matthew Woll, has declared that any fresh increase in food prices must bring new wage claims, although in another context he warned union leaders that any attempt to tie wages to food

prices would bring a further and general inflationary movement. For Mr Woll, the solution is equally simple: wages must go up, and prices must not move—unless an "industry by industry assessment" gives support to claims for a downward price revision. Meanwhile, the bituminous coal price advance will probably be little short of \$1 a ton, and the steel manufacturers are talking of a \$5 a ton rise for raw steel next month. The railroads too, are seeking freight rate concessions estimated to yield at least \$1 billion yearly, and over a wide range of durable goods, there is a general belief that higher freight and fuel charges must bring another round of price adjustments.

President Truman is now plainly anxious concerning the trend of prices. Having been so largely responsible for the process known as sowing the wind, the Administration is a little scared now that the whirlwind looks as menacing as at any time within the past year. A special report has been submitted by the Council of Economic Advisers, and Mr Truman will send his own conclusions to Congress within a few days.

Since the President lacks any specific authority to deal with the present situation, the forthcoming report to Congress will presumably repeat the advice given earlier this year by the Council of Economic Advisers, and embrace a general appeal for sagacity and courage on the part of industry and labour. That advice will not carry very far, and Mr Truman already possesses evidence of what success can follow from the publication of pious generalities on the evils of the price spiral. The inflationary pressures now evident are not confined to wage boosts. They include crop damage which promises to sustain farm prices at higher levels than were recently expected; the tax manoeuvres detailed below; new Congressional pressure for "Veterans' bonus" payments, and last, but by no means least, a new wave of forward buying moved precisely by the new evidence of still-rising costs and charges.

The price situation, of course, is not without bearish factors. A fresh general wave of wage advances will not come in the immediate future. The petition for higher freight rates will probably meet with considerable delays. And ever-increasing production gives some assurance that raw material advances will not find an immediate reflection over the general list of durable goods. Behind all the current clamour for goods, there is, apparently, a rather more competitive position for finished manufactures—apart from automobiles. For the time being, however we must apparently postpone hopes of any relief from present US price-levels.

Cash Down for Veterans

The week's developments included continuing efforts by the Congressional majority to force through the Tax Relief Bill, already passed by the House of Representatives. The Senate vote of 60 to 32 last Monday all but reached the level necessary to override the second Presidential veto already promised by Mr Truman. When that veto comes, the Senators will be unable to mobilise further votes in favour of tax reduction, and must rely upon an actual turn-round of earlier voters—an unlikely development.

The Administration thus barely escapes from a first-class defeat on the tax issue, though passage of the new Bill would not have affected the immediate business situation, since the tax cuts were not scheduled to begin until January 1 next. From another angle, however, Congress is now busily engaged in undermining any remaining restraints on mass purchasing power. The Federal Reserve Board has already given notice that it will no longer seek to control consumer credit, since Congress will clearly refuse to grant overall powers for control. And the bonus payments to Veterans, approved last year by the Senate in the form of Five-year Bonds, will now be redeemable on demand, if Congress has its way. On present estimates, such a development will probably add \$2 billion to current purchasing power. There is always a tremendous pressure for service benefits and Congress has refused to listen to all suggestions that 1947 may well be the worst possible time to encash the Bonus Bonds. This pressure for bonus payments has whittled down Treasury estimates of debt redemption possibilities over the rest of 1947. Whereas estimates of the amount to be taken from the income stream by government operations at one time ranged between \$4 billion and \$5 billion, it is now thought that the maximum amount possible will be short of \$2 billion. While this sum is quite substantial, it is regarded as too modest to affect the rate of business activity in the months ahead.

With only modest possibilities ahead for the reduction of marketable debt, and with no effective controls elsewhere, the

Treasury turned reluctantly to the adjustment of short-term interest rates, discussed last week. The first open bid for Treasury Bills, since 1942 brought an average rate of 0.594 per cent, against the 0.375 per cent wartime "peg." The New York Money Market is now awaiting the next logical step—the removal of the "peg" on the One-year Treasury Certificates, the rate on which has been held rigidly at ½ per cent.

Dewey Moves West

The trail blazed by Mr Wallace last month is attracting other political pioneers. Governor Dewey has reached the Governor's Conference at Salt Lake City, which was one of the ostensible reasons for his Western tour this summer. The other was his desire to show his sons some of the wonders of the West. Among those wonders is a phenomenon more interesting, one imagines, to the elder than to the younger Deweys: the enthusiasm with which prominent Republicans have been rolling up to register their organisations' intentions of voting for Mr Dewey at the Republican Convention next year. Loyal delegations have been received from Missouri, Oklahoma, Texas and Arkansas. It is one of the oddities of American politics that although a Republican candidate can count on virtually no help, in the final election, from the Southern States (the election of 1928 was a notable exception), the votes cast by the Southern delegations at the nominating convention carry the same weight as those cast by States normally returning heavy Republican majorities.

These "rotten boroughs" of the Republican Party are usually thought to be in Senator Taft's pocket. This is particularly true of Texas. Thus in his trip West, Governor Dewey may not unfairly be described as picking Senator Taft's political pocket. It is too early to jump to the conclusion, put forward by some Dewey enthusiasts, that the Governor is now certain to be nominated on the first ballot. The Governor has always enjoyed a popularity in the West which is not easily explained. His tour was accompanied by none of the mass excitement created by Mr Wallace, but it confirms that he has gained rather than lost ground with those key figures who deliver the delegations. The Governor's happy exemption from the painful responsibilities of national politics, particularly the Labour Bill, is a current source of strength.

In another camp his example is being taken to heart. The strategists of the Democratic Party feel it is none too soon for President Truman to make a swing round the grass roots. Champ and challenger alike know there is still gold in the golden West.

Shorter Notes

Output of steel ingots over the first six months of 1947 reached the record peacetime rate of 42 million tons, almost 15 million tons higher than in 1946, and double the output in the first half of 1939. Almost throughout 1947, operations have been well above 90 per cent of rated capacity.

The first issue of Bonds by the World Bank—still regarded by Congress and Wall Street as the main channel for overseas assistance—has been heavily oversubscribed. The Bank this week issued \$100 million ten-year 2½ per cent Bonds, and \$150 million of twenty-five year three per cent Bonds.

Among the measures receiving top priority in the final fortnight of this session is one laying down a six-point "loyalty" standard for government employees. President Truman swept the initiative away from Congress on the issue of Communists in government some months ago, but Congressmen are dissatisfied with the scope and speed of the purge that is being carried out. If this law is passed, disclosure of confidential information, under circumstances indicating disloyalty, and membership in, affiliation with, or sympathetic association with, any foreign or domestic organisation designed as subversive by the Attorney General, would become grounds for dismissal.

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THE WORLD OVERSEAS

Birthday Mood in Russia

“AGAIN and again the Soviet people smashes to smithereens the hopes of its overt and covert enemies that the might of the Socialist State will be weakened! Relying on its own forces, on the great advantages of the Soviet system, our people are achieving a high tempo of post-war reconstruction under the tested guidance of the Communist Party. . . .” In this hurrah tone *Pravda* recently commented on the latest report of the State Planning Commission about the economic situation in the second quarter of this year. The report and the comments provide the sharpest possible contrast to the alarmist official accounts that came from Moscow in the beginning of the year (see *The Economist*, March 15, 1947, p. 380). It seems that the greatest optimism of official Russian sources, like their earlier pessimism, should be taken with a grain of salt. It is never quite certain to what extent the accounts of the fulfilment or non-fulfilment of the economic plans are coloured by considerations of propaganda.

There are at least two reasons why the Soviet Government should now wish to show its people and the outside world a rather bright economic prospect. There is the need to offer a promising alternative to the co-operation in the Marshall “plan” which Russia has now refused. Even more important is perhaps the approach of the thirtieth anniversary of the October Revolution, which will certainly be celebrated with great élan and during which the undoubtedly great economic achievements of the Soviet regime will be treated with a due amount of exaggeration and over-emphasis. Just now the anniversary mood is beginning to spread over the columns of the press and to dominate official pronouncements; and much that will be said in Russia in the coming months will be dictated by it. Incidentally, the whole country is now being spurred on to complete the economic plan for the current year two months ahead of schedule, just in time for the great November parade at the Lenin Mausoleum in Moscow.

Having made allowance for the seasonally increased output of confidence, it is only right to say that the reports on the recent economic improvement appear to be true in some respects. “Bottlenecks” in the iron, steel and fuel industries have been broken for the time being. There has been in recent months such a vigorous pressure of economic and administrative energy on those “bottlenecks” that an improvement is quite natural. Very considerable percentages of overfulfilment of the plans have also been reported from the chemical, electrical, and transport engineering and machine tool industries. The output of agricultural machines, which very seriously lagged behind in the first quarter of the year, has now also been stepped up almost to 100 per cent.

Direction of Labour

At least in part, these satisfactory results have been achieved by resuming the direction of labour, about which the Government was hesitant last year. The newly formed Ministry of Labour Reserves has guaranteed the allocation of labour to the basic industries, while the other industries have been asked to fend for themselves and obtain labour without the help of the central authorities. The shortage of manpower is still acute. Even after the intervention of the Ministry of Labour Reserves, the shortage is still causing competition for labour between the various trusts and enterprises and a great deal of “fluctuation” of labour. The less essential industries are still able to lure workers from the basic industries, if they can offer them better housing and living conditions. In spite of the theoretically strict regimentation, actual labour discipline is often fairly loose. (Reports from some of the big heavy industrial works state that more than half of the workers that took on employment there in the first quarter of the year left their jobs in later months.) Since fluctuation of labour constitutes an obvious threat to planning, the Ministry of Labour Reserves has decided to make the supply of labour to the various enterprises conditional upon the preparation by their managers of tolerable housing and living facilities for the workers. The Ministry has announced that

it will stop the supply of labour if living conditions on the spot are bad. In cases of striking negligence on the part of managements, the public prosecutor will intervene.

It can be seen from this that the chief “bottleneck” reported earlier this year, that of housing, has not been broken. This is also obvious from the communiqué of the State Planning Commission which says that “in the first half of this year Government enterprises and institutions and local Soviets built or repaired and turned over to tenants 1,800,000 square metres of floor space for homes.” The housing plan for this year provided for the completion of 14,000,00 square metres of housing space. Thus, less than one seventh of the annual plan appears to have been fulfilled in the first half of the year. This is even less than last year’s performance—6,000,000 sq. metres—which left the plan unfulfilled. The housing problem also stood at the centre of the debates at the session of the Supreme Soviet of the Russian Republic which has just closed. The Russian Prime Minister Rodionov stated that in his republic the housing plan was only 64 per cent fulfilled. On the other hand, independent information from rural areas in Byelorussia and the Ukraine speaks of much quicker progress in the reconstruction of destroyed houses than is suggested in official Russian reports.

Behind the difficulties with housing there looms the still critical shortage of building materials—timber and bricks. The report of the State Planning Commission puts the output of timber at 97 per cent of schedule. But this is contradicted by the Russian Prime Minister, Mr Rodionov, who states that in his republic, which supplies nine-tenths of all Soviet timber, the plan up to June 1st was only 80 per cent fulfilled. The wish to bring about a radical improvement accounts for the appointment of Mr C. Z. Ginsburg to be the Minister of Building Materials. Mr Ginsburg is one of the “shock brigadiers” in the All-Union Government—during the war he was the Minister in charge of the construction of war factories. The output of building materials is thus at last being given a top priority.

Wheat Versus Dollars

In recent months, the attention of both the authorities and the public has been centred more on this year’s harvest than even on the indices of industrial output. In some weeks *Pravda* or *Izvestiya* have looked more like a farmer’s gazette than like the central organs of the party and the Government. The papers have published an endless series of “Letters to Comrade Stalin,” in which numberless collective farms pledged themselves to produce a bumper harvest. Each farm stated the exact acreage it would harvest and the yield per acre it would obtain, as a matter of its obligation to Stalin personally: an obligation, that is, that carries much weight. Technical advice to farmers on almost every phase of the sowing and the harvesting has filled the pages of the Moscow press to an extent that must look queer to any foreign reader. However, this sustained concentration on the harvest and the reported favourable weather will probably produce results. According to the Gosplan “the increase in the planted area for the 1947 harvest of all agricultural crops amounts to some 20 million acres as compared with 1946.” This is not at all bad. At present, all attention is given to prevention of wastage, which is usually very high (last year the wastage in some eastern areas was, according to official reports, as high as 3-4 cwt. per hectare); and also on the quick delivery of agricultural produce to the Government. Hopes are very high; and in the Ukraine the output of flour is expected to be five times as high as it was after last year’s drought.

This year’s harvest is not merely a matter of domestic interest. On it depends, up to a point, the scale of Russian influence in international trade and politics. The countries of the “Russian zone” are anxiously waiting to see what quotas of food they can get from Russia; and Russian grain and timber surpluses may perhaps be Mr Molotov’s counter to the Marshall plan in Western Europe. In the words of *Pravda*, the better economic prospects “will evoke among our people a new rise of vigour and will strengthen still more its trust in its own strength.”

That trust in Russia’s own strength certainly underlies Mr Stalin’s attitude towards the Marshall offer. By a queer coincidence it is now almost exactly thirty years since Mr Stalin, then the still unknown editor of *Pravda*, first came out against an offer of an American loan. This was after the famous “July days” of 1917 which ended in a severe, though temporary, setback for the Bolsheviks. The Government of Mr Kerensky then hoped to obtain an American loan to the amount of five billion roubles which would have helped him to continue the war. Mr Stalin’s party was opposed to the war and to foreign loans. In an editorial of the Bolshevik daily (under the title “American billions”), Mr Stalin made the following comment: “It used to be said in Russia that the light of Socialism comes from the west. And this was true. For it is there, in the west, that we have learned revolution and socialism. Since the beginning of the revolutionary movement in Russia the situation has somewhat changed. . . . Now the west exports. . . servitude and counter-revolution rather than socialism and liberation. . . .”

Many of Mr Stalin’s old writings are now considered by himself to be out-of-date. It is not even quite safe to quote some of them in Russia. But his saying about the “American billions” is now certainly thought there to have acquired new topicality.

Dutch Foreign Trade Problems

[BY OUR HAGUE CORRESPONDENT]

FROM the point of view of reconstruction policy in Holland one of the most serious aspects of the Indonesian problem is the shortage of manpower it creates for industry at home. Some 100,000 Dutch soldiers are already in the NEI, while a further 25,000 are being trained for duty there. The war had already caused a lack of industrial trainees; the men now in the forces belong to the very generation which might have formed the backbone of industry. What is more serious, the maintenance of a large military force in the NEI for two years has severely increased this country’s financial burden, already heavy enough owing to the wide gap between imports and exports.

Before the war the import and export situation was more or less like that of Great Britain. Dutch exports were worth some 1,000 million guilders and imports some 1,500 million guilders. The balance was made up by “invisible exports,” such as the income from overseas capital investments (in the NEI and the United States), and from shipping. As was shown in last week’s article, the total yield of Dutch overseas investments has fallen considerably, and Dutch shipping has not yet recovered its pre-war capacity. Furthermore, the balance of payments has developed unfavourably since liberation; in 1946 imports were worth 2,300 million guilders, against a mere 800 million for exports. The estimate for the current year is: exports 1,600 million guilders against imports amounting to 3,900 million guilders. This year the gap will amount to some 2,200 million guilders, only partly reduced by the liquidation of foreign assets estimated for the current year at 800 million guilders.

A more important source of income, foreign securities—especially American—is being gradually liquidated. There have been strong complaints that this process was not begun before the latter half of 1946; but the main reason for delay appears to have been the “purge” of securities from the American end, which did not coincide with the methods used on this side of the Atlantic. Now that liquidation has finally begun, it has to proceed very gradually, since a forced sale would cause values to drop. But even if liquidation were completed earlier, it could provide only a partial and temporary relief. The existing gap cannot be narrowed so easily. Earlier this year the Government set up a “priority board” to ration imports, but neither the needs of consumers nor those of industry can be restricted without damaging the health, welfare and productivity of the Dutch population. Nor, indeed, can productive power and the export capacity of Dutch industry, which needs in addition to raw materials and new machinery a considerable amount of equipment.

Need for Foreign Loans

“Stimulation of Exports” is an admirable slogan, but on the whole Holland has to work with obsolete material and to produce for a “world market” which is only a caricature of what the

economic text-book understands by the word. It is now not so much a question of exchanging articles which can best be produced by the selling country for products which other countries produce better as of getting rid of specialised luxuries or surplus goods, and hoping to receive in return essential foodstuffs and much-needed raw materials. In this battle for existence a small country like Holland is at a distinct disadvantage, especially since the economic ties with Indonesia are much slackener than before the war—to say the least of it—and since exports to Germany have practically disappeared.

In these circumstances foreign loans, either from the United States or the World Bank (if there is any difference) are necessary, at least during the next few years, to fill the gap between exports and imports and to set a re-equipped Dutch industry on its feet. The need for re-investment over the years 1946-52 has been calculated at 20,000 million guilders; 8,400 million are to be found in Holland, the balance by other means, largely by foreign loans, the prospects for which are as yet not too bright. The Dutch Minister of Finance, Professor Liefstinck, recently remarked: “We do not live close enough to the political storm centres to be eligible for political loans.”

What Germany means to Holland as an outlet for exports will be seen from the catastrophe which will occur, for instance, to its production of garden produce and fruit if it proves impossible to secure other markets, for example, the United Kingdom. Trade with Germany is developing along unsatisfactory lines, for which several factors are to blame. The pauperised German community lacks purchasing power, which makes Dutch vegetables too much of a luxury, and the occupying powers can make up for this deficiency only to a limited extent. The supply of vegetables by Holland to Germany should therefore be seen more in the light of “relief” than as a normal profit-giving transaction. Then there is the German lack of means of payment. A great deal of trade with Germany is done on a sterling and dollar basis—expensive currency to the Dutch. Holland is fully prepared to conduct her German business on a credit basis, provided the German mark is stabilised and that a long-term trade agreement can be worked out.

Frustration in Germany

Finally, there is the immense and immovable bureaucracy of the occupying powers, restricting and delaying all possibilities of trade development between Holland and Germany. In some cases the fault may be lack of faith, in others sheer incompetence; but red tape causes endless delay and involves useless negotiations with every kind of authority.

TRADE OF THE NETHERLANDS WITH THE ZONES OF OCCUPATION IN GERMANY*

	Imports in millions of guilders		Exports	
	May-Dec., 1946	Jan.-Mar., 1947	May-Dec., 1946	Jan.-Mar., 1947
British.....	70	5	50	10†
American	0.5	1	0.043	
French.....	0.024	0.004	4.5	2
Russian	2.5	1	...	3.5

* Deliveries of armies of occupation excluded.

† Included vegetables which may be delivered gratis.

This is especially the case in the British Zone, less so with the Americans. To give one example: just across the border, near Gronau, stands a German cotton mill, which could be efficiently put into operation by the Dutch. As far back as August, 1946, the Control Office in London gave the Dutch permission to work it, provided 15 per cent of the production remained in Germany. For all parties concerned a profitable transaction; but up to this moment the British authorities in Germany have been unable to fulfil a promise made in London almost a year ago! Imports from the British Zone now consist mainly of coal from the Ruhr (85 per cent). The Netherlands Government offered to send iron ore to the Ruhr in exchange for steel, observing that this would save coal, since only high quality ore would be delivered. But in this matter too the British authorities have not seen fit to conclude an agreement and revise Dutch-German trade.

Because Dutch buyers and sellers are unable to contact their German opposite numbers in person, a trust company has been founded in Amsterdam by private enterprise and with the bless-

ings of the Government. It has a number of agents in all Zones, and in Berlin an agency for the Russian Zone was recently established with the assistance of the Russian authorities. But the trust company itself is a target for complaint because, in these days of manpower shortage, its staff does not seem as capable as might be expected. Besides, only a limited number of commercial travellers are allowed in the combined zones, and then only as prospective buyers. Salesmen still have to keep out.

Trade with the French Zone has begun, but only from the Dutch side. Only recently have the French begun to fulfil their side of the agreement, but neither party will be able to reach the proposed target, \$3,000,000 for six months. In estimating all these figures it should be borne in mind that in 1938 (at much lower prices) Dutch exports to Germany were worth 159 million guilders, while imports from Germany totalled 308 million.

Great satisfaction is expressed by the Dutch authorities over the recently concluded trade agreement with the Russian occupation authorities, valid from June, 1947, to May, 1948. The total amount involved is 20 million guilders. The agreement includes several processing transactions; in return for metals sent from Holland the machinery will be sent to this country. The Russians will send glass, against which the Dutch will supply electric bulbs. Holland is to receive potassium and timber and send herrings and superphosphates.

This agreement with Russia still has to be executed, but its extent and nature prove that, even with a poverty-stricken Germany and under the present trade restrictions, far more is possible than has been hitherto realised. Complete recovery of the Netherlands could not have been expected within two years, certainly not in international trade. But the foundations have been laid.

Czechoslovakia and Her Neighbours

[FROM OUR PRAGUE CORRESPONDENT]

It is becoming more and more evident that Czechoslovakia's economic policy is at present largely concentrated on trying to step into Germany's shoes as chief supplier of consumer and capital goods to the less industrialised countries of Central and Eastern Europe. It already has commercial treaties and barter arrangements with Yugoslavia, Bulgaria and Rumania which point in this direction, and it has just concluded agreements with Poland and Russia which will show the same tendency.

In present conditions such a policy can be justified on many grounds. Czechoslovak industry is still more or less intact. German industry is in no shape to compete. Granted that, Czechoslovakia can get the necessary raw materials, it can supply the goods which its neighbours need and is nearer to them than other potential suppliers. Moreover, being a small country, there is no danger that it will acquire economic control of her customers as Germany designedly did before the war. Again, its relations with the Soviet Union are such that there are no political obstacles to close economic ties being established between Czechoslovakia and any of the countries named. Quite the contrary, in fact.

So far as Yugoslavia, Bulgaria and Rumania are concerned the only real problem that arises at the present time is the question of payment. The products of all three countries are largely agricultural, and Czechoslovakia, though not self-supporting in food, is near enough to being so to make it inconvenient to accept permanently large quantities of food and drink in exchange for industrial exports. Yet it is already being forced to do so. It is incongruous to find, for example, Bulgarian and Yugoslav wine on sale in Czech restaurants when the wine vaults of Moravia and Slovakia are inconveniently full of excellent wine which must be got rid of, if room is to be found for this year's vintage. This time last year, when there was a sudden glut of fruit and vegetables, Dr Ripka, the Minister for Foreign Trade, justified it by pointing out that, if Czechoslovakia wished to sell, it had to accept payment in goods and some of its customers could only supply agricultural products. Fortunately Yugoslavia and Bulgaria can do a little better than merely supply Czechoslovakia with wine. Yugoslavia has in addition various badly needed metals and Bulgaria can send tobacco, of which Czechoslovakia is very short. Bulgaria can also supply farm labourers, of which there is a great scarcity in Czechoslovakia.

Rumania in normal times could perhaps exchange her oil for

Czechoslovak finished goods but is not able to do so at present because most of it goes to Russia. Today Rumania can scarcely pay at all. Two years of drought have created famine conditions and many railway waggons of food are actually being sent from Czechoslovakia today labelled "Help for starving Rumania." It is not forgotten in this country that Rumania—under King Carol, be it noted—was the only ally which stood firmly by Czechoslovakia's side at the time of Munich and after. There are and will be again many reasons why Rumania and Czechoslovakia should be on friendly terms, and the future will probably bring much closer economic ties between them.

Poland as a neighbour is a different proposition. Until just before the Moscow Conference relations between the two countries were extremely strained with claim and counterclaim for territory being bandied between them. Today, solely as a result of pressure from Moscow, there is a Czech-Polish Treaty of Alliance and a cultural pact. Statesmen of both countries lose no opportunity of stressing that their interests are common and last week a five-year trade treaty was signed which becomes the centre of a network of East European arrangements.

New Start with Poland

This treaty provides for extensive development of communications and transport between the two countries and "regulated relations" between their respective industrial and agricultural systems. A bilateral council of economic collaboration has been set up and trade exchanges have been planned for the period July 1, 1947, to June 30, 1948. In that period Polish exports to Czechoslovakia will amount to \$35 million and Czech exports to Poland to the same value.

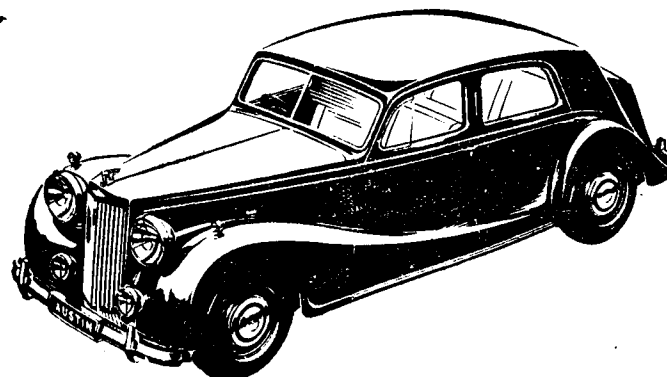
It is beyond question that the two countries should gain enormously if they really can settle the political disputes which have divided them since they obtained their independence after the first World War. Post-war Poland does not need Teschen, or any other parts of Czechoslovakia; and though there is more substance to Czechoslovakia's claim to be allocated certain parts of Silesia which the Poles have annexed from Germany with Russian approval, the importance of being on good terms with Poland outweighs it. Czechoslovakia needs the Oder route through Germany and the Polish Baltic ports for her overseas trade. It needs Polish coal and other raw material, and even Polish salt now that the salt mines of Sub-Carpathian Ukraine are within Soviet territory. Poland needs Czechoslovak industrial goods and technical skill—apart altogether from the political and strategic advantages of good neighbourly relations. It remains to be seen, however, whether their ancient animosities can be got rid of permanently by a few strokes of the pen on a series of pacts. Meanwhile, however, the Poles have made a good beginning by granting rights to the 30,000 Slovaks living in the annexed parts of Orava and Spiš after persecuting their Czech and Slovak citizens ever since the war ended. Profitable trade relations can do much to cement political friendship and the sooner the trade negotiations are brought to a successful conclusion the better.

Dispute with Hungary

Relations with Czechoslovakia's other neighbours, Austria and Hungary, are also still not clarified. Negotiations with Austria have been going on spasmodically for some time, so far without much prospect of a really comprehensive agreement, although the two countries already do a fair amount of business with one another. With Hungary, there is also a fair exchange of goods in spite of the old tension over minorities. This still shows no sign of easing, although an exchange of populations is actually in progress. But the exchange only affects from 80,000 to 100,000 persons on each side and there are altogether between 500,000 and 650,000 Magyars in Slovakia. The new Hungarian Government, like its predecessors, demands full minority rights for these people, which the Czechoslovak Government regards as tantamount to saying that it intends to raise the old revisionist slogan as soon as possible. Consequently, the Czechoslovak Government demands the transfer of all Magyars in Slovakia except those digible for "re-Slovakisation"—a process applicable only to politically reliable folk whose transformation into Magyars has come about within the last two generations. The two Governments are far apart on this vital issue and there seems little prospect of reconciliation. While the dispute goes on, not only is there no hope of friendly relations between Czechoslovakia and Hungary, but there is also no firm basis on which to build a sound political and economic structure for the countries of the Danubian basin.

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port"—the elimination of contract "A" licences from the long-distance road haulage work of the Transport Commission. A contract "A" licensed vehicle is one operated by a haulier for hire or reward to carry the particular goods of a trader; it provides a road haulage service under contract. The intention of the amendment is to leave hauliers who undertake such work outside the new public transport organisation. But in view of the freedom which has, very rightly, been given to "C" licences, it is difficult to follow the argument that contract "A" licences operating over long distances should not properly form part of the public transport organisation.

This might be described as a "whittling-down" amendment. So is the elimination of the carriage of milk from the definition of long-distance carriage to be acquired and operated by the Commission. The carriage of liquids in tanks (including milk) was always excluded from the definition, and the amendment would merely enable some long-distance road hauliers to continue to carry milk in churns in their ordinary vehicles. A further amendment carried against the Government provides that the Commission's road passenger charges and goods services will have to be approved by the area licensing authorities. This amendment is based on the contention that because some road transport will not be taken over by the Commission, and will still have to be approved, for licensing purposes, by the area authorities, the Commission's activities, too, should be subject to the same authorities. Thus it raises the same fundamental point: whether the Commission, which is charged with the duty of providing a system of unified public transport, is to be given a proper degree of freedom—subject to the overriding directions of the Minister and the supervisory duties of the Transport Tribunal—to carry out its statutory duties; or whether its work on road passenger and haulage services is to be qualified by the need to obtain the approval of authorities who are charged with quite different statutory duties. There remains the last-minute amendment which was carried against the Government ten days ago by which a Scottish Executive is to be added to the others. This Scottish Executive is intended to embrace all Scottish transport. It superimposes on the functional or departmental organisation of the Commission and the Executives a regional or divisional scheme for a part of the country. Politics rather than economics have been responsible for this amendment, but clearly the Scottish spokesmen for it are anticipating a great deal which at present is sketched in the Bill in a permissive way. The Commission begins with each branch of transport organised departmentally; the fusion of the branches will have to follow later. Possibly it will have to take a regional form, but it is too early to take a plunge on this possibility. A regional organisation for Scotland would make the initial stages of the Commission, while the separate parts of the transport system are being gathered together and new standards are being laid down, even more difficult. It would prejudice the future

course of development, and might well involve friction between the unlike Executives.

This does not exhaust the list of amendments passed against the Government. One demands that inquiries into objections to schemes dealing with road passenger transport and docks and harbours must be conducted by persons who are not servants or officers of the Minister of Transport, and was resisted on the ground that it reflected on the Minister and the Civil Service. It is true that civil servants frequently carry out inquiries without any question being raised about their impartiality. But in the matters arising from the Bill, a servant of the Ministry would at least be a departmentally interested person, and recent experience of local inquiries under the New Towns Act suggests the desirability of finding quite independent persons to hold inquiries under the Transport Act.

★

Part V of the Bill, which deals with charges and facilities, attracted no amendments of substance in the House of Lords other than the decision to bring the Transport Commission under the area licensing authorities. The clause dealing with the preparation of charges schemes by the Commission was clarified, and checks have been provided during the transitional period before the charges come into force. This part of the Bill is crucially important; it received only limited discussion in Committee, and it called for a more constructive approach by the critics. In both Houses, the Opposition made the important point, that no principles on which the new charges schemes are to be based are inserted in the Bill. But no amendments were moved to provide them. None of the organisations of users of transport have offered proposals on this point; nor have they suggested that the Bill should be held up until the principles had been determined. If this is the position after eighteen months of discussion, it is a little futile to criticise the Government for their absence. On the third reading in the House of Commons, Sir David Maxwell Fyfe threw out a last-minute suggestion that the new charges schemes should be based on operating costs. Unfortunately, this does not stand up to examination; for example, only about 30 per cent of railway costs are variable (or "operating") costs, and the proposal leaves open the difficult question of how the remaining 70 per cent should be apportioned.

The solutions to the problems posed by Part V will clearly have to be reached by experience. A heavy responsibility will rest on the Commission, the Transport Tribunal and the Minister to reach wise decisions on these principles. The temptation towards "feather-bedding" may not be easy for the Commission to resist. The Transport Tribunal will have to be alert to protect the public interest, and to avoid any tendency to become subservient to the Commission or to the Minister. In this

most important matter, the Bill is a step in the dark. All the vaunted advantages of co-ordination will be dearly bought unless the right methods of charging are discovered, vigilantly applied and regularly reviewed. This point was emphasised in *The Economist* when the Bill was introduced last December; it has never received adequate explanation from the Government, or effective consideration by the Opposition. The Commission will have two years' grace to find the answer; it will have an entirely free hand, unfettered by any Ministerial declaration of policy on charges. And it will take over its duties at a time of rapidly rising operating costs, which, by some process of equity or necromancy, must be passed on to the transport user. The

After July 15th

THE great day has passed and without any untoward events. The Treasury did not, in fact, find it possible to complete the full series of its arrangements to make currently earned sterling a freely transferable or expendable currency by July 15th. That may have been due, in small part, to the immensity of the task and to the unbelievably small expert staff available on the British side to complete it. But prodigies of effort overcame most of these obstacles. The greater gaps that still remain in the series of sterling arrangements are due either to the unwillingness of the other parties to come into the network of these agreements or else to the prevalence of such conditions of economic and political chaos in the countries concerned as to put any such agreements out of court for the time being. Certain important agreements, such as those with India and Iraq, had not been completed by July 15th, but these particular gaps are likely to be filled by interim, if not by final, arrangements in a matter of days.

Of the countries which remain outside the scope of transferability agreements the most interesting is Switzerland, which has persistently refused to enter any such arrangements. The essence of these arrangements is that the countries with which they are negotiated should be prepared to accept sterling from other countries, as well as to transfer sterling to these countries for current transactions. Switzerland is unwilling to accept any foreign currency except under bilateral arrangements where it has full control over the amount of the exchange it accumulates. Apart from this rather special case, there is a considerable group of countries which have no recognised and effective Government, or in which economic conditions are so chaotic as to place the negotiation, and even more the operation, of monetary or payments agreements out of the range of practical reality. This group includes China, Paraguay, Rumania, Bulgaria, Greece, Yugoslavia, Hungary, Austria, Germany, Japan and Korea. Also outside the range of these agreements which discussions are under way but are not within immediate sight of completion. The American authorities have agreed to extend the deadline for these agreements to September 15th.

It should not be assumed that this large group of countries now lies outside the scope of free transferability of sterling. Some of the critical comments which have been arriving from the United States about the exclusion of many countries from the completed agreements make the wholly mistaken assumption that trade and payments between Britain and these countries will incorporate certain discriminatory features, and therefore constitute a breach of the Anglo-American financial agreement. This is far from being the case. There is no reason why sterling held by these countries should not be granted full convertibility by administrative action, in which each case is judged on its merits. It is certainly the intention of the authorities in Britain to grant such "administrative con-

financial advantages of co-ordination will have to be great indeed if the user of public transport is to obtain a better and a cheaper service. And the speed with which this Bill has been forced through Parliament, without adequate preliminary inquiry into the fundamental nature of the transport problem and without even tentative decisions about the ultimate organisation and economics of a co-ordinated transport industry, is a frightening portent. There is no certainty that, in the long run, the Bill will confer benefit on the community; there is a real danger that, in the short run, its disturbing effects will be supplemented by a further deterioration in transport facilities and costs.

vertibility" wherever formal arrangements have not been completed and wherever special cases justify that course.

The countries with which agreements have been completed or are in sight fall into three groups. The first is the dollar area, which comprises the United States and the whole of Latin America with the exception of Argentina, Uruguay, Brazil and Paraguay. These last four countries do a considerable trade with Europe and Africa and do not look so exclusively north as do the other republics of South and Central America. Current payments with the countries in the dollar area are canalised through American accounts, the sterling credited to which has, since the creation of these accounts during the war, been regarded as equivalent to dollars and fully convertible.

The second group comprises the sterling area, whose membership remains unchanged—with the exception of Egypt which, on her own volition and largely for technical reasons, has ceased to be a member. Within this area payments will continue to be made without restrictions except for the control of capital transfers which has been operated by Dominions such as Australia and New Zealand for a number of years. The normal sterling area machinery will continue to function even though a considerable part of the sterling assets of sterling area countries will be segregated and immobilised. There is no reason why countries like India and Iraq should not remain members of this area even though their accumulated balances are immobilised.

The third group will be the countries with which transferable accounts arrangements have been negotiated, or to which the less formal facilities of "administrative convertibility" have been granted. Transferable accounts are now operated by Argentina, the Belgian, Dutch, Portuguese and Spanish monetary areas, Canada and Newfoundland, Italy and the Vatican City, Brazil, Norway, Finland, Czechoslovakia, Egypt, Uruguay, Iran and Ethiopia. The "administrative convertibility" group is made up of smaller countries, such as Saudi Arabia, Afghanistan and Nepal.

The main link joining these three groups is provided by the official sterling-dollar rate of exchange, which is maintained at 4.02½ to 4.03½ by the operation of the British exchange equalisation account. There is no obligation either under the Anglo-American financial agreement or under the International Monetary Fund agreement to make sterling generally convertible into other currencies for current purposes. The obligation under the loan agreement is to make current sterling available for payments in any currency area in the world, and this is being achieved through the grant of transferable account facilities. The members' obligation under the International Monetary Fund agreement refers only to bilateral convertibility. It would, for example, enable the monetary authority of any country which holds sterling to convert that sterling into its own, but not into any other, currency.



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—although it is not yet clear how specific the formal agreement is on this point—that the arrangements definitely leave Uruguay free to use the blocked balances for purchase of the British-owned utility enterprises in the country, and that the purchase of the railways has been discussed. The Uruguayan Ambassador, it is understood, will address to Mr Bevin an invitation to arrange for a British delegation to visit the country for further discussions on this matter.

It appears that funds are being specifically earmarked for the completion of the purchase of the Montevideo Tramways, which was agreed upon earlier in the year, and the consummation of the projected acquisition of the other two utility concerns looks tolerably well assured. At this stage, however, the future of the railways must be regarded differently; but the Stock Exchange has quite ignored the distinction, and this week treated the coming invitation to specific discussions as sufficient justification for marking-up the aggregate market capitalisation rapidly towards the figures of a possible purchase basis which rumour has freely tossed to and fro.

Boom in Oil

Evidence of the pressure of world demand upon oil supplies continues to accumulate. During the first few months of this year, the consumption of oil products in the United States increased at a record pace. The prophets who, on the basis of earlier trends, had the hardihood to forecast a setback in American demand after the war, have certainly been confounded. One side-light on the pressure on supplies and prices is to be found in this week's report that the Venezuelan Government is seeking bids for 25 per cent of the oil royalties which it takes in kind from companies operating in Venezuela. The present marketing opportunities, especially in the United States, are highly favourable.

The difficulty encountered by the oil industry in meeting the world demand for oil was referred to in the chairman's statement issued with the "Shell" Transport and Trading Company's accounts last week. In 1946, the "Shell" group's production reached a record total of over 230 million barrels, in spite of the failure of Far East oil-fields to achieve even their pre-war level of output. Progress continues at the group's properties in the United States, although there has been a temporary decline of 6 per cent below the 1945 level in the company's crude oil output there. The production of chemicals has made further progress at the plants in California and Texas, and the new chemicals plant at Thornton, in this country, is well on the way to completion. The fact that an increasing proportion of Europe's crude oil will have to come from the Middle East has been instrumental in changing the group's refinery policy, for it has been decided to erect refineries in this country. The pressure on shipyards has forced the group to augment its tanker fleet by purchasing a number of American tankers of the large T2 type.

Another striking indication of the expansion of the oil industry comes this week from the accounts of the Anglo-Iranian Oil Company, which show a record trading profit for 1946 of £12.2 million. Sir William Fraser, in his chairman's statement, reveals that production in Iran last year was double that of 1939, and the Abadan refinery on the Persian Gulf achieved a record throughput of 17.7 million tons. Capital expenditure is planned on a large scale. The Abadan refinery is to be expanded, though a shortage of equipment is expected to delay the programme. The Iraq Petroleum Company, in which Anglo-Iranian has a 23½ per cent interest, is extending its pipeline capacity from Iraq to the Mediterranean by some 9,000,000 tons throughput a year. Further development is planned at Kuwait Oil Company's properties, in

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which the company has a 50 per cent interest. The new 30 inch pipeline from the Persian Gulf to the Mediterranean, to be built in co-operation with Standard Oil of New Jersey and Socony-Vacuum should lead to important savings in transport costs when it becomes available "some years hence."

Anglo-Iranian's large-scale development plans have an important bearing on the prospects for world oil supplies. The growth of Anglo-Iranian (in whose £20 million capital the British Government has an interest of £11.4 million) underlines two important economic factors in world oil. Firstly, its record profits point to the emergence of the Middle East as the chief reserve of world oil supplies within the next few years. Secondly, the urgency with which pipeline schemes are being put in hand and the recent agreements to sell oil to its two new American partners show that the oil problem is not one of production, but of refining and transport. The Middle East oil is there in plenty, but the chairman's statements both from "Shell" Transport and Trading and from Anglo-Iranian show that the world steel famine is imposing a most effective constriction on its movement to the world's main consuming centres.

Recovery in Rice?

The significance of rice in the world economy was little realised before the war; yet a bountiful crop in the past two seasons would have afforded considerable relief to the world food shortage, particularly in grains. Small rice rations in Asiatic countries have reduced the efficiency of labour and caused a restriction in the output of other commodities; and the International Emergency Food Council's food allocations have diverted cereals destined for Britain, Europe and elsewhere to the hunger-stricken parts of the Far East in order to prevent mass starvation.

The rice producing countries have been seriously affected by the war and rehabilitation has been slow. In the past two seasons the weather has been unfavourable in the major exporting areas. Moreover, the acreage in Burma, French Indo-China and Siam is still little more than half the pre-war levels. The clearing of the paddy fields requires a large amount of labour which is not now available. The Japanese occupation and the present lack of confidence in domestic security have caused a flight of farmers from the outlying areas, whilst political and financial instability have discouraged effort and output. Transport facilities were destroyed or worn out during the war and badly need replacement, while the shortage of consumer goods, in particular textiles, is aggravating the inflationary tendencies. The problem is no longer one of price; indeed, in many areas where inflation is already rampant an increase in price might even cause a reduction in output.

The world output of rough rice in 1946-47 has been estimated at slightly over 100 million tons, and although this represents an increase of 11 per cent on the previous season it is still some 5 per cent below the pre-war average of 106 million tons. But in the main exporting countries, notably Burma, French Indo-China and Siam, production is only about 60 per cent of the 1935-39 figure and the difference is nearly equivalent to their pre-war exports of 5½ million tons.

WORLD RICE POSITION

	Pre-war Production	1946-47 Production	Change	Pre-war Trade	1946-47 Trade	Change
	'000 Tons	'000 Tons	Per Cent.	'000 Tons Exports	'000 Tons Exports	Per Cent.
<i>Pre-war Exporters—</i>						
Burma.....	4,901	3,199	— 35	2,903	851	— 71
French Indo-China.....	4,445	3,093	— 30	1,325	86	— 94
Siam.....	2,997	1,698	— 44	1,354	413	— 69
Formosa.....	1,206	(a)	—	555	(a)	—
Korea.....	2,055	1,646	— 20	968	56*	— 142
U.S.A.....	651	934	+ 44	95	305	+ 220
<i>Pre-war Importers—</i>						
India.....	25,209	25,563	+ 1	Imports	Imports	
China.....	34,053	30,018	— 12	1,510	477	— 68
Philippine Islands.....	1,423	1,180	— 17	765	283	— 63
Malaya.....	315	224	— 29	68	98	— 69
				640	321	— 50
WORLD TOTAL.....	106,000	101,000	— 5	7,800§	2,200§	— 72

* Import. (a) Formosa became an integral part of China at end of war. § Net Export.

The acute world shortage of rice can be measured by the accompanying table. Exports in 1946-47 were very small, and the prospects for the coming season are not much better. To

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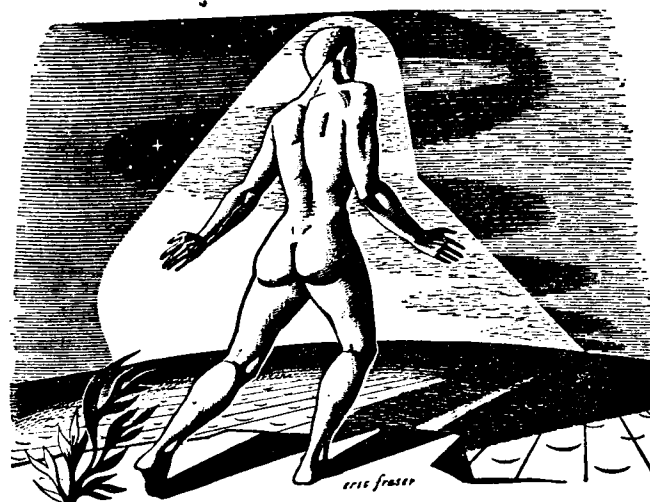
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regain the pre-war level of output would still be insufficient to feed the increased population in these areas at the pre-war level, for the number of consumers is estimated to have risen by 10 to 15 per cent.

Production in 1947-48 should show some improvement, given good weather and normal yields. In China the acreage planted is thought to exceed last year's figure, although in India, particularly in Bengal where jute may replace rice to some extent, a slight decline is expected. Continued expansion is anticipated in Burma and Siam, but it may take 5 years before conditions become normal, while in French Indo-China much depends on political developments. An exportable surplus of 3 to 4 million tons is hoped for—an improvement on the current figure of 2.2 million tons but still appreciably below the pre-war level of 7.8 million tons.

* * *

The Banks' Half Year

Each of the large banks has now made its interim dividend announcement for 1947, and, needless to say, in no case has there been any change in the distribution. The days are long since passed when the banks' half-yearly statements were of particular interest to bank shareholders; their significance now lies almost exclusively in the light they throw upon monetary policy. But, even on a long term view, this past half-year may well be notable. It may mark the moment at which the eight-year phrase of credit expansion, the greatest in Britain's financial history, was halted and a reverse movement first became discernible. Nearly all the half-yearly balance sheets of the large banks which have so far been published have shown a decline in deposits over the half-year, though all, of course, show a large increase on the levels of mid-1946. This movement, moreover, has occurred despite an acceleration in the upward movement of advances. For the clearing banks as a whole, and taking the figures to end-May, the advances total has gained no less than 28½ per cent in twelve months, and for the first time the aggregate figure has stood at well over £1,000 million for a succession of months. Hence even the average for the half-year shows an increase of some 12 per cent on that for the first half of 1946. Meanwhile, investment portfolios have been further expanded, though it is noteworthy that one of the "Big Five" banks shows a decline and another only a modest increase.

The rate at which the principal earning assets—advances and investments—have been expanding suggests that the banks have been securing an important set-off against the inroads which have been made into gross revenue by the fall in interest rates and the rise in establishment costs. In this context, a comparison of the changes over a two-year period yields rather striking results. The average level of net deposits during the past half-year was, at about £5,400 million, approximately £1,000 million higher than the average for the first half of 1945. Thanks to the ending of window-dressing and to the institution six months ago of a day-to-day target cash ratio of 8 per cent compared with the former "published" ratio of over 10 per cent, even this large increase in deposits has not required the provision of any additional cash in the balance sheets. Thus the £1,000 million has been employed wholly in the two main groups of liquid and earning assets. In the liquid group, the really flexible items—the bill portfolio and call money—there has been a spectacular expansion, averaging not much less than £790 million—almost 80 per cent of the additional deposits. But the increase in floating debt borrowings which this expansion implies has been accompanied, as is well known, by the Treasury policy of switching into Treasury bills from Treasury deposit receipts, the banks' average holdings of which declined over the two-year period by roughly £370 million. Hence the net increase in the banks' average holdings of short-dated assets was equivalent to little more than 40 per cent of the additional resources available. The remainder, amounting to almost 60 per cent, was employed in investments and advances. The investment portfolio in the past half-year has averaged roughly £300 million (or nearly 27 per cent) more than in the first half of 1945. The expansion in the average total of advances has been almost as great—amounting, in round figures, to £280 million, but the rate of growth here has been even more striking, equivalent to nearly 37 per cent.

* * *

Electric Power and Staggering

Building and civil engineering work on power stations valued at £75 million is to be undertaken during the next two years, and has been given priority for supplies of materials by the Ministry

of Works. Site work is in progress on 63 projects which will house plant with a capacity exceeding 5,260,000 kilowatts and plans have been approved for 13 projects to house a further 1,205,000 kilowatts of capacity. Altogether, these arrangements will provide more than sufficient house-room for the Central Electricity Board's expansion programme of 5,892,700 kilowatts for the period up to 1950.

Unfortunately, the empty shells of power houses will not generate electricity, and there is every likelihood that if this building programme is completed by the due date (unlike most programmes nowadays) it will far outstrip the maximum potential rate of installation of generating equipment. To achieve the CEB programme by 1950, more than 1.4 million kilowatts of capacity will have to be installed on the average for each year from 1947 to 1950. The rate of delivery to the domestic market of steam turbo-alternators exceeding 10,000 kilowatts capacity was 30,000 kilowatts in January and February, and 72,500 kilowatts in March. Even the March rate of production amounts only to some 850,000 kilowatts a year and not all of it would be power-house equipment. There is clearly no hope of getting anywhere near the average figure in 1947 and little enough chance of doing so in 1948; the burden of overtaking the arrears of power generating capacity must be transferred to the later years.

The officially estimated gap between available capacity and maximum demand next winter is put at 2,000,000 kilowatts. This estimate clearly takes account of the increasing gap between the manufacture of new machinery and the growth of demand and the obsolescence of old equipment. Even without the present steel shortage, it would be quite impossible to stage a last minute spurt to fill such a gap. And even if there are adequate coal stocks to keep the power stations running uninterruptedly throughout the winter, serious power cuts will be inevitable. The Government are now considering the possibility of compulsory staggering of the industrial load, which has been recommended by the regional boards through the National Joint Advisory Council. This step is said to be necessary because in certain districts voluntary agreement on staggering has been frustrated by a recalcitrant few. But the difficulty which has yet to be solved is to find a sanction against those who continue to take power outside the permitted hours; this involves some knotty points of contract which have not yet been resolved.

* * *

Delays to Locomotive Conversion

Last October it was announced that 1,217 railway engines would be converted from coal to oil burning as part of the Government's plans to save coal during the winter of 1946-47. Only a week later the Minister of Fuel and Power, in a debate on the coal situation, stated that earlier estimates of a total saving of three million tons of coal by April, 1947, from locomotive conversion would have to be revised to 1,000,000 tons. "The railways," said Mr Shinwell, "have had difficulties about tanks and the like."

Judging by an announcement last week, progress has been painfully slow ever since. So far, 37 locomotives have been converted to oil burning, nine are undergoing conversion and about 40 should be ready by August 1st. The main problem is to build sufficient oil storage capacity, and this is related to the shortage of steel. The conversion programme of 1,217 engines presumably includes all schemes already approved, for which, therefore, fuel supplies have been assured.

Estimates published from time to time during the last ten months give an approximate idea of the proportionate part which the conversion of locomotives to oil burning will ultimately play in the oil-firing programme. The locomotive conversion programme, when completed, will involve the consumption of 16,000 tons of oil a week—say 800,000 tons a year. If all the engines in the programme were converted by the autumn of next year, they would account for about 13 per cent of the anticipated increase of six million tons in this country's fuel oil consumption above the 1945-46 level. The current annual rate of consumption, assuming that all the locomotives already converted are running, can hardly be more than about 25,000 tons. This is only a meagre fraction of the rate at which the steel industry alone expects to consume oil this autumn. Such a comparison, however, should not belittle the contribution which locomotive oil conversion may make towards saving coal. But it does emphasise the need to speed up the conversion programme if it is to produce the anticipated saving of a million tons of coal a year.

A London Metal Market Again?

The new offensive for the opening of the London Metal Exchange has gained a partial success before it has been launched. The Ministry of Supply announced this week the withdrawal of restrictions on the issue of licences and contracts covering copper, lead, zinc and tin metal. Hitherto their issue was limited according to the applicant's rate of consumption, stocks and forward purchases; in future, applicants will only need to give a guarantee that their applications for metal are against orders for their products and that they have made full allowance for the consumption of scrap. The intention here is clearly to prevent consumers from building up stocks. This move will undoubtedly reduce the burden of administrative work, but it does not mean the end of bulk purchase and freedom for private merchandising. It is, however, a welcome relaxation, now that the period of acute shortage is passing, and it is therefore some encouragement to the protagonists of private trading. The need for international commodity markets is obvious. A futures market for copper has already been re-opened in New York, and experience in cotton shows that other countries are anxious to seize any available opportunity to set up an international commodity market. If London is to remain an important trade centre for metals, it will be necessary to re-open the Metal Exchange soon, even if its activities have to be restricted—say on the model of the rubber market. The case for organised commodity markets is patent, except to those who regard bulk purchase by Governments as the only cheap and moral form of international commerce. Such markets provide Britain with valuable foreign exchange through the *entrepôt* trade; they also induce foreign merchants to use British services such as banking, insurance and shipping, which are still valuable "invisible" exports.

There would, however, seem to be little purpose in re-opening a market if dealings could not take place either because of currency restrictions or because of lack of supplies. World supplies of non-ferrous metals did not show any great expansion last year. World production of copper (excluding Russia, Japan and Yugoslavia) in 1946 totalled 1,621 million tons compared with 1,898 million tons in 1945 and 1,741 million tons before the war (1936-38 average), whereas consumption totalled 1,947 million tons; there was a further large reduction in stocks accumulated during the war period. Lead is still in shortest supply. Output in the United States, Canada and Mexico showed a decline last year—it was, in fact, 22 per cent below the 1938 level of 795,000 tons. This downward tendency was also evident in Australia, Germany, Burma, Peru and Yugoslavia. World production in 1946 was probably 6 per cent lower than in 1945 and 38 per cent below the 1938 figure. Zinc is in a freer supply and although the output of ore in many areas declined in 1946, it was nevertheless maintained above the pre-war level—at least in the western hemisphere. Australian production, however, which in 1938 was second only to the United States, totalled only 130,000 tons in 1946—a drop of 26 per cent compared with the pre-war level. World consumption of zinc in 1946 was estimated at 528,500 tons, or approximately the same as in 1938, while the production of spelter was calculated to be 1,312,600 tons. Full details of world production and consumption of non-ferrous metals were published in last week's issue of the *Records and Statistics Supplement*.

It would seem, therefore, that although from the general point of view it is desirable to resume private trading in metals as soon as possible the current shortages of the main non-ferrous metals would provide inadequate scope for free dealings. But as output improves—and current indications are more favourable—the Government should keep in mind the need to reopen the London Metal Exchange at the earliest opportunity.

Modest Reduction in Copper

A reduction in the Ministry of Supply's price for copper had been expected for some weeks, but the modest cut of £5 per ton for electrolytic copper to £132 per ton announced this week has caused some stir. In New York, copper has fallen from 24 cents a lb at the beginning of last month and has become stabilised, temporarily at least, at 21½ cents—equivalent to £119½ a ton. It was widely expected that the British price would be reduced by at least £10 a ton in conformity with the lower American price. Indeed, the Ministry's announcement associates the £5 reduction with the lower price at which the Ministry is now buying copper overseas. The small reduction does not mean that the Ministry's current purchases are made at prices

above the world level or that Ministerial overheads are so large that British consumers are forced to pay more than their foreign competitors. It means merely that the Ministry is averaging the cost of its purchases; that it bought too freely at the higher prices; and that the consumer will not yet enjoy the full benefit of a reduction which his American competitors already enjoy.

Electrolytic copper, which was stabilised at £62 per ton from September, 1940, to April, 1946, rose at a spectacular pace during the ensuing twelve months. On January 1, 1947, the price was raised by £19 to £117 per ton, and at the end of February and March it was raised by £10 on each occasion to £137, where it remained until this week. These increases have moved in parallel, subject to a certain time-lag, with movements in the "world price" of copper, which is controlled largely by American demand. During the last six weeks the American market has been easier, although there has been no sign of the steady fall in prices which was anticipated. This week's reduction in the British price is the first since the beginning of the war, and it is a welcome omen that the supply and demand for copper are moving at last towards equilibrium. Even if the New York price should remain at 21½ cents, the British price should sooner or later come down to the equivalent level of £120 a ton.

Meanwhile, the previous restriction on forward purchases of copper to seven months' supply has been withdrawn; consumers may now buy any quantities forward at the current ruling prices. Forward purchases made before this week's reduction, however, will have to be paid for at the higher price. The relaxation of control on purchases may assist manufacturers to quote firm prices to their customers, and some will no doubt avail themselves of this facility. But if the market trend has turned decisively downwards, such forward buying is likely to be restricted.

Tyre Production Problems

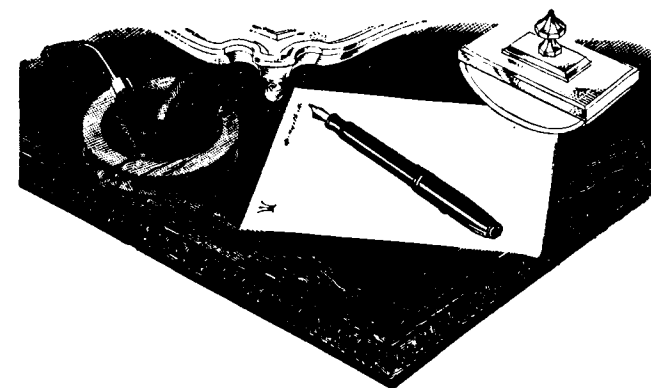
Some weeks ago the tyre industry was forced to put most of its employees temporarily on short time, owing to the shortage of an essential material in tyre manufacture called channel black. This is a special variety of carbon black which is a product of natural gas. The dangers to the country's road transport system of a continued shortage of tyres were emphasised in a dramatic statement last week by the Road Haulage Association.

So far this year, the tyre manufacturing industry has produced little more than half the output of which it is capable. Production had returned to pre-war levels by September last year when the industry's monthly consumption of raw rubber reached 9,000 tons. But the shortage of textile materials from Lancashire, coupled with the fuel crisis which soon followed, rapidly reduced its output. Raw rubber consumption, which was still as high as 8,855 tons in January, amounted to no more than 3,259 tons in February. The shortage of textile materials has been partly overcome—by securing finished cotton from Italy and tyre cord from America. Plans are also going forward to expand tyre fabric capacity in this country, particularly by the growing use of rayon, which now accounts for about one-third of the industry's requirements. Since the fuel crisis, supplies of textile materials have become more plentiful. But in May, labour trouble in the United States oil-fields, whence carbon black supplies for this country are obtained, interrupted the flow of production and exports. Since the British tyre industry had been operating on very low stocks, it felt the full force of the fall in carbon black imports from 82,037 cwts in April to 43,193 cwts in May.

It may be possible eventually to reduce the dependence of road transport on carbon black imports from the United States by encouraging its production in the Middle East and in Britain—and even by some further extension of the re-treading industry. But in the short period, British tyre production can only be increased by securing larger supplies of essential channel black from the United States. There is some promise of improved supplies by next month, which may be in time for the industry to provide sufficient tyres for essential motor transport this winter. If not, the critical shortage in road transport facilities, which the Road Haulage Association fears, will be especially damaging, for it is bound to coincide this winter with a shortage of railway wagons.

A Manganese Shortage

The United States Government's decision to raise the size of its strategic stockpile of manganese ore from 3 to 5 million tons has given rise to certain fears that a serious and possibly prolonged shortage may develop. Such a shortage would certainly

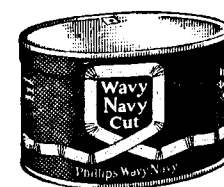


PARKER PENS

BUSH HOUSE, W.C.2



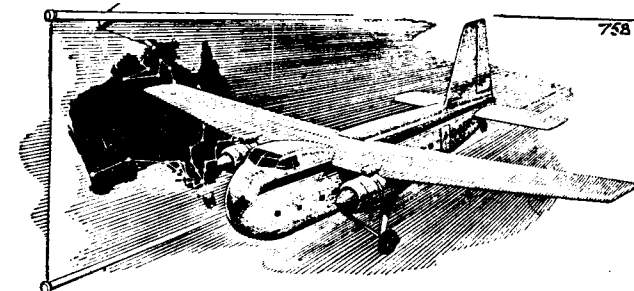
Pure Navy Cut of
Pre-War quality



2 OZ. AIRTIGHT TIN 8/5
1 OZ. FOILED PACKET 4/2½

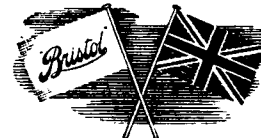
Also ready rubbed

GODFREY PHILLIPS LTD
MANUFACTURERS
and GUARANTORS

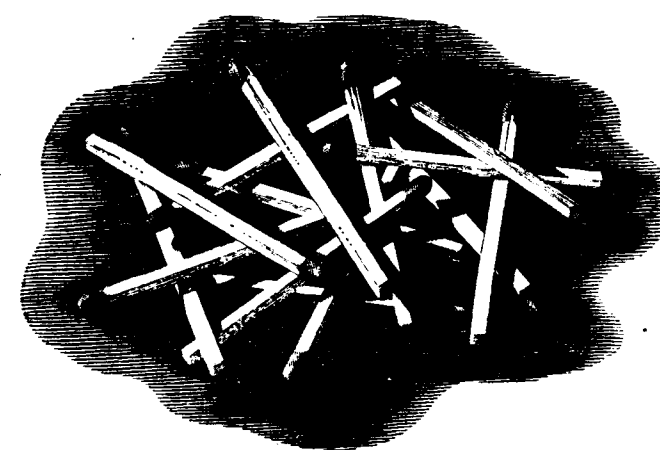


showing the flag!

Continuing in its role as aerial ambassador—and following a five-months' 41,000 mile "showing-the-flag" tour of the Americas—a "Bristol" Freighter is now making an extensive demonstration tour of Australia and New Zealand. This practical, common-sense aircraft—designed and built for carrying freight safely, cheaply and speedily in any part of the world—will show the Commonwealth that "Bristol" civil aircraft retain all those qualities which made British aircraft predominant in war.



THE BRISTOL AEROPLANE COMPANY LIMITED



LIGHTING EVERY MATCH

A hundred years ago Arthur Albright's idea for making *Amorphous Phosphorus* on a commercial scale brought safety to workers in match factories, and gave the world its first safety match. Today Albright & Wilson's match phosphorus products light every match made in Britain and countless millions of others all over the world.

ALBRIGHT & WILSON
CHEMICALS LTD



AMORPHOUS PHOSPHORUS · PHOSPHORUS SESQUISULPHIDE
TBW8

Watch Clause 63

Under the TRANSPORT BILL, as it left the House of Commons, the Government proposes to appoint a Commission which would have virtually unlimited power, subject only to the Minister, over the whole BUS system of Great Britain.

CLAUSE 63 specifically empowers this Commission to prepare SCHEMES for promoting the co-ordination of the passenger transport services of any area, and under any such scheme a body may be set up to take over any existing undertakings.

THIS CLAUSE AFFECTS THE INTERESTS OF EVERY BUS PASSENGER IN THE COUNTRY.

The general effect of CLAUSE 63 and the two following clauses, if they go through Parliament unamended, would be that before very long a series of public monopolies, staffed by public officials, would acquire every bus service as well as the railway services with which they are in competition, and run them both under stereotyped control directed from Whitehall with little regard for local conditions or local requirements.

The magic word
"SCHEMES"

means in effect that

Competition between road and rail would be abolished.

Fares would be equalised—upwards.

Some services would be eliminated, others would be cut down.

Speed and comfort would be secondary considerations.

Existing incentives to spend money on constant developments would be replaced by the repressive hand of the Treasury in Whitehall.

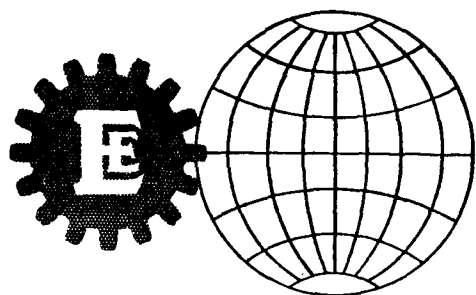
There is still time for Clause 63 to be amended, if it is made clear that public opinion insists that the interests of the BUS PASSENGERS must be protected.

WRITE TO YOUR M.P.

The British Omnibus Companies Public Relations Committee

CVS-269

A POWER BEHIND BRITAIN'S DRIVE

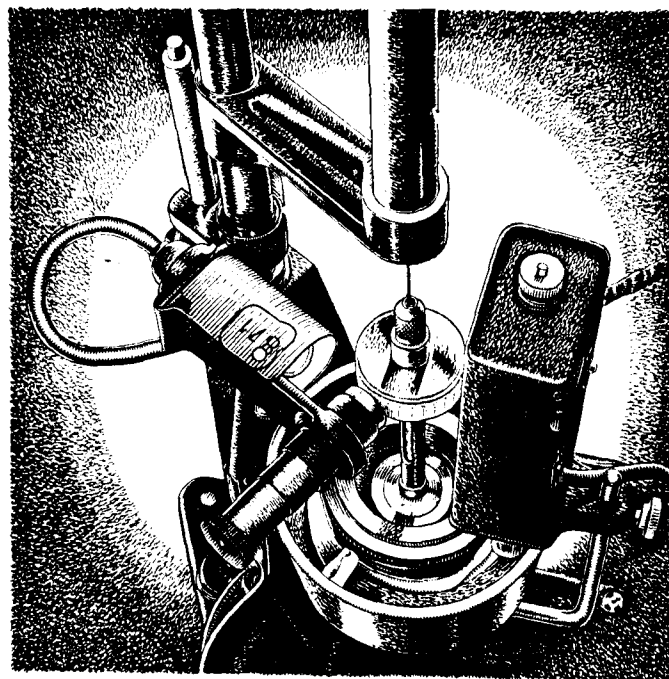


THE ENGLISH ELECTRIC COMPANY

Generating Plant for Steam, Water or Oil Power · Sub-Stations and Converting Plant · Transmission Systems, Switchgear and Control · Electric Traction and Transport · Industrial Electrification Electrical Equipment for Marine Purposes · Domestic and Allied Appliances · Aircraft and Aircraft Electrical Equipment.



The English Electric Company Ltd. Works at: Stafford, Preston, Rugby, Bradford, Liverpool. London Office: Queens House, Kingsway, W.C.2.



See how they run—

Some liquids 'run' easily. Others are sticky or viscous. Some substances are so viscous that their movement can be detected only by periodical observation over months or even years. Pitch, for example, when examined under laboratory conditions, flows so slowly that at ordinary temperatures it would take tens of years to move only a few inches. The chemist frequently needs to find exactly how 'thick' or how 'thin' a given liquid is: in other words, to determine its viscosity with accuracy. Viscosity can be measured by noting the time taken for a sample to pass through a hole of standard size. The newer type of viscometer is more elaborate and enables a detailed analysis of viscosity to be made. In one form of instrument the liquid to be tested is placed in a metal cup which rotates about a closely-fitting plunger suspended from a fine steel wire. As the liquid is carried round it exerts a drag on the plunger causing it to turn and thus to twist its supporting wire—the greater the viscosity of the liquid, the greater the drag. The degree of twist is shown on a finely graduated scale from which readings can be taken. These provide figures from which viscosity can be calculated with great accuracy. It is this new accuracy that, to give one example, enables the oil-refiner to achieve complete uniformity in every grade of oil he produces, for the British chemical industry uses the viscometer in a hundred ways to further its ability to serve the public.



involve difficulties for steel production, for nearly 95 per cent of the world's output of manganese is used by this industry as a reducing agent; its use as an alloying element is quite limited.

The American decision, however, is unlikely to have any immediate repercussions, as the stockpile is to be built up over a period of years and purchases are to be made as far as possible from supplies in excess of current industrial demand. The actual impact of this policy will be felt by American producers, as the stock-pile will be made up largely of domestic ores, which in any case are low grade and do not generally enter the world market. But this in turn will cause the American steel industry to become more dependent on foreign supplies unless home production of manganese is expanded beyond domestic requirements.

World production of manganese in 1937 reached a peak of 6 million tons, the main sources being Russia, India and South Africa. Current output is probably not above an annual rate of 4 million tons owing largely to reduced supplies from Russia and India, which are both high-grade producers. During the war alternative sources were developed—in particular the Gold Coast (whose exports expanded from a pre-war peak of 500,000 tons to 700,000 tons), Cuba and Brazil. The production in the latter two countries, which consists of low-grade ore, has since declined, but shipments from West Africa are being maintained. Russia's potential output has increased with the expansion of the Tschiatouri mines in Georgia and the restoration of the Nikopol mines in the Ukraine, but exports have been small. A gradual recovery has been apparent in both India and South Africa but expansion is hampered by a shortage of equipment and labour, and in the case of India, by internal transport difficulties.

The loss of Germany and Japan, two leading pre-war importers, has to a large extent been counterbalanced by increased shipments to the United States and the United Kingdom. American imports in 1946 totalled 1,560,000 tons or 165,000 tons above the previous peak of 1941. British arrivals last year amounted to 194,450 tons—slightly higher than the 1938 figure—while in the first five months of 1947 imports amounted to 119,676 tons compared with 79,990 tons in the corresponding period last year or 80,298 tons in an average five months of 1938. At the moment there is a relative shortage of high grade ore and if world steel production expands more rapidly than high grade manganese output a real shortage may develop. There is, however, a surplus output of low-grade ore which could always be utilised at the expense of certain technical difficulties and higher costs.

Steel Exports and Production

The war has profoundly affected the international trade in iron and steel. Like other great export industries, such as textiles and chemicals, steel is seeking a post-war readjustment in the light of three new factors. In the case of steel these are, first, the dislocation to Europe's steel export trade, especially the

eclipse of the German industry, and secondly, the emergence of the United States' industry as the world's largest steel exporter. The third development is the growth of steel capacity in what were formerly importing countries. These factors are analysed in the June issue of the British Iron and Steel Federation's statistical bulletin.

EXPORTS OF IRON AND STEEL ('000 Tons)

	U.S.A.	U.K.	Belgium-Luxembourg
Destination—			
British Empire	1,032	1,378	801
1946	951	492	72
Western Hemisphere.....	783	271	585
1946	1,329	130	212
Europe (including U.K.) ..	392	495	1,343
1946	1,068	562	1,159
Middle and Far East.....	1,229	315	461
1946	200	188	77
Unallocated.....	39	150	699
1946	216	192	57
Total	3,475	2,609	3,889
1946	3,764	1,564	1,577

NOTE.—The 1946 figures cover about 80 per cent. of total iron and steel exports: such finished products as castings are omitted but non-commercial exports for relief and rehabilitation are included.

In 1937, Belgium-Luxembourg was the largest exporting area with a figure of 3,889,000 tons, closely followed by Germany and the United States. Britain came fourth with an export figure of 2,609,000 tons. By 1946, the United States was exporting, in total, over 4,143,000 tons, Germany had disappeared, Britain was reduced to 1,860,000 tons and Belgium-Luxembourg to 1,577,000 tons. This redistribution of the world export trade has taken place within a total world steel trade which has shrunk over the same period from 19 million to 9,000,000 tons. Accompanying this shrinkage, there has been a changeover in the geographical distribution of markets, as the table above indicates. The United States for instance, has switched much of the supplies which formerly went to the Middle and Far East, to continental Europe and South America. Britain's reduced exports have been largely at the expense of the Empire.

Output of steel ingots and castings in June was at the rate of 13.2 million tons a year, compared with 12.7 million tons in May and an average of 11.2 million tons in the first quarter of the year. But this higher production has been achieved only by drawing upon stocks of pig-iron and other materials. The slight improvements in pig-iron and steel production are less encouraging when allowance is made for the effect of the Whitsuntide holidays on output in May, and the shortage of coal deliveries continues to affect output seriously.

SECURITY PRICES AND YIELDS

A fuller list containing 370 securities appears weekly in the *Records and Statistics Supplement*. Notes on the following company reports also appear in the Supplement: Shell Transport and Trading; Anglo-Iranian; The Zinc Corporation.

Prices, Jan. 1-July 16 1947		Name of Security	Price, July 9, 1947	Price, July 16, 1947	Net Yield,* July 16, 1947	Gross Yield,* July 16, 1947	Prices, Jan. 1-July 16 1947		Last Two Dividends			Name of Security	Price, July 9, 1947	Price, July 16, 1947	Yield, July 16, 1947
High	Low		High	Low	(a)	(b)	(c)								
Other Securities															
Australia 3½% 1965-69..... 108xd 107 2 15 0															
Birmingham 2½% 1966-71.... 100 100 2 10 0															
Argentina 3½%															
Anglo American Corp. 10s.... 101xd 101 3 9 4															
Anglo-Franco Oil Co. 10s.... 125/9 122/6 4 1 8															
Assoc. Port. Cem. Ord. Stk. £1 195/9 202/9xd 2 18 11															
Austin Motor 'A' Ord. Stk. 5s. 75/6 77/6 3 17 5															
Barclays Bank Ord. 'B' £1.... 40/- 40/- 5 0 0															
Bentley & Co. Ord. £1..... 81/3 86/6xd 3 4 9															
Bentley & Co. Ord. £1..... 211/3 217/6 2 5 11½															
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* To earliest redemption, except \$ flat yield and † assumed average life 17 years 6 months. Net yields after allowing for tax at 9s. in £. † Excluding draw.

(a) Interim. (b) Final. (c) Whole year. (d) Int. paid half-yearly. (e) Also a capital bonus of 2½ per cent. free of income tax: yield worked on 15 per cent. basis. (H) Fifteen months to March 31, 1947 (yield basis 7.6 per cent). † Free of Tax.

Rising Clothing Sales

A sharp increase in sales of household goods is the main feature of the Board of Trade's retail trade statistics for April. In May, this improvement was not quite maintained, but purchases of other goods increased more than sufficiently to offset this small decline. The accompanying table shows the recent trend of sales and stocks reported by the large shops, and the trend is confirmed by the Board of Trade's statistics from independent retailers which are summarised in this week's *Records and Statistics Supplement*.

INDEX NUMBERS OF SALES PER WEEK
Average for 1942=100

	Apparel	Household Goods	Non-Food Merchandise	Food	Total
May, 1946.....	135	185	142	127	133
April, 1947.....	157	225	158	130	141
May, 1947.....	159	222	165	135	147

INDEX NUMBERS OF APPAREL STOCKS
Average for 1942=100

	Women's Wear	Men's and Boys' Wear	Footwear
May, 1946.....	84	67	65
April, 1947.....	109	79	83
May, 1947.....	114	90	83

There are two points of interest in the May figures. First, it is quite clear that the increased retail turnover has not occurred at the expense of stocks. These, according to the table, increased during the month in women's and men's wear and were unchanged in footwear. Secondly, there are indications that retail trade conditions varied widely in different regions in May. The improvement in non-food merchandise sales, for instance, was much less noticeable in Central London and the West End than elsewhere. The fall in the London area (excluding suburban London, where experience was more in line with that in the Provinces) was concentrated on clothing. But this decline was more than offset by large increases in Scotland and the North of England. The largest expansion in food sales was in the London area (central and suburban). Sales of tobacco, too, seem to have

been curtailed much less in the London area than elsewhere. Compared with May, 1946, tobacco sales in the Provinces were down by anything from 2 to 8 per cent. But they increased by more than 20 per cent. in the Central London area and showed a 6 per cent. increase in suburban London. The decrease in the cash value of tobacco sales for the country, as a whole, was 2½ per cent compared with the increase in price for popular brands of cigarettes of 43 per cent after the Budget. Thus although the Chancellor's punitive increase in tobacco duty had a limited effect on tobacco purchasers in London, it produced a cut, during the first month, of about 30 per cent in tobacco consumption.

Shorter Notes

The Bonus Issues Tax was already destined to be the most anomalous impost in the British fiscal system; it is now evident that it will also be the most uncertain. On the Report stage of the Finance Bill, the Chancellor declined, after all, to meet the request that the Commissioners of Inland Revenue should be required to make definitive estimates, in advance of an issue, of the amount of duty which would be payable—on the ground that, if anybody had to make a guess of share market valuations, it was better that the company should do it. In most cases the amount of duty will thus become a gamble which must be added to the other uncertainties in making an issue—but, if this prevents issues being made, the Chancellor now bluntly admits that he would "not think that an evil thing." The political motive of this extraordinary duty is indeed unmasked.

Provisional trade figures for June show that imports were slightly higher. Imports in June at £153.8 million compared with £153.2 million in May. United Kingdom exports were £93.1 million, compared with £89.7 million in May; and corresponding re-export figures were £7.1 million and £4.1 million. It is expected that the volume of exports will be "a little higher" than the May figure of 104 (1938=100).

On the last day of the committee stage of the Companies Bill, Labour back benchers reinstated the provisions for the disclosure of the beneficial owners of shares held by nominees, which had been withdrawn in the House of Lords, on the ground that they would be impossible to enforce.

COMPANY MEETINGS

OTTOMAN BANK

REVIVAL OF INTERNATIONAL TRADE COLONEL E. GORE BROWNE'S SPEECH

The eightieth annual general meeting of the Ottoman Bank was held, on the 16th instant, in London.

COLONEL E. GORE BROWNE, D.S.O., O.B.E., T.D., A.D.C. (the chairman), in the course of his speech, said: The year 1946 has been our first full year's working under post-war conditions. But, as you all know, conditions in Europe and the Near East, not to mention a wider field, are still far from normal. A period of general readjustment was to be expected after the cessation of hostilities, but in many of the countries in which we work there have been, and still are, political and economic difficulties and anxieties.

Heavy expenditure by the Allied Forces in some countries, and the high prices received for exports in others, while largely increasing the national income, resulted in an expansion of purchasing power out of proportion to available commodities, the more so in view of the scarcity of imports. In some countries the necessity for maintaining large national forces still further increased this purchasing power while diminishing the possibilities of production.

In the circumstances it is doubtful whether the most drastic measures could have prevented a heavy rise in internal prices and in the cost of living (such as has taken place in varying degree in all the countries of the Near East). The year 1946 was a very active one for trade and commerce throughout the Near East. In this activity your bank took its full share and, in spite of rising expenses and of difficulties to which I shall refer later, was able to make a satisfactory profit.

BALANCE-SHEET FIGURES

The balance-sheet before you shows a total of £64,156,900, against £67,659,000 at the end of 1945. This decrease is due in the main to the devaluation of the Turkish pound, which took place in September, 1946. But for this the total of the balance-sheet would have shown an increase on that for the previous year. Our deposits, for the same reason, show a decrease: £56,487,000 in 1945, against £60,364,000 in 1945.

On the other side of the balance-sheet, our cash is down to £9,631,000, showing a fall of about £1,700,000 on the previous year. You will notice, however, a compensating increase in the "money at call and notice." "Bills receivable" have also fallen by some £4,700,000, but, on the other hand, our investments have increased from £13,600,000 to £17,100,000, since we have maintained in 1946 our policy of seeking an improved yield on our funds by increasing our holding of short-term British securities. The decrease in the item "Advances to customers and other accounts" is due to the devaluation of other accounts, and, in some degree, to a conservative policy regarding commercial advances.

Our profit and loss account shows a balance for the year of £186,562 1s. 9d., an increase of about £52,000 over the previous year's figure. After adding the amount brought forward from 1945, there is, therefore, available in the profit and loss account a sum of £218,489 8s. 5d. A transfer of £50,000 has been made to provision for contingencies, and I shall later submit to you your committee's recommendation for the disposal of the balance of £168,489 8s. 5d.

TURKEY'S PROGRESS

Turkey, during 1946, adopted a bold policy of reimposing pre-war trading conditions and of encouraging private enterprise and healthy competition. Rationing and restrictions were relaxed. Taxes were drastically reduced and

Customs tariffs adjusted. Requisitioned premises were vacated, and the official and semi-official controls which had sprung up between the producer and his market were abolished.

In September, as I told you at our last meeting, Turkey readjusted her currency to a basis—from about 5.20 Turkish pounds to about 11.35 Turkish pounds to the pound sterling—which brought the prices of her goods nearer to world levels; this enabled her to abandon the involved "premium" and "compensation" systems which had burdened her foreign trade and, ultimately, to become a member of the International Monetary Fund and the International Bank for Reconstruction and Development. The Turkish authorities, moreover, did not allow the devaluation to unbalance the domestic market. They checked speculation and inflation by making gold available to the public at a fixed price, without restriction. The success of these measures was assured by an exceptionally bounteous harvest.

The net trading figures for the year are difficult to compare with 1945, owing to the changes in conditions attendant upon the devaluation of the Turkish pound, but it may safely be said that Turkey's trade in 1946, both export and import, showed a 50 per cent. increase upon the previous year. The exports were more than twice the amount of the imports. Turkey's public finances continue to be sound.

With regard to our own activities in Turkey, you will understand that it was a very busy year. It was also a reasonably profitable year and one which afforded repeated evidence of the esteem and regard in which your bank is held in Turkey, both by the Government and also by financial and commercial circles.

RESERVES STRENGTHENED

After dealing with events in Egypt and other countries in which the Bank operated, he went on: When we met last year I mentioned to you the possibility of achieving a transfer of profits from Turkey. In 1946 the Turkish Government permitted your bank to transfer part of the accumulated Turkish profits for the years 1939 to 1945. We were thus enabled to cover the depreciation in Turkey and to reinforce our reserves.

A further strengthening of reserves has been made by the transfer of £50,000 to provisions for contingencies, already mentioned, which leaves a balance available in the profit and loss account of £168,489 8s. 5d. This enables me to propose to you an increase in the dividend which you have voted in the last two years. We propose a dividend of 6s. per share, which will absorb £150,000 and leave £18,489 8s. 5d. to be carried forward to 1947. In view of the difficulties which we have had to face, I hope you will agree with me that you have no reason to be dissatisfied with the results of your undertaking for the year 1946.

My colleagues in Paris and London, and I myself, attach much importance to close collaboration and mutual understanding. We try to work as a team and the committee of your bank is, I am proud to think, in no small degree, a standing example of that "Entente Cordiale" upon which, in my view, the future of our countries and, indeed, of Europe, depends.

The report and accounts were adopted unanimously.

The formal business was duly transacted and the proceedings terminated with a cordial vote of thanks to the chairman, the general committee and staff at home and abroad.

BRITISH SHAREHOLDERS TRUST, LIMITED

IMPROVED PROFITS

The twenty-fifth ordinary general meeting of The British Shareholders Trust, Ltd., was held on the 16th instant, in London.

Mr B. H. Binder, F.C.A. (the chairman), in the course of his speech, said:

The accounts show an improvement both in the capital value of our investments and in our gross and net profit. The improvement in profits is in a large measure due to an increase in the new issues of capital during the year sponsored by the company, all of which were favourably received by investors.

The gross profit was £111,597, an increase of £27,670 over the previous year, and after providing for administration and taxation, the net profit was £48,929, a figure more than double the amount shown in the last accounts. From this sum your directors have allocated £3,000 to the staff pension fund and have transferred £16,000 to general reserve. From the balance of the year's profit, namely, £29,929, there must be deducted £8,880 in respect of the interim dividend of 3 per cent., less income tax, paid last December and £20,721 for the proposed final dividend of 4½ per cent., and a bonus of 2½ per cent., less income tax, which makes the total distribution for the year 10 per cent., thus bringing us back to our pre-war standard.

THE DIVIDEND

The total distribution for the year of 10 per cent. on the issued capital is only about 5 per cent. on the capital employed amounting to £991,349, represented by the issued share capital of £538,212, plus the reserves and undistributed profit totalling £453,137. If the value of the company's investments in excess of their book value is taken into consideration, amounting to £169,396, the total capital would be increased to over £1,150,000, equivalent to more than double the nominal amount of the company's issued capital.

During the year there has been an increase in our quoted investments and a decrease in our unquoted investments, and it is expected that this tendency will be continued in the current year. Your directors are satisfied that the unquoted investments which are shown in the balance sheet at £167,512 are conservatively valued at £165,366, and the small depreciation is much more than offset by the substantial surplus value of the quoted investments.

Our subsidiary, the Record Electrical Company, Limited, made a satisfactory profit for the year ended March 31, 1946. Its accounts for the year ended March 31, 1947, have not yet been completed, but they are expected to show less favourable results. Its operations at present have been hampered by the lack of semi-finished materials necessary for completing its manufactures.

Many of you are connected with industry and are fully aware of the difficulties of maintaining a satisfactory flow of raw materials and other supplies. These difficulties which, in some directions, are becoming intensified require to be carefully assessed when any new financing is undertaken and the degree of success attached to one's estimate of the future of any business is not helped by the constantly shifting order of priorities which the authorities award to various industries.

It is as yet too early to give any definite indications as to the outlook for the current year. So much depends on circumstances beyond our control. We have several financial proposals under consideration, but we shall not depart from our long-established practice of supporting only those undertakings whose record and management justify confidence. Given a continuance of reasonably favourable conditions, there should be a satisfactory volume of suitable business for us to deal with.

The report was adopted.



GLYN, MILLS & CO.

BANKERS

ARMY and ROYAL AIR FORCE AGENTS

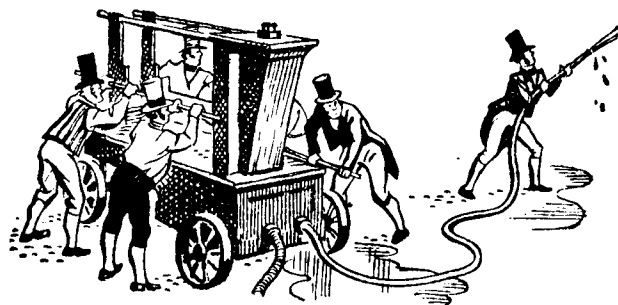
Established 1753

STATEMENT OF ACCOUNTS, 30th JUNE, 1947

LIABILITIES	
Capital	£1,068,000
Reserve Fund	850,000
Current, Deposit and other Accounts	67,577,322
Liability for Acceptances, Engagements, etc.	5,072,427
	£74,559,749
ASSETS	
Cash in hand and Balance at Bank of England	5,701,677
Balances with, and Cheques in course of Collection on, other Banks in the British Isles	2,908,928
Money at Call and at Short Notice	15,844,000
Bills Discounted	1,342,507
Treasury Deposit Receipts	7,000,000
Investments:	
British Government Securities	£21,879,740
Other Securities	668,828
Advances to Customers and other Accounts	22,548,568
Bank Premises:	
Freehold	620,000
Leasehold	75,000
Liabilities of Customers for Acceptances, Engagements, etc.	695,000
	5,072,427
	£74,559,749

HEAD OFFICE: 67, Lombard Street, London, E.C.3.
CHILD'S BRANCH: 1, Fleet Street, London, E.C.4.
HOLT'S BRANCH: Kirkland House, Whitehall, S.W.1.

Associated Banks: Royal Bank of Scotland; Williams Deacon's Bank Ltd



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BLEACHERS' ASSOCIATION, LIMITED

CAPITAL REARRANGEMENT COMPLETED

SIR ALAN SYKES ON POSITION AND PROSPECTS

The forty-eighth ordinary general meeting of this company was held on the 4th instant in Manchester, Sir Alan Sykes, Bt. (the chairman) presiding.

In proposing the motion for the adoption of the report and accounts, Sir Alan said:— Since our last annual general meeting, we have, with your approval and with the sanction of the Court, put through the scheme of arrangement which, as you know, we have had in contemplation for several years past. I think I can claim that the scheme, which you have approved, fulfilled the promise that I made at our last annual meeting that it would not do injustice to any class of stockholder. It received unanimous approval from the financial press and was described by two of the leading financial journals as "a model of simplicity" and as "eminently fair." We have redeemed our obligations to the preference stockholders in respect to the arrears of dividend due to them, and although we have reduced the nominal value of the ordinary stock, the holders of that stock still retain unimpaired their full rights to the equity of the business, subject only to the temporary intervention of the charges for interest and amortisation of the Funding Certificates issued in respect to one-half of the arrears of preference dividend.

VALUE OF ASSETS

If you will turn to the balance-sheet you will see the effect which the scheme has had in relation to the value of the assets of the association. The first two items on the assets side—land, buildings, etc.—£5,500,244 and shares in subsidiary companies (being the excess of the assets over the liabilities of those companies)—£439,651, represent the fixed assets of the association and its subsidiary companies—a total of £5,939,895. The total of the corresponding items appearing in the balance sheet at the end of the previous year was £7,808,557. The difference—a reduction this year of £1,868,662—is accounted for by our having written down the value of the fixed assets by £1,909,368, which corresponds exactly with the reduction in the nominal value of the ordinary stock, and by the net addition for capital expenditure during the year after deducting the charge of depreciation.

Those of you who have followed the history of the cotton industry since the first world war will know that it has involved a continuous contraction of productive capacity in the face of declining demand from our former very large export markets and, in our case, this has meant the closing down of works which could no longer remain in profitable operation. The final stage in this process (for I hope and believe, that it is the final stage) came with the Government's scheme for compulsory concentration during the last world war. I refer to this prolonged contraction of our output capacity, because I am glad to be able to tell you that the reduction of capital authorised by the scheme of arrangement has enabled us to write down the value of those assets which have ceased to be revenue earning to a figure which represents their current value in the form in which they now exist.

Before leaving the subject of the value of the fixed assets, I should like to refer to the provision made for depreciation, which, at £80,000 for the year, is less than the sum which it has been customary for us to provide for a number of years. The reduction is justified by the major transaction of writing down the value of the fixed assets by the amount of the reduction in our capital liabilities, since we have in the past had regard in fixing the provision, to the book value of the plant and machinery without regard to whether it was operating or not.

Now that we have written down the values of all non-operating plant, so large a provision is no longer necessary. Moreover, we have very substantial reserves against the renewal of our plant in the existence of stocks of machinery and equipment in those works which have been closed but which have not been dismantled, or from which the usable machinery has been removed and carefully stored.

STRONG CASH POSITION

The next item in the balance sheet—advances to subsidiary companies—£849,245, represents the net balance of working capital in the hands of our branches. Cash with bankers at £360,824 shows an increase of £216,000 over the corresponding figure last year. The balance has been maintained at this higher level to meet the payments that will become due in respect of the redemption of Funding Certificates and the payment of dividends. Tax reserve certificates appear in the balance sheet at £100,000, the decrease against last year's total of £200,000 being accounted for by the value of certificates applied to the payment of income tax.

INVESTMENTS PROFIT

Investments amount this year to £1,033,125, compared with £1,428,441 last year—a decrease of about £395,000. Some investments were sold to provide the cash for the payment of one-half of the arrears of preference dividend under the scheme of arrangement and others were sold and the proceeds reinvested. The profit on the sale of those investments appears in the profit and loss account. Four-fifths of our investments are in gilt-edged securities, and the market value at the date of the balance sheet was in excess of their cost.

On the liabilities side of the balance sheet there are one or two changes to which I should refer, most of which are consequent upon the scheme of arrangement. The ordinary stock capital has been reduced by one-half to £1,909,368, but there are no other alterations in the capital structure of the company.

There are no important changes under the heading of Credit Balances, which appear in total at £795,829, but the General Reserve Fund has been reduced by £228,113 to £471,886. The deduction represents the amount of the cash payments to preference stockholders in respect to the arrears of preference dividend.

This brings me to the profit and loss account, the balance of which appears in the balance sheet at £376,109.

The balance brought forward from the previous year was £143,667 and the trading profit for the year amounted to £418,456, an increase of about £15,000 over the corresponding figure for the previous year. Directors' fees, depreciation and debenture interest absorbed £184,776, which is less than the amount charged in the previous year by nearly £60,000 as a result of the reduction which we are now able to make in the charge for depreciation.

TRADING PROFIT UP

The net trading profit for the year was £233,679, an improvement of £74,000 over that of the previous year, and to this we have to add £67,169 for the profit on the sale of investments making a total profit for the year of £300,848. Including the amount brought forward, we thus have a total available profit of £444,516.

When I informed you last year of our intention to submit to you a scheme of arrangement involving a reduction of capital, I said that it would put us in a position to

resume the payment of a dividend on the ordinary stock, provided there were no further deterioration in our trading conditions. That was the goal we had set before us, and that is the goal we have reached, although not without encountering obstacles that might have defeated us.

During the year we had to meet substantial increases in the prices of many commodities that enter into the finishing of cotton piece goods and, in November, we had to meet the added cost of a substantial increase in wages coupled with a reduction in normal working hours. Those are benefits to our workpeople which we do not grudge, but we have every right to complain that, under the price control established by the Board of Trade, we should have to bear the added cost of these increases in the cost of production for five months before we could obtain permission to adjust our selling prices to meet them.

FUEL CRISIS LOSSES

The volume of output of our trade, which was one of the essential conditions to the attainment of our goal, was well maintained until nearly the end of our financial year, and then we encountered the climax of the fuel crisis. The threat of a stoppage through shortage of fuel, coupled with deterioration in quality, had been overhanging industry for many months and, in February, the storm broke with the prohibition of the use of electrical power for industrial purposes. We ourselves lost in the financial year the equivalent of about two weeks' output, but the full repercussion of the stoppage will extend into the current year.

However, we reached our goal in spite of the difficulties, and we have felt justified in recommending a dividend of 3 per cent. on the ordinary stock.

I am sure that you, as stockholders, will share with me the satisfaction which I and my co-directors feel in being able after so long a lapse to resume the payment of a dividend on the ordinary stock.

The directors have paid an interim dividend on the preference stock for the half-year ended on September 30, 1946, amounting to £68,406. They recommend the payment of interest on the 4 per cent. Funding Certificates for the year, which will require £8,934, and the payment of the final dividend on the preference stock, which will absorb £68,406.

The scheme of arrangement requires that a minimum of £20,000 shall be set aside out of the available profits of the year for the redemption of the Funding Certificates. This we have provided for, and we recommend also that £65,000 out of the profit of £67,169 on the sale of investments should also be applied to the redemption of these certificates.

Finally we recommend the payment of a dividend of 3 per cent. on the ordinary stock which will require £57,281, and that the balance of £156,487 be carried forward to the next accounts.

FOREIGN CLOTH PROBLEM

The continuing menace of a shortage of fuel and power still overshadows the prospects for the future, and although, subject to this, there appears to be every probability of a continuation of the slow but progressive increase in the output of cotton cloth, it is not likely to reach a volume that will require the employment of our full capacity. The importation of Japanese and German cloth for finishing in this country, and for re-export, may help to provide us with a little more work, but it is a poor substitute for the product of our own spindles and looms, and it is difficult to understand why, unless the condition has been imposed upon them, the Government should have decided to export this hybrid product rather than to direct it into the home market and to send our own goods abroad where they could re-establish the goodwill upon which our export trade depends.

The report and accounts were adopted.

WHITEHEAD IRON AND STEEL COMPANY, LIMITED

INCREASED PROFITS

The fortieth annual general meeting of the Whitehead Iron and Steel Company, Limited, was held on the 15th instant at Newport, Monmouthshire.

Mr G. H. Latham, chairman and managing director, in the course of his speech, said: The profit and loss account shows that the trading profit for the year to March 31, 1947, amounted to £666,458, an increase of £126,029 compared with the previous year. This increase is partly due to considerably improved results at the works of our subsidiary and associated companies, and partly to the extensions now coming into full operation, which have increased the capacity and general efficiency of our plant.

The net profit of £325,513 is £104,651 more than the corresponding figure of last year. Adding the sum of £54,666 brought forward, the total amount available is £380,179 out of which an interim dividend of 12½ per cent. (£53,889 net) has been paid, leaving a balance of £326,290. It is proposed to transfer £190,000 to general reserve, and to pay a final dividend of 17½ per cent., less tax (making 30 per cent. for the year), and to carry forward a balance of £60,846. The general reserve will then stand at £1,050,000.

STRONG POSITION

This strong position is the result of consistently following a prudent financial policy over a long period. We have seldom distributed, by way of dividend, an amount exceeding the allocation to reserve. This is true of the present year, despite the increased rate of dividend.

As a consequence of ploughing back substantial profits into the business, our reserve has grown quite out of relation to the nominal capital, and the rate of dividend consequently appears to be high. If we take the actual capital employed in the business the return would be approximately 8 per cent. This long-term policy of retaining in the business a substantial proportion of the profits for the purpose of extending, and maintaining, the efficiency of the plant, is in accordance with the best principles of business and national economy. A natural sequence to this would be the issue of share bonuses in order that the issued capital may truly represent the capital employed in the business. For the time being, however, your directors have decided to postpone consideration of a bonus issue.

For the last 24 years we have distributed each year to the whole of our staff and workmen, in the form of a bonus, an amount based upon the rate of dividend paid to our shareholders. During the year under review this bonus payment represents no less than 7½ weeks' wages to all our employees (as against the general practice of granting one week's holiday with pay), so that shareholders and employees alike have benefited from our progress.

COURTYBELLA WORKS

Our main works at Courtybella, Newport, is one of which the stockholders are justifiably proud. It represents the last word in modern rolling mill practice—in hot rolling, cold rolling and bright drawing. We are now reaping the full reward for the high class quality and finish of our products resulting from the application of our scientific research. Consequently, with such a magnificent plant, together with a splendid team of executives and workmen, we are able to supply our customers with products unsurpassed in the history of rolling mills.

It is a sad reflection that this splendid plant has not for some long time been operating at more than 50/60 per cent. of its capacity, although our products are in such great demand. This is entirely due to an acute shortage of semi-finished steel throughout the industry. The iron and steel development plan has been delayed through circumstances beyond the control of the industry

—the most important of which is the shortage of coal. As the Government has now decided to give the industry priority in obtaining an additional quantity of coal over and above the Cripps plan, it is hoped the steel trade will be able to increase the production of steel from the present level of 11,000,000 tons to 13,000,000 tons per annum by the end of the year. Even so, the demand for steel will by far exceed the supply. Unfortunately, our re-rolling industry suffers directly to a greater extent than other sections of the industry from this shortage, notably of billets and slabs.

Our research department has been actively engaged on problems relating to our rolling mills, as well as with developments in the works of our associated companies. Much work has been carried out during the expansion of the steel, cast iron and non-ferrous foundries at our Westgate iron works, where the most modern melting equipment is being installed.

THE FUTURE

As to the future, the capacity of our combined plants has now reached such magnitude that your directors think it wise to be independent, to a large extent, for the purchase of our raw material, and we are now busily engaged in the preparation of a plan to make our undertaking self-contained. This is more than ever important in view of our contemplated extensions in the form of a new continuous mill of the latest design for the manufacture of flat rolled products. I am satisfied that, given adequate supplies of raw material to enable us to use our works fully, we are in a position to meet competition from any direction, and I look forward to the future of our company with optimism notwithstanding the difficult period through which we are now passing.

In conclusion I would pay a warm tribute to all our employees, who by their co-operation and enthusiasm, have helped so much in the development of our company. The report was adopted.

HUDSON'S BAY COMPANY

RECORD STORES RESULTS

The 278th annual general court of the Governor and Company of Adventurers of England trading into Hudson's Bay was held, on the 17th instant, in London, Sir Patrick Ashley Cooper, the governor, presiding.

The following is an extract from his statement which was circulated with the report:—

Since the close of the financial year the land, buildings and equipment, which appear in the first item of the assets side of the balance-sheet, have been transferred to a wholly owned subsidiary company. As this step would produce important changes in the balance-sheet and might be confusing to the proprietors, the directors hope to submit a consolidated balance-sheet at January 31, 1948, which will allow a comparison with the figures now presented.

The turnover of the various departments has been maintained or exceeded. The fall in net profits is largely due to the sharp fall in inventory prices in the fur trade which occurred near the end of the year.

Raw fur markets throughout the world continued very firm until mid-1946, when there was some evidence of a weakening in prices in New York, which later in the year developed into a state of uncertainty, with resultant decreases ranging from 30 per cent. to 50 per cent. in the prices of raw furs. Other markets moved in sympathy with New York.

This year the retail stores department again broke all previous records of sales and great credit for this is due to the managers of the stores and their staffs. Nevertheless, the rate of gross profit was lower and expenses higher, resulting in a somewhat smaller net profit.

The report was adopted.

BOOTS PURE DRUG COMPANY, LIMITED

LORD TRENT'S SPEECH

The 59th annual general meeting of Boots Pure Drug Company, Limited, was held, on the 10th instant, in Nottingham.

The Rt. Hon. Lord Trent (the chairman), in the course of his speech, said:—

We have had a record year for sales and the total number of prescriptions dispensed reached over 12 millions.

The net profits for the drug company and the home retail subsidiary companies come out at £1,063,830 against £826,241. These profits have been earned on a capital of approximately £10,000,000. For some years the share capital has not shown the real picture of the company's strength. Out of the drug company's net profit of £756,470 against £619,459, plus balance brought forward £180,887 making £937,357 your directors recommend the allocation of £100,000 to freehold property reserve, £42,000 for overseas development, £200,000 towards further provision for pension funds. . . . and there is a final balance of £190,145 to be carried forward to next year.

NEW SHARE CAPITAL

As we wish to be in a position to take advantage of any opportunity that may arise from time to time of purchasing a business or businesses which would be worth acquiring by your company and which purchase might involve an exchange of shares, we are asking you to pass a resolution as shown in the report to increase the number of ordinary shares. The whole of the 6,400,000 ordinary shares authorised have already been issued, so that if the circumstances arose to which I refer we should be unable to obtain the business on a share exchange basis. I may say that at the present moment we have no such project in view, but opportunities may be open to us and we wish to be in a position to take advantage of them.

We are negotiating for the acquisition of land near Irvine, Ayrshire, on which we can develop and build, as and when required, factories for our chemical department.

Plans are being prepared for a research institute to be erected on the Beeston site.

EXPORTS

Our total export sales show a slight reduction on previous figures, owing to the natural reduction of the demand for products connected with war purposes. On the other hand, export sales to our subsidiary companies abroad and to our agents throughout the world have shown a much larger increase than in any other year.

Having laid a solid foundation in most of our Empire markets, we are now seeking ways and means of developing our trade with "hard currency" countries. Visits have recently been paid by senior executives to the U.S.A., Canada, and the South American Republics in order to investigate the possibilities of increased export business there.

FUTURE PROSPECTS

Although spokesmen of the Government continually proclaim that we are "up against it" and that we must "export or perish," not even they have ever claimed that the state of legislation to which Ministers and their highly efficient departmental chiefs are devoting so much of their time and attention is assisting industry to rebuild its home and foreign trade.

If the future of your company depended upon our own skill and enterprise alone, I should have no hesitation in discussing our prospects in terms of unqualified optimism, but enterprise and expansion continue to be thwarted by conditions over which industry itself has no control. As long as these conditions persist, it is not possible to predict business prospects, but we shall do our utmost to maintain the confidence which immense numbers of the public have in our company.

SUEZ CANAL COMPANY

AN END TO LITIGATION

The annual general meeting of the Suez Canal Company was held on the 24th ultimo, in Paris.

The Marquis de Vogüé, the chairman, in the course of his speech, said:—Your directors are happy to be able, at last, to submit final accounts and bring to a close the distressing period of trial with which circumstances have taxed your patience. The Court of Appeal of Alexandria, in its judgment of May 17th, and there is no appeal from it, has put an end to the litigation which, over-long, has interfered with your legitimate interests and paralysed our means of action.

As was pointed out by the Court, the prime cause of this litigation, or rather this series of litigations, is to be found in the "complex personality" of your company "which is at the same time Egyptian and universal"—Egyptian by its territorial status and universal by the position it occupies in the general economy of the world. This universal character becomes paramount in matters affecting the various nations which are the company's clientele, particularly on the financial plane.

THE POINT AT ISSUE

The special point in dispute was the basis of redemption of the debentures. In two previous judgments, in 1925 and 1940, the Alexandria Court had already given its viewpoint. In 1925 certain debenture-holders had asked for redemption of the debentures and payment of the interest on the gold basis. In 1940 the point at issue was whether the decree of 1935 abolishing the gold clause in international contracts was applicable to the company. The standpoint adopted by the Court in both cases is referred to, and confirmed by, the judgment of May 17th. It has, in fact, never changed, and its effect, about which the judgment is so explicit as to leave no room for doubt, is that, precisely by reason of its universal character and for the very purpose of respecting all conflicting rights, the company must pay the debenture-holders on the basis of the Germinal franc of the year XI, equivalent to one-twentieth part of the louis d'or, "an ideal franc," says the Court, "which, although having no material existence, fulfils a useful function as a currency for international accounts, and has a fixed and unalterable value." Thus is your company's monetary regime definitely linked with gold.

This exceptional position, of which without doubt there are very few comparable examples, is due to the very nature of the company, to which repeated reference is made in the judgment of May 17th, and which places it on a footing apart from other companies. Here is official recognition, by the highest judicial authority in Egypt, of the position occupied by the company in international economic affairs, and of which its own history is indeed a justification.

EXTRACTS FROM THE DIRECTORS' REPORT

For the first time in 12 years we are in a position today to put before you results which are accurate and final, owing to the fact that the Mixed Court of Appeal of Alexandria, in its session of May 17, 1947, has fixed, in the ultimate resort, the precise nature of the currency for payment of our debentures.

We have been very pleased to see that the highest Egyptian legal authority, by overruling the Cairo Tribunal's judgment of May 20, 1946, has adopted, as had also, previously, the attorney-general on behalf of the public prosecutor, the argument put forward by the company that: for application of the decree of 1940 establishing that the currency for the company's debentures is the gold franc, the conversion of this gold franc into Egyptian money must be effected through

the intermediary of the U.S. dollar, an independent currency officially pegged to gold, and on the basis of the dollar-Egyptian-pound rate of exchange at each due date.

The general state of good repair of the canal has enabled dredging to be curtailed during the year 1946. Total dredgings were under 2,000,000 cubic metres and only represent two-thirds of the average yearly excavations for the last few years before the war. The present state of the canal-bed, which is in every way as satisfactory as before the war, provides ships having the deepest authorized draft of 34 ft. (10m.36) with one clear metre of water under the keel.

Of the three floating bridges built during the war only one now remains, at kilometre 74. On the other hand, the railway bridge at El Ferdan has still not been dismantled in spite of our repeated representations on the subject, in particular after it had been struck by a transiting vessel; this accident, which took place on November 14, 1946, was fortunately not serious.

A short while ago the general management of the Egyptian Railways notified us of the Egyptian Government's great desire to retain a rail link with Palestine if the company should think it feasible. They are examining the possibility of erecting a new bridge, nearer to Port Said. We are offering all necessary assistance in this investigation and we are pressing the Egyptian Railways for the construction of the new bridge with the least possible delay so as to permit the removal of the El Ferdan bridge, as promised by the British authorities, who are responsible for it.

There were 5,057 transits through the canal in 1946, representing a total net tonnage of 32,732,000 tons. The net balance of receipts for 1946 is 3,366,488,413 francs. The profits for the years 1943, 1944, and 1945 totalling 3,127,807,536 francs and which were carried forward last year pending the outcome of the lawsuit may now be incorporated into the 1946 accounts, bringing the total figure to 6,494,295,950 francs. We were able, after the decree of May 17th, to start payment as from June 15th of the entire amounts in reserve which corresponded to the difference between the value in Egyptian francs and the value in gold francs of the redeemed debentures and of the coupons due since 1935. As for the amounts due to shareholders in respect of statutory interest and redeemed shares, these will be paid on July 1st next, at the same time as statutory interest for the first six months of 1947.

PROPOSED DIVIDEND

Having thus discharged this debt, we shall be able, subject to your passing the resolutions before you, to declare a dividend payable on July 1st next, this being the first time since 1940. At a figure of 3,900 francs—approximately £8—the dividend would be higher than the average for the 10 years preceding the war, when it approximated £5. If one takes into account the increase of prices in sterling, such remuneration is in no way excessive; it becomes extremely moderate when one considers that for seven years there has been no distribution at all and that the present appropriation is more than half made up from profits which, had it not been for the debenture lawsuit, would have been distributed in respect of past years.

The available profits of Frs. 6,494,295,950.34, less appropriations which amount to Frs. 2,050,000,000, will leave an available amount of Frs. 4,444,295,950.34. The suggested distribution will absorb Frs. 4,394,366,197.18, leaving Frs. 49,929,753.16 to be carried forward.

A copy of the full report will be sent on application to the company, 1 Rue d'Astorg, Paris (8), or 6, Bishopsgate, London, E.C.2.

RICHARD THOMAS AND BALDWIN, LIMITED

SATISFACTORY RESULTS

The ninety-eighth ordinary general meeting of Richard Thomas and Baldwins, Limited, will be held at Grosvenor House, Park Lane, London W., on the 30th instant.

The following is an extract from the statement by the chairman and joint managing director, Mr. E. H. Lever, circulated with the report and accounts:—

The year has been a very difficult one in many respects. The shadow of nationalisation, the shortage of coal and other raw materials, and the abnormally severe weather of last winter have all taken their toll. In these circumstances, I am sure that you will agree that the results shown by the accounts are very satisfactory. Before providing for tax, there was an increase in profit of over £713,000. Unfortunately, this increase has been almost entirely absorbed by the increase in the provision for taxation, so that the increase in the net profit is a very modest one. In March last your board declared a dividend of 3½ per cent. (in addition to the fixed dividend at the rate of 6½ per cent.) on the preference shares and an interim dividend of 5 per cent. on the ordinary shares, both payable on April 19, 1947. Subject to satisfactory trading results, it is our intention to pay interim dividends in future in December of each year.

On January 1st of this year all our colliery interests were vested in the National Coal Board. In spite of every obstacle, we have pressed ahead, together with allied firms in the industry, with our scheme for the erection of new trip mills in Wales, and the Steel Company of Wales was registered on May 1, 1947, to carry this scheme into effect. The scheme as a whole has been endorsed by the Iron and Steel Board, and has already received Government approval.

In addition to this major development, we envisage the expenditure of substantial capital sums over the next few years for expansion and for further modernisation at Ebbw Vale, Redbourn, Panteg and elsewhere. We expect to be able to finance all these developments, including our contribution to the Steel Company of Wales from present or anticipated internal resources. We do not expect therefore that it will be necessary to raise for these purposes any new share or loan capital for Richard Thomas and Baldwins.

FUTURE OF THE INDUSTRY

We are not aware of the Government's proposals concerning the future of the iron and steel industry, nor do we know when they are likely to be carried into effect. Uncertainty in this respect is naturally a considerable handicap, but while responsibility remains in present hands the clear duty of the industry is to press ahead with its plans and not to do anything to retard national recovery. In the execution of these plans there will, from time to time, be decisions to be made which involve considerations transcending the normal functions and responsibilities of limited liability companies.

In any matter which comes within the category of problems involving overall national policy, it is proper, and the iron and steel industry has always accepted, that the community, through the Government of the day, should not only have a voice, but be the final arbiter, provided the decisions are taken after full consultation not only with the industry, but with all the parties concerned. We, however, still hold firmly the view that this objective can be achieved without resort to the extreme methods of State ownership and management.

WIGGINS TEAPE AND COMPANY (1919), LIMITED

INCREASED OUTPUT OF PAPER

Mr L. W. FARROW'S STATEMENT

The twenty-eighth ordinary general meeting of this company was held, on the 11th instant, in London, Mr L. W. Farrow, C.B.E., the chairman, presiding.

The following is an extract from the statement by the chairman circulated with the report and accounts for the year 1946:—

The output of paper from the mills of the group for the year 1946 showed a substantial increase over that for the year 1945. The Board of Trade, through their paper control, continue to regulate the quantities and types of paper permitted to be made, the uses to which such paper can be put and the maximum prices which can be charged in the United Kingdom for such paper. Within the limits imposed there is much that can be done and the directors and employees of your company are constantly contriving to use to the best possible advantage the resources available to the company.

I informed you last year that the factories of our subsidiary company, Pirie Appleton and Company, Limited, had been largely engaged during the war period on the manufacture of munitions. During the year 1946 this type of work was negligible and the normal production of envelopes and manufactured stationery made good progress towards its pre-war proportions. The export of the products of Pirie Appleton and Company, Limited, to South Africa has in the past been handled by our subsidiary company, Alex Pirie and Sons (Africa), Limited, who have also operated a small stationery factory in Johannesburg. We have decided to equip two new factories for the manufacture of these products in the Union and to form a local company there to carry on the business.

TRAINING COURSES

We have instituted training courses (a) for young people entering our employment, (b) for ex-service men returning to our employment and (c) for employees, who are either foremen or likely to be appointed to that position. We also have additional courses for others in our employment both at home and abroad. These courses are much appreciated by those attending them and are proving a great benefit both to the employees and the company.

The report of the directors makes reference to the additional capital which has been raised. In my last year's statement I informed you of the purposes for which this capital was required. There have been delays in obtaining the necessary licences to proceed with the work, but I am glad to say progress is now being made on all the schemes upon which we have embarked with the exception of the new machine at our Stoneywood Paper Mills, the installation of which has been temporarily postponed.

We have been able to execute certain repairs at our mills which had of necessity been postponed during the war period, with the result that the charge against profits for repairs executed during the year 1946 amounted to £417,486, compared with £208,848 for the year 1945. We have not charged any of this deferred repairs expenditure to the reserves previously created for that purpose as we prefer to keep these reserves intact until we can estimate finally the ultimate cost of expenditure necessary.

IMPROVED PROFITS

The trading profits of the group for the year 1946 show an increase of £159,648. These improved profits are due to the larger production to which I have referred and to the increase in our merchandising business overseas. The deductions for charges including taxation and profits retained in subsidiary companies are higher by £111,069,

leaving the net profit of Wiggins Teape and Company (1919), Limited, for the year 1946 of £382,119, showing an increase of £48,579 over that of the year 1945. With the amount brought forward the available profits at £314,924 show an increase of £56,521. After providing for interest on debentures and dividends on the Preference and Ordinary stocks, your directors have transferred the sum of £150,000 to the general reserve.

It will be seen that your directors are recommending a final dividend of 5½ per cent., free of tax, making, with the interim dividend, a dividend of 7½ per cent., free of tax, on the Ordinary stock for the year 1946.

THE DIVIDEND

It has been pointed out by my predecessors on several occasions that the dividend on the Ordinary capital of this company is a very moderate return on the aggregate of the Ordinary capital and the reserves which have been ploughed back into the business. The reserves thus created together with premiums on shares now amount to the substantial sum of £2,648,216. It should be noted that the gross Ordinary dividend amounts only to about 5½ per cent. on the aggregate of these reserves and the Ordinary capital.

This must be considered a moderate return when the risks of business such as the starting of the photographic base paper manufacture and the production of grease-proof paper, two industries which were new to this country, are taken into account. Unless there is a prospect of some reward being gained from embarking on new enterprises, how can a board of directors be justified in taking these risks? In both the cases to which I have referred risks were taken, considerable losses were incurred in bringing the ventures to successful issues and who is it that should condemn a moderate profit being earned by those who have risked their capital to bring to this country the manufacture of important products hitherto entirely imported from foreign countries?

FINANCIAL POSITION

The summary of balance-sheets presents the financial position of our group of companies regarded as a single undertaking. The total of the surplus and specific reserves shows an increase of £229,806. The net liquid position of the group on December 28, 1946, shows a further improvement of £224,721, compared with that at the end of 1945. It is estimated that with the £1,500,000 raised by the new issue of shares, there are sufficient funds to pay for the cost of our projected capital expenditure and to provide the additional working capital required for the business of your group. The stocks of finished products and the trade debtors on the one hand and the trade creditors on the other show considerable expansion. This is due to the increased turnover of the group, especially on the merchandising side of our business.

With regard to the prospects for the current year, the output of our mills has been affected by the coal position, though to a smaller extent than we at first expected. Before the coal crisis descended on us, we had already partially converted our largest mill to the use of oil fuel and this conversion has now been completed. We have installed diesel plants to ease the coal consumption at certain mills and are doing everything practicable to use the fuel available to the best advantage. The results for the first four months are good and there is every hope of our meeting next year with a satisfactory balance-sheet.

The report and accounts were unanimously adopted.

ASSOCIATED BRITISH PICTURE CORPORATION, LIMITED

DISTRIBUTION OF 30 PER CENT.

The twentieth ordinary general meeting of this company was held on the 8th instant in London. Sir Philip Watter, the chairman, presiding.

The following is an extract from his statement circulated with the report and accounts for the year to March 31, 1947:—

The trading profits of the group at £2,542,274 are higher than last year at some £308,000. The trading profits before E.P.T. show a substantial decline, but, since the group earned more than its standard profit, it has benefited by the application of the reduced rate of 60 per cent. for the year to 31st December, 1946, and the termination of such tax at that date.

The net profits are approximately £306,000 higher at £956,174. The directors have placed £450,000 to general reserve, which now stands at £2,500,000. They increased the interim dividend on the ordinary stock from 7½ to 10 per cent.; an increased final dividend is recommended of 20 per cent., making a total of 30 per cent., less tax, compared with 25 per cent., less tax, last year.

The gross theatre receipts at the 418 theatres operated by the group for the first ten months of the year under review showed an increase, but, owing to the restriction of showing time imposed during the fuel crisis and the shortage of fuel in many of the theatres, the total figures for the year were slightly lower at £19,955,004 than those for the year to March 31, 1946.

FILM PRODUCTION

Despite the restricted studio space available it has been possible during the year to produce three important films: "Piccadilly Incident"—the winner of the "National Film Award"—"While the Sun Shines" and "Temptation Harbour." The public reaction to these and other British films has been encouraging and it is the policy of the board to continue to improve the number and quality of our productions so that the Corporation may play its part in achieving a better trade balance between this country and the U.S.A. The severe weather coupled with shortage of labour and materials has delayed the constructional work on the Elstree Studios. Plans are being made for the production of a series of major pictures, which will receive world distribution through Warner Bros. Pictures Inc., owners of a considerable chain of theatres in the U.S.A.

During the year the Corporation acquired the share capital of Anglo-American Film Corporation, Ltd., and secured the distribution rights of all films produced at British National Studios, Elstree. The business of the Anglo-American corporation has been merged with Pathe Pictures, Ltd. Owing to the increasing demand for short films and our endeavour to improve still further the quality of "Pathe News," it has been decided to modernise and re-equip the laboratories.

The peak in cinema attendances has now passed and we must anticipate a somewhat lower level of receipts. One of the factors is the falling off in matinee attendances resulting from demobilisation and the return of industry to more normal working hours. The coal position continues to be a source of anxiety and much will depend on our being permitted to build up stocks during the summer months. All items of overhead expenses are appreciably increasing. The weekly wages bill in the theatres has increased by more than 25 per cent.

As an offset the repeal of E.P.T. will ease the burden of taxation and it is reasonable to assume that the net results of the current year's trading after taxation, while not reaching the level of the figures before you, will prove satisfactory.

The report was adopted

CAWNPORE ELECTRIC SUPPLY CORPORATION, LIMITED

PURCHASE TERMS—GOVERNMENT'S ATTITUDE

MR K. A. SCOTT-MONCRIEFF'S REVIEW

The annual general meeting of The Cawnpore Electric Supply Corporation, Limited, was held on 8th instant in London. Mr K. A. Scott-Moncrieff, M.I.E.E., the chairman, in the course of his speech, said: Receipts from the sale of electricity are down by £25,006. The supply of electricity in bulk was less than in 1945, so also was the supply for street lighting. There was an increase in supplies for other purposes but the total units sold was about 3½ per cent. less than in 1945. I am sorry indeed that this setback has arisen in what will be our last full year of operation.

During the current year we have suffered not only from strikes affecting our consumers, but also from a strike by our own employees, and it was only with great difficulty that a few of our senior staff were able to maintain some of the most essential supplies.

Stockholders' interest in the corporation has now largely passed from the trading results to the payment which we are to receive on purchase of our property by the Government of the United Provinces. The terms of purchase are that we be paid the fair market value of our lands, buildings, works, materials and plant at the time of purchase. The Government, under the terms of the Electricity Acts, have notified the Corporation that it will acquire its undertaking on September 15th of this year.

QUESTION OF VALUATION

In March, 1945, Government wrote to us to ask whether we would accept a valuation made by an eminent firm whom they named, subject to the condition that such valuation should be final and binding on both parties. An agreement to give effect to this arrangement was settled between the three parties. I regret to say that Government changed their view on the matter, and did not sign the agreement. On February 2nd this year the terms of the two agreements were settled with the Minister responsible for electricity, Mr Mahomed Ibrahim, and his advisers. One of these was a tripartite agreement between Government, the valuers, and the Corporation, dealing with the valuation and the other between Government and the Corporation, providing for the valuation being final and binding. Again Government have decided not to enter the second agreement. They now decline to agree to the inclusion in the agreement of any reference to the figure which the valuers are to name as the value of the undertaking and imply that if they are not satisfied with that figure, the matter shall be referred to Arbitration.

RECENT STRIKE ADJUDICATOR'S AWARD

I have mentioned earlier in my remarks that our employees recently went on strike. They put forward certain demands to which we could not agree. Government appointed an adjudicator to deal with the demands, and in doing so declared that if the strike took place, it would be illegal. Within the last few days we have received a copy of the adjudicator's award which has been confirmed by Government. The effect of this award if enforced would be that the employees are to receive 50 per cent. of the value of all the Corporation's Reserve Funds, after meeting liabilities, which are not clearly defined. The legality of such an award is open to question and your board will take all possible steps to have it revoked.

The report was adopted.

ARGENTINE ESTATES OF BOVRIL, LIMITED

LORD LUKE'S REVIEW

The thirty-ninth annual general meeting of this company was held on the 15th instant, in London.

In his address, Lord Luke, the chairman, said there would be general disappointment at the year's results, the net profit on trading being down from £70,781 to £15,047. The reasons were as given in the directors' report, and it would be observed that the circumstances were quite beyond the company's control.

Owing to the poor results in the year under review, no provision for taxation had to be made, and the net profit was £2,521, compared with £24,833 last year. This profit was insufficient to pay the preference dividend for the year without drawing on the amount brought forward from last year's profit and loss account, which stood at £75,711. The carry forward to next year's accounts was therefore reduced to £61,732. The directors regretted that no dividend could be recommended for this year on the preferred ordinary shares, which had received 3 per cent. in each of the last four years.

The chairman said that he had paid another visit to Argentina during 1947, and that Mr Powell had visited Argentina for the first time. It had been possible, by personal contact, to resolve on the spot many problems which would otherwise have necessitated long and possibly ineffective correspondence.

Since the close of the year under review, Lord Luke said that the company had been experiencing difficulty in moving their products, pending final arrangements with the Argentine Government Institution, which was now the sole exporter of most Argentine agricultural products, including meat (I.A.P.I.); but there were signs that shipments would be made fairly soon.

HENDERSON'S TRANSVAAL ESTATES, LIMITED

RECORD DIVIDEND

The thirty-fifth ordinary general meeting of Henderson's Transvaal Estates, Ltd., was held on 9th instant in London, Sir Joseph Ball, K.B.E., (the chairman) presiding.

The following is an extract from the chairman's statement circulated with the report:—

The report and statement of accounts discloses another satisfactory year and your directors have felt justified in recommending, for the second year in succession, an increase in the dividend, on this occasion to 15 per cent., as against 12½ per cent. in respect of the preceding year. This dividend is a record for the company, which during the last ten years has paid dividends amounting to a total of 115 per cent.

The increase in revenue from dividends and interest is due mainly to larger distributions received during the year on our holdings in White's South African Portland Cement Co., Ltd., and in the Delagoa Bay Development Corporation, Ltd. One of the company's main assets is its large holdings in the Twefontein United Collieries, Ltd., and during the course of my recent visit to South Africa I had an opportunity of inspecting both the Twefontein and Waterpan Collieries, Ltd., installed at the Waterpan Shaft a storage bin of 2,000 tons capacity, and I am happy to say that this is proving invaluable. Good progress had been made with the construction of a new modern coal-handling plant at Klipplaat, which includes a storage pile and washery capable of delivering a saleable output of 120,000 tons per month of high-quality coal. The demand for coal in South Africa, both for domestic use and for export, is still on the increase.

MOSS' EMPIRES, LIMITED

SATISFACTORY TRADING RESULTS

The forty-eighth ordinary general meeting of Moss' Empires, Ltd., was held at the company's London offices on the 16th instant.

The following is the review by the chairman, Mr Prince Littler, of the past year's operations:—

Profits for 1946 just fall short of the 1919 figure which held the record up to 1945, but six theatres were silent during 1946 owing to war damage, etc. Net profits of £107,468 compare favourably with the figure for 1945 of £54,476. Heavy provisions are again necessary for imperial taxation. Income tax and excess profits are fully estimated and appropriate provision made on all profits earned to December 31, 1946. The balance-sheet shows considerable changes owing to sales of properties, the repayment of 4½ per cent. debenture stock and issue of the new 3½ per cent. debenture stock to provide in part and among other things for purchase of the eight music hall properties from General Theatre Corporation, Ltd. Full information has already been given in the directors' report now in your hands.

I am convinced that the company will benefit by what has been done notwithstanding the difficulties which lie ahead. The fuel crisis and the exceptionally severe winter undoubtedly adversely affected theatre business. However, I am not dissatisfied with trading results for the current year.

After a long period of valued service Mr R. H. Gillespie has resigned on medical grounds. The board have expressed their confidence by appointing me chairman.

The directors recommend a final dividend of 7½ per cent., making 12½ per cent. for the year less income tax.

The report was adopted.

OHLSSON'S CAPE BREWERIES, LIMITED

INCREASED TURNOVER

The ordinary general meeting of Ohlsson's Cape Breweries, Limited, was held on the 17th instant in London, Mr Geoffrey Dent, the chairman, presiding.

The chairman said that the profit from trading and rentals of £745,429 showed an actual increase over the 1946 figures of £30,529, but in view of the very heavy cost of their plant renewal programme, the directors had thought it prudent to increase the depreciation figure from £20,000 to £40,000. The increase shown was therefore reduced to £10,529. Turnover had increased by £185,000.

During the year some degree of rationing had been necessary and demand still exceeded supply. That demand might have been influenced to some extent by the acute shortage of wines. All their breweries had been working to capacity. Plans had been approved for extensions and re-equipment at all of them, but owing to the uncertainty of delivery dates for new plant it might be some time before they could meet all demands for their products.

The position with regard to brewing materials had been a little easier, but owing to the partial failure of the South African barley crop their allocation was insufficient to keep their maltings fully supplied, and they had to malt some imported barley. The hop position had been easier, thanks to the increased acreage under hops on the farms the company owned jointly with the South African Breweries.

The directors recommended a final dividend of 1½ per cent., making 22½ per cent. for the year.

The report was adopted.

GOVERNMENT RETURNS

For the week ended July 12, 1947, total ordinary revenue was £45,970,938, against ordinary expenditure of £34,415,540 and issues to sinking funds £270,000. Thus, including sinking fund allocations of £3,211,384, the surplus accrued since April 1st is £230,978,528, against a deficit of £281,999,379 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1947-48	Receipts into the Exchequer (£ thousand)			
		April 1 to July 13, 1946	April 1 to July 12, 1947	Week ended July 13, 1946	Week ended July 12, 1947
ORDINARY REVENUE					
Income Tax	107,300	235,268	216,556	21,299	18,522
Sur-tax	80,000	12,335	14,030	390	600
Estate, etc., Duties	155,000	43,435	47,883	2,890	3,000
Stamps	57,000	8,080	11,370	100	800
N.D.C.	202,000	9,969	6,460	575	650
E.P.T.	1,000	91,671	57,848	4,830	4,600
Other Inland Rev.	1,000	123	95	5	5
Total Inland Rev.	156,800	399,881	354,242	30,089	28,177
Customs	736,960	162,049	222,377	11,250	11,206
Excise	643,040	145,600	140,700	4,800	4,800
Total Customs & Excise	1,380,000	307,649	363,077	16,050	16,006
Motor Duties	50,000	6,343	7,103	912	942
Surplus War Stores	95,000	909	29,761	56	326
Surplus Receipts from Trading	55,000	...	20,000	...	...
Post Office (Net Receipts)	...	1,110	2,140	...	...
Wireless Licences	11,000	1,000	190	210	...
Crown Lands	21,000	4,806	10,412	1,186	46
Receipts from Sundry Loans	270,000	4,662	144,536	41	474
Miscell. Receipts	...	...	...	...	...
Total Ord. Rev.	3,451,000	725,550	931,481	48,335	45,971
SELF-BALANCING					
Post Office	144,230	33,750	37,380	1,750	2,000
Income Tax on E.P.T. Refunds	49,000	64,961	6,163	7,650	368
Total	3,644,230	824,261	975,024	57,735	48,339

Expenditure	Estimate, 1947-48	Issues out of the Exchequer to meet payments (£ thousands)			
		April 1 to July 13, 1946	April 1 to July 12, 1947	Week ended July 13, 1946	Week ended July 12, 1947
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	525,000	115,648	123,978	1,213	1,516
Payments to N. Ireland	23,000	2,659	5,778	...	...
Other Cons. Fund Services	8,000	2,986	2,902	...	...
Total	556,000	121,294	132,657	1,213	1,516
Supply Services	262,537	833,233	564,634	40,550	32,900
Total Ord. Exp.	3,181,367	1,004,527	697,291	41,764	34,416
SELF-BALANCING					
P.O. & Broadcasting	144,230	33,750	37,380	1,750	2,000
Income Tax on E.P.T. Refunds	49,000	64,961	6,163	7,650	368
Total	3,374,597	1,103,238	740,834	51,164	36,784

After increasing Exchequer balances by £5,399 to £3,108,722, the other operations for the week decreased the gross National Debt by £5,988,480 to £25,458 million.

NET RECEIPTS (£ thousand)	
Land Settlement (Facilities) Act, 1919 and 1921	11

NET ISSUES (£ thousand)	
P.O. and Telegraph	360
E.P.T. refunds	451
Overseas Trade Guarantees Act, 1939, Sec. 4 (1)	1
Local Authorities Loans Act, 1945, Sec. 3 (1)	2,800
War Damage: War Damage Commission	1,500
Finance Act, 1946, Sec. 26 (7), Post-war Credits	140
Finance Act, 1935, Sec. 30 (1) 3 per cent. Local Loans Stock	50
	5,302

Statistical Summary

CHANGES IN DEBT (£ thousand)	
NET RECEIPTS	NET REPAYMENTS
Nat. Savings Certs 50	Treasury Bills 44,066
24% Defence Bds. 1,915	3% Defence Bonds 3,549
Other Debt :-	Tax Reserve Certs. 3,228
External 27,280	Other Debt :-
Ways & Means Advances 15,660	Internal 50
	44,905
	50,893

* Including £2,849,000 paid off on maturity.

FLOATING DEBT (£ million)	
Date	Treasury Bills
	Tender
	Tap
	Public Depts.
	Bank of England
	Treasury Deposits by Banks
	Total Floating Debt
1946	
July 13	1930-0 2569-4 416-7 15-75 1455 0 6296-8
1947	
Apr. 5	2185-0 2704-4 592-7 18-75 1443-5 6944-4
" 12	2185-0 2728-8 580-6 ... 1443-5 6937-9
" 19	2185-0 2708-6 583-8 ... 1463-5 6941-0
" 26	2190-0 2692-1 519-9 ... 1463-5 6865-5
May 3	2190-0 2661-5 507-9 ... 1463-5 6822-9
" 10	2190-0 2629-4 401-3 ... 1463-5 6684-1
" 17	2190-0 2627-1 348-0 ... 1463-5 6633-8
" 24	2190-0 2620-1 327-5 ... 1463-5 6601-1
" 31	2180-0 2603-3 337-5 ... 1463-5 6585-8
June 7	2180-0 2584-9 341-5 ... 1463-5 6575-4
" 14	2180-0 2592-1 347-1 ... 1453-5 6582-9
" 21	2180-0 2614-4 341-9 ... 1443-5 6589-8
" 28	2180-0 2537-3 369-9 ... 1442-0 6529-2
July 5	2180-0 2584-9 356-7 ... 1368-5 6496-4
" 12	2180-0 2541-0 378-6 ... 1368-5 6486-0

TREASURY BILLS (£ million)	
Date of Tender	Amount
	Offered
	Applied for
	Allotted
	Average Rate of Allotment %
	Per Cent. Allotted at Min. Rate
1946	
July 12	150-0 273 3 150-0 10 6-79 35
1947	
Apr. 11	170-0 296-2 170-0 10 2-57 43
" 18	170-0 280-7 170-0 10 3-10 51
" 25	160-0 291-8 160-0 10 2-72 27
May 2	160-0 308-0 160-0 10 0-84 32
" 9	170-0 296-3 170-0 10 1-38 44
" 16	170-0 281-2 170-0 10 1-62 49
" 23	160-0 284-6 160-0 10 1-45 43
" 30	170-0 282-5 170-0 10 1-66 49
June 6	170-0 290-5 170-0 10 1-49 45
" 13	170-0 277-7 170-0 10 1-61 49
" 20	170-0 282-0 170-0 10 1-65 49
" 27	170-0 288-4 170-0 10 1-43 46
July 4	170-0 292-1 170-0 10 1-51 46
" 11	170-0 293-8 170-0 10 1-69 40

On July 11th applications for bills to be paid on Monday, Tuesday, Wednesday, Thursday and Friday were accepted as to about 40 per cent. of the amount applied for at 99 17s. 5d. and applications at higher prices were accepted in full. Applications for bills to be paid on Saturday at 99 17s. 6d. and above were accepted in full. (£170 million (maximum) of Treasury Bills are being offered for July 18th. For the week ended July 19th the Banks will be asked for Treasury deposits to an amount of £40 million (maximum).

NATIONAL SAVINGS (£ thousand)	
	Week Ended
	July 6, 1946
	July 5, 1947
	Totals Mar. 31 to July 5, 1947
Savings Certificates :-	
Receipts	2,800 3,050 80,250
Repayments	1,750 2,350 39,250
Net Savings	1,050 700 41,000
Defence Bonds :-	
Receipts	1,580 1,575 25,635
Repayments	... 638 9,559
Net Savings	1,580 937 16,076
P.O. and Trustee Savings Banks :-	
Receipts	13,887 13,128 173,649
Repayments	13,430 13,945 176,326
Net Savings	457 Dr 817 Dr 2,677
Total Net Savings	3,087 820 54,399
Interest on certificates repaid	280 423 8,058
Interest accrued on savings remaining invested	2,164 2,275 31,609

BANK OF ENGLAND

RETURNS

JULY 16, 1947

ISSUE DEPARTMENT

£		£	
Notes Issued :		Govt. Debt	11,015,100
In Circulation	1405,522,302	Other Govt. Securities	1438,252,529
In Bank, Department	44,725,531	Other Secs.	722,836
		Coin other than Gold	9,535
		Amt. of Fid. Issue	1450,000,000
		Gold Coin and Bullion (at 172s. 3d. per oz. fine)	247,833
			1450,247,833

BANKING DEPARTMENT

£		£	
Capital	14,553,000	Govt. Secs.	339,050,660
Res.	3,682,914	Other Secs.	...
Public Depts.	9,515,309	Discounts and Advances	21,384,500
		Securities	18,134,740
Other Depts.	...	Notes	39,519,330
Bankers	303,901,454	Coin	2,167,145
Other Accts.	83,809,989		425,462,666
	397,711,443		425,462,666

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

COMPARATIVE ANALYSIS

(£ millions)					
	1946	1947			
	July 17	July 2	July 9	July 16	
Issue Dept. :					
Notes in circulation	1370-7	1398-7	1403-6	1405-5	
Notes in banking department	29-6	51-5	46-6	44-7	
Government debt and securities*	1388-2	1449-2	1449-2	1449-2	
Other securities	0-8	0-8	0-8	0-7	
Gold	0-2	0-2	0-2	0-2	
Valued at s. per fine oz.	172/3	172/3	172/3	172/3	
Banking Dept. :					
Deposits :					
Public	7-5	8-5	8-8	9-5	
Bankers'	257-6	318-2	293-2	303-9	
Others	55-9	95-0	96-4	93-8	
Total	321-0	421-7	398-4	407-2	
Securities :					
Government	281-8	351-0	328-0	339-0	
Discounts, etc.	10-2	17-7	22-2	21-4	
Other	16-2	17-6	17-6	17-6	
Total	308-2	386-3	367-8	378-5	
Banking dept. res.	31-1	53-5	48-7	46-8	
	%	%	%	%	
"Proportion"	9-6	12-6	12-2	11-5	



The Economist

Established 1843

One Shilling

July 26, 1947

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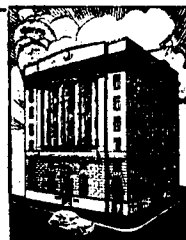
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DIVIDEND NOTICE

Notice is hereby given that an interim dividend of Fifty Cents (\$50) per share, payable in Canadian funds, has been declared by the Directors of Noranda Mines Limited, payable September 15, 1947, to shareholders of record at the close of business August 15, 1947.

Toronto By Order of the Board,
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By Order of the Board,

Registered Address: 10, Old Jewry, London, E.C.2 July 16, 1947.
H. E. ASHBY, Secretary.

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By Order of the Board,

Registered Address: 10, Old Jewry, London, E.C.2. July 16, 1947.
H. E. ASHBY, Secretary.

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Notice is hereby given that in order to prepare the Warrants for Interest due September 1st next, the Balances of the several Accounts in the above-mentioned Stock will be Struck on the night of August 1st, and that on and after August 2nd the Stock will be transferable ex dividend.

For Barclays Bank (Dominion, Colonial and Overseas), (Registrars of the above Stock). ROWLAND SMITH, Manager.
Circus Place, London Wall, E.C.2. July 7, 1947.

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UNIVERSITY student having done advanced statistics and 3 years' honours mathematics wishes to find a temporary post for 2 or 3 months in a statistical office to gain experience.—Box 507.

unified and productive whole. The cog wheels are turning, but they do not mesh, and the reason for this maladjustment is hardly economic at all. It is political and moral, and its roots lie in distrust. The truth is that France has not yet achieved the measure of social cohesion necessary for its economic system to work smoothly. The dream of the Resistance has faded and French society is back in the *impasse* which destroyed the Popular Front in 1936. The *bourgeoisie* are not reconciled to the passing of a large measure of political and even economic power to the organised working class, and their response today, as in 1936, is a sort of concealed strike. Then it took the form of a flight from the franc to foreign currency. Today, exchange control restricts this possibility. The answer is therefore hoarding, tax evasion, failure to invest and luxurious spending. The Government, lacking sufficient revenue from taxation and unable to induce saving, cannot balance the budget and has resorted to inflation. But the workers, pinched by rising prices and conscious of their greater political influence, resort to the weapon of the open strike for higher wages, and thus the inflationary spiral spins the faster. The peasant, unable to purchase consumer goods and losing confidence in the currency, eats more himself and feeds wheat to his animals. Now, for the first time, he has himself threatened to strike, in order to receive a better price for his deliveries of grain. Thus he adds his spin to the spiral of increasing food costs and wage demands. Strictly speaking, the economic answer to all these problems is known—to increase taxation, to ensure investment, to cut state expenditure, to balance the budget and to restore confidence in the franc. But the political answer is one that has eluded Frenchmen for the last thirty years.

What are M. Ramadier's chances of achieving the minimum social cohesion necessary for his task of stabilisation? The answer concerns not only the prospects of French recovery, but the chances of revival throughout Western Europe for, without France as an active partner, it is hardly possible to talk of a Marshall Plan at all. In some ways, the outlook today is rather more promising than it was a few weeks ago. The parliamentary mechanism of the Fourth Republic is clearly working more efficiently than that of the Third, however much politicians may have retained their old idiosyncrasies. More important, however, is the evidence of a new approach in industry. For the first time since 1936, the employers' organisations and the CGT and the Christian unions have conferred together on problems of wage and industrial policy, and in quick, good-humoured session, reached agreement upon an increase in minimum wages, the provision of more consumer goods (at prices ensuring a "reasonable return") and joint consultation within industry. The substance of the agreements is, of course, inflationary in effect. They will be backed by the Government in a general 10 per cent increase in the minimum wage and a general removal of the old 5 per cent cut in prices. In other words, the *expérience Blum* is to be formally buried. But the willingness to hold talks and the publicity given to them in the trade union press suggest a more hopeful atmosphere in industry. There is some evidence that the workers are tiring of "political" strikes. Recently, many Communist mass rallies have been poorly attended. Such a mood will not lead to a Communist change of heart, but it could herald a change in tactics. The metalworkers' union last week issued a special call to its members for greater effort and higher production. It is possible that, for a time, the strike wave may abate.

Unhappily, these signs of a greater reasonableness within the French economy are almost nullified by the increasing division on foreign policy. At this point, the analogy with 1936 breaks down. So long as Germany loomed on the French horizon, the vast majority of Frenchmen were at least united in the search for security. The removal of the Germans as an actual menace leaves the nation suspended between the Easternisers

and the Westernisers, and the split over the Marshall offer has made the division more acute and bitter. The Communist Party is obviously determined to work with all its strength to prevent any integration of Western Europe and has found in the fact that the American Government wishes to include Germany in the Plan a formidable engine of attack. Thus, while the Plan might, from the economic standpoint, provide precisely that element of confidence which is lacking, it runs the risk of increasing France's divisions in the political sphere.

It is here that British and American diplomacy can have an important, even a decisive, effect upon the restoration of French stability. Both countries have vital interest in making every contribution within their power, since the alternatives to M. Ramadier's coalition—a Communist Government on the left or a Gaullist combination on the right—would write "finis" to broad plans of democratic revival in Western Europe or on the Continent generally. In theory, the economic assistance possible under a Marshall Plan might turn the scale between stability and further disintegration next winter. American assistance could pursue a double policy in attacking the basic problem—lack of confidence in the franc. The provision of dollars or gold could underpin the currency and imports of consumer goods, could begin to create a corrective process by tempting food and goods market, restoring the purchasing power of wages and increasing the incentive to produce more. Against such a background, a devaluation of the franc could mean not the first step in a fatal *dégringolade*, but the firm establishment of the currency at a more rational level. The chief American contribution to its ally's stability is thus to ensure that the Marshall conception is accepted by Congress and supported as a factual plan at the earliest possible moment.

At the same time, the economic clauses should not be fitted into a political framework which nullifies them. British and American diplomacy has been remarkably clumsy in recent weeks. By preparing on an exclusively Anglo-American basis a new project for a revived German industry, just at a time when the discussions on the Marshall offer were beginning, the two allies have delivered a diplomatic rebuff to M. Ramadier's Government on which the Communists have instantly and joyously seized. By allowing the belief to grow that this revived industrial production in the Ruhr would have priority in the Marshall approach, they have drawn from M. Ramadier the bitter remark that "the victims should at least be considered before the executioners." The wise decision to postpone the announcement of the proposed level of industry plan creates the opportunity to repair the diplomatic blunder, but clearly, M. Ramadier cannot survive Communist criticism of his co-operation with Britain and America unless he can provide solid guarantees that France's "security" is not to be sacrificed. The American offer of a 40-year military pact is a first step and indeed, in the light of American history, a revolutionary step. But a military guarantee is only an earnest of final victory, whereas France is anxious not to become a battlefield at all. The crux of the problem, therefore, lies in the Ruhr itself—in ensuring that its industrial development is not achieved at the cost of France's recovery and in associating the French, as soon as possible, with the control of the area.

If the British and the Americans can make specific proposals on these points, they can do more than simply weaken Communist criticism. They can give the Ramadier Government an important political victory and thus add to its own internal stability. Since confidence is the commodity in shortest supply in France today, any accession of strength behind the Coalition must have a beneficent effect throughout the body politic. So far, M. Ramadier has done little more than keep his balance. To exercise genuine leadership, he needs firmer ground beneath his feet. Both economically and diplomatically, Britain and America can contribute to that underpinning, and of all their tasks in Europe, none is more urgent or promises a better reward.

What is Wrong with the Press?

THE Royal Commission on the Press announced last week-end an interim dividend. It took the form of eighteen-pence worth of evidence submitted by the National Union of Journalists and published by the Stationery Office. It will raise no new hopes of an impressive final statement by the Royal Commission; indeed, it may damp down those that were raised by the heated debate in the House of Commons last October. For there is nothing in this expensive document of twenty-three pages which could not have been obtained and published without the protection and authority of a Royal Commission. And when it is recalled that the agitation for inquiry into the press was really begun by the NUJ and was presented by MPs as a spontaneous explosion from an indignant public and frustrated profession, one is puzzled that men so skilled in presentation have not done a better job. There is, of course, oral evidence still to come, and the members of the Commission will doubtless elicit by cross-examination much that has not yet been said. The questionnaires already circulated by them to proprietors, editors, managers and practising journalists show that they intend to explore every nook and cranny of Fleet Street and the Gray's Inn Road for the true "story" of the press, its control, conduct and organisation.

They might well be left to pursue the task in peace were it not for two things; firstly, that the newspapers have been singled out to be victims of the first of the new import cuts which are to herald Mr Morrison's twelfth hour. The speeches made by Ministers in last week's debate served rather to confirm than to remove the impression that the cut was intended to express displeasure at the use made by the daily newspapers of their occasional extra pages. The preliminary bombardment of the press lords and their forces began eighteen months ago; forces were joined last year in the House of Commons and in the press itself; isolated actions were fought—and apologised for—by the Attorney-General; and now the general engagement has begun in the purlieus of the Royal Commission. The press is certainly, in some quarters, being deemed guilty until it shall have proved itself innocent.

A second good reason for not leaving everything to the Royal Commission is that a new generation is coming into journalism, after the war years. It is preparing to "learn the ropes" from men who are in many cases practising and teaching theories and methods which are a quarter of a century old. Certain editorial practices which have brought British newspapers into disrepute originated in the minds of followers of Newnes and Northcliffe. But those pioneers, if they were alive now, would certainly not offer the techniques of *Tit Bits* and *Answers* and the halfpenny *Daily Mail* to a public which regards the Brains Trust and the Transatlantic Quiz as first-class entertainment. There are fewer initiators among the proprietors of today, and the popular press as a whole has not yet found the way to combine intelligent presentation of news with human interest and entertainment. There is no reason why a popular paper should not be a ment. There is plenty of evidence that it does. Many of the criticisms of the popular press that are made by superior intellectuals are irrelevant because they ignore this clear popular demand. But there is an element of sacredness about news, and though it may be printed on the same pages as entertainment, it should not be treated as entertainment. Too often the handling of news is entrusted to men who are in fact professional entertainers or showmen; and at the time that the proprietors are dining of an evening the balance and emphasis of the day's news treatment is being decided in their offices by

specialists in make-up or presentation. Many of these specialists have little knowledge of, or interest in, the political or social significance of the stories they are handling; and the distortions of fact that are of daily occurrence are much more often the result of the ignorance of the journalist than of any instruction from the highest quarter to "splash" this or "run" the other political story.

*

These objectionable journalistic practices, which produce distortion of news and the dramatisation of the insignificant, which cheerfully sacrifice the content of a news item to the form of its presentation, are handed down from generation to generation, from sub-editor to sub-editor. It is by quick and thorough grasp of them that the new recruit makes his way, in provincial as well as in London journalism. The better educated and the more critical the recruit, the more difficult he will find it to "learn the ropes"—the more he will have to stifle in himself the sentiments and principles that make a journalist a conscientious servant of the public. Yet some of these practices could be quite quickly suppressed if a few vigorous personalities in Fleet Street thought it worth while trying to do so. Reform need not wait upon proprietorial edict; indeed, only those one or two newspaper proprietors who have a real flair for the technique of the profession could understand what is required. There is no reason why steps to improve the accuracy of reporting, to check sensationalism and to encourage a greater sense of responsibility in newspaper men should not be taken by the members of the National Union of Journalists, either within the NUJ or within their respective offices. If they should try, and fail, then they could tell the Royal Commission—in the course of the years that it will doubtless sit—that only a properly constituted professional association or statutory body can improve the press. And that is in fact the first and most substantial of the constructive suggestions printed at the end of the NUJ evidence.

What is surprising—indeed shocking—in the NUJ document is that the evidence given of inaccuracy, of "the splash," of "irresponsibility producing contradiction" and of sensationalism is not in any way related to the general charge that the condition of the press is somehow due to monopolistic tendencies. Yet the ordinary reader would certainly gain the impression that these abuses were due to the policy of the proprietors. If that were true, of course, it would be necessary to postpone all efforts at reform until the Royal Commission had thought out some way of legislating against the proprietors—an idea which has been most vigorously disowned by the NUJ itself.

It is evident that several different grievances against the press have become mixed up. Firstly there is the grievance of the Left, of the supporters of the Government, that they often get unfair treatment from the preponderantly Right-wing daily press. The complaint has some substance, but the propaganda of the Right-wing dailies against the government of Mr Attlee seldom approaches in virulence and cynicism the propaganda of the Left-wing press against the governments of Mr Baldwin and Mr Chamberlain. (Incidentally it is a striking fact that of 26 examples of distortion, inaccuracy and sensationalism given in the NUJ evidence, 23 are taken from Right-wing newspapers and only 3 from newspapers of the Left.) The *Daily Mirror* escapes all notice and so does the *Daily Worker*. Secondly, there is the grievance against the concentration of power in the hands of four big groups, Associated Newspapers,

Kemsley Newspapers, Westminster Press, and Provincial Newspapers. (The NUJ evidence includes London Express Newspapers, Ltd., under the heading of "Smaller Groupings," together with Odhams Press and its *Daily Herald*.) This complaint gets much of its impetus from the first; but there may be genuine public concern at the tendency of independent newspapers to disappear. Thirdly, there is the grievance against the financial ambitions of the newspaper proprietors, who are accused of putting profits before public duty, of serving the interests of advertisers, and of sacrificing all standards for the sake of circulation. This is a charge which is also brought against the makers of films, the managers of circuses, the makers of patent medicines and other persons whose activities the public finds indispensable. It is a charge which looks less serious when it is realised that some newspapers—especially on Sundays—deliberately set out to entertain, rather than to inform.

And lastly there is the grievance of serious-minded people of all political colours against the flippancy and irresponsibility with which political and economic issues—both international and domestic—are often treated. They complain that insufficient facts are given for the reader to form an independent judgment or that commentators, ill-qualified even to present the facts, are allowed to deform them. The accusations certainly find their mark in a number of offices. Yet salaries have risen; and it is easier than it used to be for the university man to get into newspaper work.

All these grievances, strung loosely together, make quite a formidable indictment; but it is not one with which a Royal Commission can deal. Even a board of press governors like that of the BBC, or a Council like that of the medical profession—two of the NUJ's alternative suggestions—could not find the remedies alone; for there are bad doctors and there are some rather doubtful news experts in the BBC. Only journalists themselves can find the cure, by picking their staffs carefully, planning their needs well ahead, giving young men and women the experience and training they will require, and then guaranteeing them the security of tenure without which no professional man can maintain his independence of outlook.

It may well be that the structure of the newspaper industry and its commercial competition make such reforms difficult. But the present agitation, inspired by the NUJ and encouraged by the Labour Government, is concentrating far too much on matters of ownership and is ignoring far too completely some

of the other charges that can be brought against the press. To the question "what is chiefly wrong with the press?" one of the answers—and perhaps the most comprehensive answer—is "the low general standard of education and responsibility among the journalists." It is all very well for the NUJ to say:

We seek, above all else, as a body of professional men and women, that the industry in which we serve the community should be directed and managed primarily in the public interest but they might first apply the same test to themselves. What exactly do they mean by that proud contrast between their "profession" and the proprietors' "industry"? Are they sure they deserve it?

No one would maintain that a raising of standards—one is tempted to say the creation of professional standards—among the journalists themselves is a complete prescription for the ills of the press. But it is certainly an important part of a full prescription. If this country is to have a good press, it requires from its journalists a much more sober approach to the responsibilities of their calling than the great mass of them now exhibit. It requires a much higher standard of education, not in the sense of examinations passed and diplomas secured, but of real knowledge and understanding of the matters of which they write. It requires, not indeed a dull stodginess of writing, but a determination that the truth, and a fair balance of the truth, shall never fall a victim to the desire to be amusing. It requires every journalist to approach every piece of writing with a real desire to enlighten his readers' minds and not merely to give a good personal performance on the stage of Fleet Street. No doubt the proprietors, and the mood they have been in these fifty years, are partly responsible for the absence of these qualities. A determined proprietor could undoubtedly raise the professional standards of his staff. But he would have to be very determined, and anybody who knows Fleet Street knows that the most obstinate obstruction and the loudest derision would come from the working journalists themselves.

These things—to repeat—are not all that is required of the press. But it is not right that they should be passed over in silence or that the NUJ should be allowed to take its seat in court among the prosecuting attorneys and not among the defendants in the dock. It is for that reason that, in this article, the professional faults of the journalists have been insisted upon before the argument proceeds, in a second article, to proprietorial sins and to the defects of organisation.

the West Indies, but look how loyal the colonial peoples were when war came. It is a pity that Malta had to lose its constitution in the 'thirties, but the islanders have since worked their passage home and are about to receive an even better constitution than they had before. The Colonial Office did not need the searchlight on West Indian poverty provided by the Royal Commission to establish the policy now known as "development and welfare." It had already been working towards it.

What, in fact, one misses from this report is the overtone of urgency which day-to-day events seem to justify. This week began with the news of the assassinations in Burma and the Dutch action in Indonesia. Should these events not be a warning to the Colonial Office that matters within its province may not be falling into their place in the scheme of things quite so inevitably as it tends to assume? The staid reference to the aspirations of Cyprus, which begins: "The end of the war has been followed by some recrudescence of the campaign among the Greek-speaking element of the population in favour of

'Enosis,'" is in striking contrast to the impression of tension among the islanders given by a correspondent on a later page of *The Economist* this week. Are the present happenings in Cyprus ephemeral and unworthy of mention by the Colonial Office recorded of ten years hence? Or are they of great significance in the evolution of the British colonial empire?

There is at present in this country an African from Nigeria called Azikewe, known in Nigeria as Zik. Most people in this country have probably never heard of him, but in his own country he is a man of influence. He owns a group of newspapers which circulate in Southern Nigeria, and if newsprint were more plentiful he would by now have established a newspaper in the Moslem Northern Provinces. By a calculated confusion of factual reporting and editorial comment, relieved by personal attacks on European officials, Zik preaches a creed called Zikism—a doctrine of Africa for the Africans—which is inspired by a dislike of the white man's presence in Africa in general, and of the presence of the British in Nigeria in particular.

People in this country, reading his scurrilous articles and observing his scant regard for facts, may smile tolerantly and say that Zik should not be taken too seriously. Such extremism, they will say, will defeat its own ends because sooner or later it will be discredited. Zik has at times lost face—as at the time of the general strike in 1944. But today, when he unfurls his own special banner at Onitsha, his home town, the faithful are suitably spellbound, and the existence of British rule gives him a readily available whipping boy to flog whenever the spell wears a bit thin.

Neither the Colonial Office nor the Nigerian Government makes the mistake now of under-estimating Mr Azikewe's influence, as witness the Nigerian Government's official corrections of his extravagances. They know the harm he can do by misrepresenting their policy in Nigeria and abroad. But what is not so certain is whether they take Zikism seriously, for it is not the man himself, but the popular feelings which he personifies, that will have the most lasting influence. Zik is an Ibo, and the Ibos are, at the moment, progressing well ahead of the other diverse elements that make up the population of Nigeria. They are a restless, energetic, politically-conscious people; conscious, too, of their own superiority over the Moslems of the north and the Yorubas of the south. They have the will and the ability to forge ahead, and they know it.

For a people such as the Ibos, British colonial rule, as illustrated in this record of the last eight years, is anathema. Zik is in England at present, financed by his own countrymen, to protest against Nigeria's new constitution. Judged by any rational standard, this new constitution is a good one. It allows for the fact that it has to cover not one colony but three—three colonies, too, with very different cultures—and allows for them all to progress at their own pace towards the goal of self-government. It also gives an unofficial African majority in the Legislative Council. But to the Ibos it means that their activities are restricted to their own province. They claim, without justification, to be Nigerians and to speak for Nigeria, and, unconsciously perhaps, they look, like the Chinese in Malaya, for a constitution which will allow them to swamp the slower, less energetic peoples of the other provinces. They cannot wait for the emirates of the north to catch them up. They want independence in their own lifetime, and they regard the new constitution as a typical British ruse to try to head them off. It is not, perhaps, going too far to see in the Ibos the future Congress Party of Nigeria.

Zikism is not confined to Nigeria, though it is potentially more important there than elsewhere—does not the colony contain over twenty million of the colonial empire's fifty million inhabitants? Zik himself has his counterpart in Mr Bustamante, Prime Minister of Jamaica, who makes the same popular appeal

by the same wild extravagances. The Jamaican House of Representatives recently passed a resolution asking for what would amount to full self-government, subject only to the Governor's reserved powers, although the present constitution is not due for review until the end of 1949. In other colonies there will be found the same impatience with British rule, the same resentment at having to accept political advancement as a favour at the hands of the British, the same aspirations fostered by the sight of independence elsewhere—if Burma, why not Ceylon; if Ceylon, why not us?

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It is probably true that, judged by their fitness to govern, the dependent peoples of the Empire are—the Mediterranean colonies apart—being led towards independence as fast as is practically possible. It is also true that the element of nationalism—the Mediterranean colonies again excepted—is not very large, especially in Africa. The Emirs of North Nigeria certainly do not want to exchange British rule for the rule of the Ibo. For the peace and prosperity of the colonies the even tenor of British colonial policy, as illustrated in the Colonial Office's record, is amply justified. But the Colonial Office would be wrong to ignore this nationalism merely because it does not conform to its plans for orderly development. There is probably not a country of the Empire that has achieved full self-government according to plan, when, that is, all the criteria had been satisfied—economic stability assured and communal rights protected. Nationalism always pushes the date forward, and the problem before the Colonial Office is how to canalise the nationalism at present stirring in the colonies before it becomes strong enough to make claims for far too premature independence irresistible.

It is not an easy problem to solve; nor is the solution likely to be the same throughout the colonial empire. A partial attempt has, it is true, been made in recent years through the "development and welfare" policy, by encouraging the colonial peoples to help in framing the development and welfare plans, and thus to feel that they are helping themselves towards economic independence. This attempt, however, has not had the success hoped for. The Nigerians do not feel that the ten-year development plan is theirs, partly through the opposition of Zik, but also because the African is not interested in long-term schemes of irrigation any more than in an indefinite promise of future independence. He wants to see water flowing out of a tap. But could not more be done in associating the colonial peoples more directly with the responsibilities of government? The African has an immense, an avid, enthusiasm for education. Would it not be possible to find a Nigerian, or a Gold Coast African, capable of assuming responsibility for their country's education? If intelligent Africans could be given more responsibility than they are at present, some counterweight to Zikism might be provided.

Secondly, there is no doubt that there is much in the British colonial service, especially at the top, that stings the dependent people into opposition. This does not mean that Governors should be chosen from ex-trade union officials. But could not there be less of the state visits, the ceremony, and other outward symbols of the British raj that irritate the sensitive, educated African as much as they impress the illiterate? British colonial rule is the best in the world. But as administered by the top ranks of the colonial service, it merely serves to emphasise British power and sovereignty.

When Mr Creech Jones speaks in the colonial debate next week, he can justly claim that the two years of Labour's administration of the colonies have been impressive. But it is to be hoped that the achievements of office will not prevent him from showing the same awareness of undercurrents, the same appreciation of apparently insignificant events in the colonies, that he showed as a back-bencher.

Nationalism in the Colonies

AS only to be expected from an official record, the account of the colonial empire in the years 1939 to 1947, which was published (Cmd. 7167) last week-end, is pitched on a low note. These years have seen enormous advances in the political and economic development of the colonies: new constitutions, sometimes giving a large amount of responsibility, have been granted right and left; and a determined effort to attack colonial poverty has been launched. The sober, measured tones of the Colonial Office's recorder place all this progress in its proper perspective. There has been no reversal of policy. What some colonies have achieved in the last eight years, and what others are in process of achieving, is the goal towards which all official policy has always been directed. The tempo may have quickened, but that is all.

The historical approach is appropriate for the official record. Its drawback is that the impression given by the narrative tends to be over-complacent. The colonies are all right, the narrator seems to be saying. There was considerable criticism of our policy just before the war when there were serious riots in

NOTES OF THE WEEK

M. Bidault's Veto

Difficulties over Germany have now formed themselves into a new pattern. Within a month of Mr Molotov's disappearance from the counsels of western Europe, M. Bidault—or is it M. Thorez?—has taken on his role of obstruction. Admittedly he plays it with courtesy and good-temper, but he is none the less conscious of the bargaining power he now enjoys. The conference of sixteen governments, which is to present eventually the answer to the Marshall offer, cannot succeed without Anglo-French leadership; and should that leadership be not forthcoming, Mr Marshall's European policy might collapse too. The problem which might produce such disagreements and disasters is the old one of Germany, now appearing in a new form.

It has been quite clear in the last three weeks that the Americans want to see the stimulation of Ruhr coal and steel production playing a major part in any Marshall plan offered to Congress. What is more, they want that part of the plan to start right away, with joint action and policy in the British and American zones. They have promised sufficient food to guarantee a regular distribution of 1,500 calories; they have explored the possibility of bringing private capital into the Ruhr; and they have made it clear in the directive to General Clay published last week that he is henceforth to regard his zone as a contributor to and beneficiary of the economy of western Europe. They have agreed with the British on a higher level for German industry, and may even have gone so far as to see in increased aid to the Ruhr an indirect means of relieving the British dollar shortage. From the economic point of view this was all very sensible; but serious political difficulties arose directly American intentions became generally known.

In the first place, the British want the Americans to bear an increased proportion of the cost of feeding and administering western Germany. On any basis of calculation the present fifty-fifty arrangement is inequitable; in the present British economic situation it is indefensible. Moreover, should the French be invited to join their zone to the other two western zones in the course of next year, they would first of all insist on their inability to share the present dollar expenditure which occupation requires. Knowing that the Americans want to get on with plans for the Ruhr the British for once have been in a strong position to insist that any discussion on Germany, in Washington or elsewhere, should cover British as well as German needs.

In the second place, to make things even more difficult, the French took fright last week at the suggestion that the Ruhr might have priority in any Marshall plan, and that the British and Americans might make decisions with which the French Communists and Russian propaganda could belabour the present French government. Reproachful Notes were sent to London and Washington, and even M. Ramadier was put up to protest publicly against rumoured American intentions. The result has been that the Anglo-American agreement on a new level of industry has not been—and will not be—published; that American advocates of a great Ruhr recovery plan have temporarily taken cover; that the British and Americans are sitting in their corners instead of sparring (as they were ten days ago); and that nothing of any importance—except the establishment of a regular ration—is likely to happen in western Germany for some time.

Stocktaking in Paris

The stocktaking stage of the Paris Economic Conference was started at the beginning of this week. The politicians having helped one another over some awkward obstacles, the technical committees are now working at answers to a questionnaire of twelve paragraphs and an annex. The delegates are asked, first of all, to look backwards: to explain what their countries have suffered from the war, what they have done for their own recovery, what help they have received from others. Then they are asked to look forward four years (the period fixed by the British and Americans for the recovery of exports from their zones of Germany); to estimate their probable deficits and surpluses in food and raw materials, their import requirements, their possible exports of equipment goods, and the probable state of their balances of payments.

This can be regarded, of course, as a straightforward technical task, but it would be wiser to prepare for political difficulties even at this stage. It will be hardly possible, for example, for the British experts to estimate British coal exports in the next four years without having French grievances on this score in mind; or for the Dutch to present their estimates of food surpluses without pointing out that their farmers will not go on producing them if the German market remains closed; or for the French to estimate their steel production without references to their need for Ruhr—as well as British—coal. But these difficulties will not cause real trouble if they are dealt with vigorously through diplomatic channels outside the Committee. A task of great delicacy confronts Mr Marshall and Mr Bevin: the task of persuading the smaller countries—particularly the Benelux and the Scandinavian groups—that they are not being drawn into a political bloc, but must nevertheless be ready to make some sacrifices of national interests for the common benefit.

These "matters of substance," as the Swedes called them last week, have been kept on one side in the Paris discussions, while the echoes of Mr Molotov's defence of "national sovereignty" were allowed to die away. But they cannot be left on one side, especially as the United Nations Economic Commission for Europe in Geneva has been very attentive to the claims and dignity of the smaller Governments. By a vote in which they had British, French and American support against a Russian group, the Czechs and Poles abstaining, the smaller Governments have secured their share of interest in the affairs of Germany. The Secretary of the Commission is to go on trying to establish liaison with the Control Authority in Berlin and to make "organisational arrangements" enabling the coal, inland transport and other committees of the Commission to give effect to their decisions wherever they affect Germany. When the Paris Committee passes, as it must very soon, from stocktaking to rough planning, the Geneva Committee may be a very useful cushion between the Eastern Governments on the one hand and the more timid Western Governments on the other. And it must not be forgotten that the Americans sit in the Geneva Committee but forbid themselves to sit in the Paris one.

But Where is the Rabbit?

Mr Morrison's christening oration on the Economic Planning Board has left its aims and objects shrouded in a mystery which, rumour has it, even the Board's own members still find it hard to penetrate. No one denies that the Government needs more advice and constructive thought; the question is merely whether Mr Morrison's remarks on these subjects have much relevance to what the Board can actually do. In principle, the Board might have any or all of three functions. It might actually take decisions; but this has been rightly ruled out by Mr Morrison as the responsibility of Ministers or their direct subordinates. It might serve to improve the contacts between Government and industry; but for that also, as emerged clearly from the brief discussion in Parliament at the time when its membership was first announced, it is not particularly well suited. It does not in any sense represent the great mass of small or medium firms, which are precisely those whose contacts with the Government are least close. Its representation of even the larger firms and trade unions is absurdly inadequate; three extremely busy nominees of the Federation of British Industries and the Trades Union Congress can scarcely claim to speak for their nominal constituents in any sense that is more than symbolic. Finally, the Board might act as a real general staff, assembling facts, working out plans, and proffering carefully digested advice. But that is quite clearly a job for full-time specialists. There is sense in the idea of Sir Edwin Plowden as economic Chief of Staff, with his own staff of specialists—including specialists in commerce and industry—around him and the assistance of the Economic Section of the Cabinet Secretariat. But does anyone seriously imagine that occasional meetings between a dozen of the busiest men in the kingdom will add much that could not have been secured, to better advantage, by direct and separate contact between members of the full-time staff and the individuals and organisations most concerned? Mr Morrison is adept at multiplying cocked hats; but what, if any, rabbit does he really expect to emerge?

Room for Planners to Breathe

The basic trouble in all this is the eternal and natural preference of overworked Governments and departments for creating another committee in preference to doing something for themselves; for there are in fact at least four directions in which, by changes of policy, departmental reorganisation, or the speeding up of prospective measures, something really effective could be done to give Sir Edwin Plowden's work the backing it requires. The first is a policy decision designed to limit the Government's commitments, stage by stage, to the point where they can be handled without gross overwork on the part of senior Civil Servants—a policy, in fact, of giving Civil Servants time to think. The decision will not be popular in the Government; but that does not make it less essential. Secondly, pressure of work must no longer be treated as an excuse for understaffing the sections of departments which deal with research and development, or for overloading them with current work. In a well-run firm, a managing director who informed his board that pressure of work made adequate attention to research and development impossible would be out on his neck in the street; and it is time that these functions were taken equally seriously by the Government. Thirdly, it would do no harm to bear in mind that the planning problems to be faced today, notably in connection with raising productivity, are largely qualitative; and might it not be possible to secure more skilled manpower for hard thinking about these problems by reducing commitments for purely quantitative work. And, finally, if Mr Morrison really wants organised contact with a representative cross-section of industry, could he not do something to accelerate the advent of the Development Councils proposed in the Industrial Organisation Bill?

No doubt other avenues could be found as well; but it is enough to indicate these. The point, after all, is clear enough. No one can relieve the Government of its responsibility for policy; no one can relieve its full-time advisers of the task of doing the necessary thinking and research; and the way to secure efficiency in both directions is not to pursue philosopher's stones in the arid wastes of advisory committees, but to cut the work down and increase the efficiency of doing it until Ministers and Civil Servants can do their job adequately themselves.

Marshall Plan Under Fire

Russian hostility to the whole conception of American aid to an integrated Western Europe remains implacable and the main lines of the counter-attack are now reasonably clear. To the world at large, the Russians denounce America, Britain and France as violators of the United Nations Charter in that they have taken their "plan" outside the United Nations and have specifically by-passed the Economic Commission for Europe. This was the burden of a strong speech delivered by M. Thorez in Paris on Wednesday and there is a chance that the Russians will raise the issue at the General Assembly in September (if the Americans counter them—as a growing body of American opinion wishes to do—by proposing the abolition of the veto, it is difficult to see how the exodus of the Eastern bloc from the United Nations can be avoided).

The full weight of Russian opposition is, however, felt primarily in Eastern Europe. The Communist press attacks the plan as a shield for the penetration of Europe by American finance-capital

—“the trusts”—and significantly enough, has pounced upon the vexed issue of Germany's place in the plan. All Germany's old enemies are told that America's aim is to subordinate European reconstruction to German industrial revival and an article reputed to be by Mr Randolph Churchill, and to have appeared in the *Daily Mail*, is widely quoted as saying that in the next war the Germans may be found among the defenders, not the enemies, of Western civilisation. From these premises the Russians deduce that any man or group still hankering for Western aid is a saboteur or a spy. The opposition are denounced as paid agents of Western imperialism and the supporters of the various governments are urged to “close their ranks.” What this means in practice is strong criticism of the Socialists and pressure on them to fuse with the Communists in a single working class party. The Communists in Finland accuse the Socialists of “retarding democracy” by co-operating with the Rightwing groups. In Hungary, the Socialists are charged with trying to attract “fascist votes” in the present electoral campaign and of coming under the influence of “foreign socialists.” In Poland, the arrest of 23 members of the pre-war socialist party for espionage and connections with the underground opposition in Poland and the dissident groups abroad has been made the occasion for renewing pressure for fusion. The old chairman of the Socialist Party, Mr Osobka-Morawski, has resigned and the new chairman, Mr Kazimierz Rusinek, while denying that a resolution on fusion will appear on the agenda at this year's Party Conference, admitted that the creation of a single working class front was basically his party's aim.

Eastern Europe Reaction

The reactions of the Eastern European nations to the new situation have varied according to their degree of internal strength and cohesion. There is a strong undercurrent of disappointment in Prague that the invitation to Paris was first accepted and later refused and the Socialist leader, Dr Fierlinger, felt compelled to make a long, reasonable and conciliatory explanation of the reasons which had led to the Government's change of front. In Poland, too, the reaction so far has been restrained. The Poles this year are encouraged by some remarkable results in the economic field. In many branches of industry they are back to pre-war levels of production and in some—electricity, coke and various metals—well above it. These feats were the theme of their celebrations on their National Day (July 22nd) and a significant increase in the stability of the regime could be read into the fact that the Catholic Church gave official support to the festivities.

But not all Eastern Europe enjoys the relative calm and stability of Czechoslovakia and Poland. In Hungary, the political parties are locked in struggle. Elections will be held at the end of August and the question is whether the combination of a new electoral law and Communist pressure will still further undermine the autonomy of the Smallholders and the Socialists within the government coalition and destroy the chance of a genuine Opposition. The electoral law makes it difficult for new parties to be formed and disfranchises about 50,000 people. The chief Opposition group so far, the Freedom Party, led by Mr Solymosy, has dissolved itself on the grounds that intimidation and violence give it no alternative. On the other hand, various Rightwing splinter parties, including a new group led by Father Balogh, intend to contest the elections. The real struggle, however, goes on within the governmental alliance. The Smallholders and

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Socialists have succeeded in avoiding a *bloc* with the Communists. The parties will fight the elections separately although in alliance. The critical question is whether the Communists will permit their partners to choose their own candidates.

In Rumania, the impact of the new division of Europe is seen at its worst. The regime is in any case unpopular and corrupt. The bad harvest and near-starvation have brought tempers to boiling point. For some time, the Government's reaction has been oppression and arrest, while the Opposition, the National Peasants, the Liberals and the Independent Socialists, have been more and more reduced to underground Opposition. Last week, the crisis came to a head. On the charge of "plotting with Western reactionaries" most of the Opposition leaders were arrested, some on the airfield as they tried to escape. The veteran Mr Maniu is also a prisoner and all the arrested deputies have lost their parliamentary immunity. A strong British note of protest has had as little effect as all the previous protests and will be used to "prove" the subservience of the opposition to the West.

The Lords and the Curate's Egg

The Town and Country Planning Bill goes back to the Commons very much as it came; very good, in parts, good enough in others, and in some sections very bad indeed. Its three great initial blemishes remain; for, as they were part of the basic fabric of the Bill, the Lords were unlikely to perform more than a minor operation on them. The cumulation of permits and charges to be secured, paid, and worried over by the rash individual indulging a taste for private enterprise still rises as mountainous as before. There is little or no sign of a realisation on the part of the Government of the disastrous effect which progress from Ministry to Ministry, Board to Board, and authority to authority—however admirably efficient each may be—is likely to have on enterprise in more normal times. Government departments still remain exempt from planning control, along with Government-sponsored projects of local authorities and public utilities; and a determined effort to compel departments to state and defend their own case at public planning inquiries has ended in an expected failure. There is material for a worthy sermon in the contrast between the spirit of the British constitution, with its respect for the rule of law and the rights of the individual, and the Lord Chancellor's deft utilisation of the niceties of constitutional practice to ensure that in planning matters Ministers and their Civil Servants remain above the law. It is left only for the citizen to pray that inter-departmental consultation may be a little tenderer of his feelings and interests in future than in the past.

The third great defect of the Bill, the gross inadequacy of the compensation for the nationalisation of development rights, emerges from the Lords actually more serious than before; for even more categories of landlords have been granted a preferential cut from the proceeds, and the remnant for rewarding the less effective lobbyists may well prove to be miserable indeed.

No one can fairly blame the Lords for refraining from a direct challenge to the Government on these matters; and on minor issues they have performed their usual successful tidying operation. A particularly useful pair of clauses were inserted, in one case against the Government's wish, to safeguard the income of Churches, colleges and other charities; and it may be hoped that the very mild measure of exemption from the general law implied in Lord Samuel's clause to protect charity investments will not be removed in the Commons. The Lords have also affirmed, in relation to the Central Land Board, the recognised principle that a commercial body in a monopoly position (as formerly the railways) should be liable to justify its charges before an independent tribunal; and here also it may be hoped that the Government will give way.

Bellenger on Booty

Fresh publicity was given in the House of Commons this week to the currency losses incurred through the transactions of the armed forces in Europe. The occasion was a debate on the second report of the Public Accounts Committee, which gave some very serious criticisms of the attitude of the War Office towards the losses. It also expressed concern lest losses were still being incurred. The Secretary of State for War certainly does not come out well from the affair. He may be exonerated from deliberately concealing from Parliament the real amount of the losses; they were given, when the matter was first raised last February, as £20 million, and it was only subsequently that, almost in an aside, their real total was given—£58 million (plus, it should be noted, some "unrecorded losses"). But he seems to

have been quite oblivious of the fact that such losses reflect very seriously on the administration of the Government Department responsible for them. If the loss were merely a sterling loss, it would be bad enough; as it is, the cigarettes and food which the troops bartered were provided largely out of this country's limited supplies of dollars.

There was a time when an occurrence of this sort would have created a stir big enough to remove the responsible Minister from office. Ministers do not resign these days; nor are they dismissed. In any case, the public as a whole is quite apathetic towards the loss, presumably because so many of its members were concerned in it. But it should be put down as a big blot on the present Government's administrative record.

That Song Again

Once again, on the Third Reading of the Finance Bill, there bursts forth the irrepressible melody in Mr Dalton's heart. The revenue is buoyant; expenditure, though well maintained, has been more than matched by income; the first quarter of the financial year shows an unprecedented surplus of £234 million; and oh! what a good boy is the Chancellor. Really, this will not do. Certainly a surplus is better than a deficit; but where, as is so obviously the case at present, the buoyancy of the tax yield is the symptom and outcome of a never-slackening inflationary pressure, of that "too much money chasing too few goods" of which Mr Dalton himself has warned the country, there is no excuse for paeans of victory, even if modulated occasionally into foreboding passages on the state of the external balance.

Inflation in a controlled economy may be a budgetary blessing; of its effects on other and more fundamentally significant aspects of economic life, some fresh and interesting things are said by Mr J. R. Hicks in the current *Lloyds Bank Review*. One of these effects, hitherto less discussed than others, is a constant sucking dry of the economy's internal pipe-lines. This depletion of stocks does not accompany inflation when controls are weak or absent; then the problem is to tempt on to the market hoards which are being held for the rise. When the rise is legally prohibited, however, stocks will be drawn on whenever an interruption or deficiency of supply threatens the consumer's normal intake; and as they diminish every accident to which the economy is prone—blizzard, harvest failure, lightning strikes—will translate itself immediately into a crippling lack of some essential. The sucking power of inflated incomes can be checked by taxation and limited by rationing; but neither method has proved adequate—for much of the trouble is not a matter of currently accruing income at all, but of private savings backing the long-past demand for new durable and semi-durable consumers' goods, and of business reserves backing an equally long-frustrated demand for new equipment. So Mr Hicks, taking a deep breath, plumps for a temporary rise in interest rates and a temporary capital levy or forced loan. Lessen the suction and let the pipe-lines fill; restore the buffers against the inevitable accidents of Nature and failures of the human element; and the bumping from crisis to crisis may stop. The latter if not the former half of the prescription might appeal to Mr Dalton; but it would certainly involve his singing, on the next appropriate occasion, a different tune.

Cacophony on Coal

Those seeking light on Britain's fuel prospects from the spokesmen of the Government and the miners have had a bewildering week. In Parliament, Mr Shinwell discussed the outlook in tones of what used to be called sober optimism. Stocks, starting from a position considerably below last year's, have reached one higher by two million tons. Production in the first 28 weeks of 1947 is up by over four million tons on the corresponding period of 1946. Recruitment is bringing in, net, nearly a thousand new workers a week and the mining manpower target is in sight. True, household coal stocks are low, absenteeism has rebounded from its lowest point, and losses from lightning strikes have increased. But the full benefit of the new recruits will be felt when their training is complete, more machinery is on the way, the lightning-strike nuisance is being dealt with, and while one cannot prophesy (Mr Shinwell is wiser than of old) about the chances of the White Paper's 200 million-ton target being reached, there is hope of a trickle of exports being possible by the end of 1948.

Meanwhile, Mr Bevin pitches his voice much higher. Deliverance from the "dollar grip" depends on the miners doing much better than at present; may depend, indeed, on their working a few hours more while the Government's reorganisation plans

go through. But lest anyone should think this an official hint of the possible suspension of the five-day week, Mr Shinwell proclaims that nothing will induce him to tamper with miners' hours. Nothing, that is, except the miners themselves approaching him "as a body"; which may, in turn, be regarded as a hint to Mr Horner. Mr Horner's warning is the gravest of all; he declares flatly that the target will be missed by five million tons, implying crisis on last year's scale; but the reintroduction of Saturday work is not, so far as he is concerned, in court at all. More recruits are wanted—"whether from the Forces or elsewhere is immaterial"—and the miners must not be blamed if, owing to lack of reinforcements, they fail to deliver the coal. Add to these contrasting notes the minor blasts of the Parliamentary back-benchers—especially Mr Daggar's scornful denial that the industry could absorb any substantial number of new recruits—and the cacophonous concert is complete, and nearly as depressing as the coal situation itself.

Canberra versus Washington

The United States has extended to the other ten nations who are members of the Far Eastern Commission an invitation to discuss preliminaries for the Japanese Peace Treaty in Washington on August 19th. The British and Dominion Governments have had to plead a prior engagement, for they had agreed to hold a Commonwealth conference in Canberra to discuss the same subject on August 26th. The State Department was no doubt officially ignorant of this impediment and is willing to change the proposed date, which was only a "tentative suggestion"; however, in view of the strong comment in certain quarters in the United States on an alleged "ganging up" of the Commonwealth against America for the impending peace conference, the choice of date may have been meant as a reminder of American disapproval of this kind of diplomacy. Tempers are not likely to be improved by talk of adding South Africa and Burma to the eleven nations now represented on the Commission; in the American view such piling up of votes of the "British group" is unjustifiable, and the Canberra Conference will inevitably give colour to the idea that there really is a single Commonwealth policy which London will try to put across.

With the Soviet Union the American proposal has given rise to difficulties of another kind. Russia, still adhering to the method of Great Power decision, used for making the treaties with the European satellites, wants the Japanese treaty preliminaries to be assigned to the Foreign Ministers' Conference. It is certain that Australia will never consent to this, and in any case there is not much left now of the idea that Great Power talks produce results more quickly and surely than larger assemblies. The Russians, however, may decline to attend discussions on an eleven-power basis and may make inclusion of Japan on the agenda a condition of taking part in the Foreign Ministers' Conference in November.

Meanwhile one part of the Japanese treaty has already been brought formally into effect. The United States has taken over under United Nations Trusteeship the former Japanese Mandated Islands in the Pacific, which have been under American occupation since they were overrun during the war. Pending the formation of a permanent civil service for them, the islands remain under the Navy Department and the Commander-in-Chief of the Pacific Fleet has been appointed temporary High Commissioner.

Gangsters in Rangoon

The armed attack which caused the death of Aung San and six other members of the Burmese Government was an act directed against the leadership of AFPIL (the Anti-Fascist People's Independence League) by one of the political groups in opposition, but at the time of writing it is not known which group was responsible. The gunmen escaped as swiftly as they came and the police action took the form of arresting all the prominent opposition leaders. Of the three foremost, two, U Saw and Thakin Ba Sein, were found in their homes and taken into custody, though U Saw did not give himself up until his body-guard had fought a gun battle in his defence. The third, Ba Maw, was absent, but is now reported to have been found staying with relatives.

The experts in detective fiction may differ as to which behaviour is the more suspicious—to be at home after a murder or to be absent. The guilty man might well suppose that the best way to dispel suspicion and make a show of innocence would be to remain quietly in his house until the police came. On the other

hand, at such a moment the risk of being "shot while trying to escape" would be rather high and the strain of awaiting the AFPIL police very hard to bear; it might be wiser to get away in time to a good hideout. In any case, the killings were not followed by any attempt to seize power; they were the manifestation of a *maquis* which cannot fight a pitched battle, especially when there are British troops still in the country to support the Government in case of need. The raid was either a mere act of hatred and revenge without regard to the consequences or it was inspired also by the hope of so weakening AFPIL that it would gradually fall to pieces and thus later on give an opening to rival factions.

U Saw was the Prime Minister of Burma at the beginning of the war; being discovered in secret communication with Japan, he was arrested and interned by the British authorities. Aung San, who fled to Japan in 1940, came back with the Japanese when they invaded Burma, and Ba Maw, a previous Prime Minister, also joined them. The formally independent Burmese Republic was set up under Japanese occupation with Ba Maw as its President and Aung San as Commander-in-Chief of the army; between these two there was increasing personal enmity. Aung San soon got into secret contact with the British and promised to bring over his army at an appointed time—which he did; Ba Maw stayed with the Japanese to the end and at the end of the war was politically rather under a cloud. U Saw returned to Burma after the war, but his internment had prevented him from building an armed force or working his passage. Both U Saw and Ba Maw, and also another nationalist leader, Thakin Ba Sein, each with a separate party of his own, remained outside Aung San's political combination, the AFPIL, denounced him for concessions to Britain, and boycotted the general election which gave AFPIL an overwhelming majority of seats. Also in intransigent opposition was one of the two factions into which the Burmese Communists had split; the other contested the elections and has been bargaining with AFPIL. Against this complex political background the question "Who done it?" has now to be answered. It is to be hoped that British influence in Rangoon is still sufficient to ensure that the verdict is given according to the evidence and not otherwise.

Refugees: Hope Deferred?

Nothing could underline more dramatically the plight of the Displaced Persons in Europe than the fate of the 4,500 Jewish illegal immigrants, who may now, it seems, be condemned to spend the rest of their days on the high seas. The British have sent them away from Palestine. The French, after much indecision, will permit, but not compel, them to alight in France, from where they set out, but Colombia, for which country they had forged visas, refuses on any account to receive them. Their fate appears the more dramatic because they have taken steps to remedy it, but essentially it is shared by 850,000 Displaced Persons who still sit and wait and rot in Europe.

If the governments of the world were really alive to their moral responsibility, it would not be possible for the problem of the refugees to be as neglected and as forgotten as it seems today. The International Refugee Organisation under its new Director-General, Mr William Tuck, a veteran relief worker, has come into being under the most depressing auspices. It faces two main difficulties; the first is to acquire sufficient funds to meet the running expenses of maintaining the refugee camps in Europe. When the experts originally considered this problem they made the estimate that \$250 million would be necessary to meet the cost. The United Nations reduced this figure by \$100 million and told the Organisation to go ahead once 75 per cent of this figure had been guaranteed. Today, however, although \$122 million have been promised, only about \$3,000,000 have actually been paid, and the IRO lives on begrowed money from Unrra and from the governments whose military authorities are for the time being carrying executive responsibility for the refugee camps. Incidentally, few people are entirely satisfied with the military methods used in running these camps, and the new Refugee Organisation can only exercise rather restricted rights of supervision.

The greater difficulty is, however, to secure a future and a living in new lands for these wretched thousands. For two years now they have lived on in their camps, buoyed up with the prospect of better days. Now their hearts are sick with hope deferred, and despair and demoralisation are widespread. What

is needed above all today is a wholehearted and generous decision on the part of the United States and the British Empire to do away with this sump of human misery within five years. The United States has at least taken the first step. President Truman has sent a message to Congress demanding special legislation to permit the immigration of a large number of Displaced Persons. The Stratton Bill has been introduced, providing that 400,000 Displaced Persons should be allowed to enter the United States over a four-year period, and a similar Bill has been brought in with the backing of both parties, which safeguards American interests by laying down screening tests for the potential immigrants. All the major newspapers in America are unanimously in favour of the legislation. Many of them point out that it is better to acquire the refugees' skill and work in America than to pour out money to maintain them in idleness in Europe. Yet, unhappily, there seems little hope of securing the legislation before Congress adjourns, in which case no lead can be expected from America for at least another six months. Thus the responsibility of the British Empire becomes all the greater.

* * *

Persia and the Powers

After sixteen months without a parliament the Majlis has met. Mr Qawam, the premier who ran the elections, continues in office. Parties—in the sense of bodies to which their members owe loyalties that transcend personal issues—scarcely exist in Persia. Only *Tudeh*, the Russian-sponsored group which abstained at the recent elections, had such a hold. About eighty individual deputies, out of a House of 136 members, have signed a declaration of policy formulated by Mr Qawam's Persian Democrat Party. Proof of their solidarity with him is yet to come.

For in June, when he reshuffled his Cabinet, his stock had fallen low because he was thought to have entrusted too many posts of importance to men interested only in lining their pockets. Persians who, in their mistrust of all foreigners, seem to need a national figure on whom to focus enthusiasm, had turned rather towards the Shah. The success of a royal tour of the northern provinces can be measured by the five miles of carpet over which he drove into Tabriz. If he is able by his influence to implement some of the speeches on social reform which he made in the schools and like institutions that he visited, he could prove a national leader of importance.

Reforms of the type he mentioned are one of the urgent items on the Majlis's agenda. The other is the Soviet oil concession. In an interview given in June Mr Qawam reiterated that he was under an obligation to present this to Parliament. But he added that times had changed since he gave the Russians his word, and that he was not in a position to say which way his fellow deputies would vote. Many of them have in fact made it clear that they dislike so eager an offer for the northern oilfield, which no one has yet tapped with any commercial success. They fear its smack of political domination.

What, then, is their view of the Anglo-Iranian company, with its increasing stake in the south? Its record operations for last year were reviewed in *The Economist* last week. They do not like it—just as they do not like the idea, now afoot, of a \$250 million loan from the International Bank. Both savour of foreign pressure, if not dollar diplomacy. And no Persian wants Persia to become a forward observation post in the Truman Line.

On the other hand, no Persian government can do without these financial aids. The present Cabinet is, on paper, committed to a seven-year plan of economic reforms that is scheduled to cost 60,000 million rials (over £400 million at present rates). Compare the anticipated ordinary revenue for 1947-48, which is 5,559 million rials (or about £40 million), as against anticipated ordinary expenditure of 7,762 million rials, the difference between the two sums being met by the value of stocks in hand and the expected yield from increased prices for kerosene and cigarettes. How is any social development programme to be transferred from paper—its present resting place—into practice except out of the yield of the maligned Anglo-Iranian and the reviled dollar loan?

* * *

The Manpower Debate

The debate about the distribution of manpower goes on, but in a circular fashion. The Trades Union Congress has now tossed the ball back to the Government and asked for more information about the economic position. This seems extraordinarily like a time-wasting device, and hardly squares with the trade unions'

own complaints that the Government has "no sense of urgency." Any reference to the Statistical Digest or to the figures issued by the Ministry of Labour and the Ministry of Fuel would, it might have been thought, have provided sufficient information about the progress made with the recruitment to undermanned industries, coal production, exports and imports since the Economic Survey was published. In addition, Mr Morrison keeps the public fairly well informed about the general picture through his fortnightly press conferences.

A more positive contribution to economic progress is the decision of the National Joint Advisory Council to urge industries to extend the system of payment by results, so as to provide greater incentive to individual output. Building is the industry mainly concerned, and it is satisfactory to learn that, at long last, the building unions have declared their willingness to accept some form of incentive payments—even though the condition is added that these should be linked with a general increase in minimum wages.

Mr Deakin's kite, about "a limited measure of direction of labour," which he flew so sensationally at Hastings last week, appears to have met with remarkably little enthusiasm either from his colleagues on the TUC General Council or the Government. The alternative of providing special inducements for recruitment to the undermanned industries, which was adopted at the Margate Labour Party Conference, is still the policy of the Government. The Government, however, has yet to produce a policy for meeting the other criticism—that too much labour is being wasted on non-productive and non-essential activity.

* * *

Parks Before Plans?

The report of the Hobhouse Committee on National Parks* is a statesmanlike addition to planning literature. While avoiding the wilder extravagances of the amenity-mongers, it proposes machinery likely to be as strong and effective as the absence of government within the Government will allow. There should be a National Parks Commission nominated by the Minister of Town and Country Planning, and financed, to the tune of £750,000 a year plus £91 million for initial capital expenditure, by the Treasury. The Commission would appoint the chairman and 50 per cent of the members of a Park Committee to exercise planning control over each National Park, the remaining members being appointed by the local planning authorities. It would also be responsible, through an Assistant Commissioner and staff in each park, for the actual management of the parks, and for promoting and supervising any development properly undertaken by private enterprise; such, for instance, as the provision of hotels or youth hostels. Government departments would be expected to consult the Commission over any developments in National Parks which they proposed either to undertake themselves or to sponsor on the part of local authorities or public utilities—that is, over the classes of development exempt from normal planning control under the Town and Country Planning Bill. And, the Committee add, with bitter recent experience of "the accepted methods of inter-departmental consultation" in mind, there should be a permanent Cabinet or Ministerial Committee responsible, in the last resort, for settling inter-departmental disputes over land use. In all, it is suggested that there should be twelve National Parks. There would also be a much larger number of Conservation Areas, in each of which the National Parks Commission would have the right to appoint members to an advisory committee to assist the local planning authority.

In a way, of course, the report is yet another blow at local government, and there is again reason to regret that the reform of local authorities has not moved faster. But the reform of local government was not the Committee's business; and, apart from this, the only qualms about its admirable proposals arise from the terms in which they are defended by their friends. The Friends of the Lake District have issued a pamphlet† pointing to the need for something of this kind in order, among other reasons, to frustrate the misguided attempts of Cumberland local authorities to use certain of the natural resources of the Lake District to help with the rehabilitation of the West Cumberland Development Area. The national interest, as the pamphlet observes, must come first. But the Society's view of what the national interest is seems curiously perverted. To ruin Ennerdale Water would certainly be highly regrettable. But to fail to remedy the depression of the West Coast would have been a national disaster. To insist that

* [Cmd. 7121]

† "National Parks: their purpose and their administration."

the amenities should come first is rather as if one were to say that it is more important to go on holiday than to live. No one interest—industrial, amenity or anything else—has in fact an absolute priority. It is always the case of a delicate balance of marginal considerations. This balance the Hobhouse Committee has, on the whole, achieved.

* * *

Prison Report

The report of the Prison Commissioners for 1945 has now been published (Cmd. 7146); and since it covers a period which ended eighteen months ago, and includes in the main statistics no later than the year 1944, its utility loses a good deal in consequence of this delay. But it contains one sentence of the highest significance, to be found in the chapter dealing with the training of prisoners. In November, 1944, there was an appalling explosion at an RAF bomb store near Burton-on-Trent, which killed some 100 men and devastated over 350 acres of land. In the following February the Governor of Stafford Prison was asked to find a small working party from the prison to help to rehabilitate the ruined land, which he did. By the end of the year some miles of fencing and ditching had been completed and start made on an afforestation scheme. The men had been given a useful, constructive job to do; and they could see their own results. The Governor in his Report goes on to say:

Freed from the prison machine, men behave naturally and the good can be sifted from the bad.

Therein lies the crux of the case against the present system of prison punishment. Men are fed into the prison machine before the good can be sifted from the bad, and inside that machine there is no normal work through which the good can become better and the bad prevented from becoming worse.

It would be unjust to suggest that the Prison Commissioners, or the Home Office, or the majority of prison governors, are unaware of this situation. It would be unjust, too, to gloss over the enormous difficulties in the way of any immediate change. Yet it is true to say that the Commissioners themselves, to judge from the tenor of their report, also lack a sense of urgency. In a sense they owe the public an explanation in the case of every man who receives a second prison sentence, for it is not until that standard is attained that imprisonment for the first time can be fully justified, save as a means of segregating from the rest of the public those whom the public has decided to write off once and for all as citizens. The seeds of all these notions are contained in this report, but the report gives the impression that many of the seeds are still lying on stony ground.

* * *

To Tip or Not to Tip

The tipping problem has baffled the Catering Wages Commission, which has been making a special study of it for the Minister of Labour. The Commission found that it was a physical impossibility to arrive at any general assessment of the cash value of tips, because of the wide variations between different establishments and different employees. It reached the conclusion that tipping could never be wholly eliminated, but recommended that Wages Boards, in fixing minimum wage rates, should disregard tips, which should "cease to be relied upon as an essential part of a worker's living wage."

The abolition of tipping, if practicable, would be generally welcomed. The problem of how much to leave has become one of the minor discomforts of life, and the tipping habit has undoubtedly become more prevalent in recent years—although it has not yet reached the fantastic proportions found in France, where tips are looked for in cinemas, theatres and churches, as well as in railway stations and restaurants. Even where a 10 per cent service addition is made to a bill, there is usually a general expectation that some "token of appreciation" will be left behind. Nor is there even any certainty that where a tronc system is operated, the proceeds are in fact equitably shared between all the staff and that those in the nether regions of kitchen and scullery get their fair share. The difficulty is that nobody would fight more vigorously for the retention of tipping than the waiters and waitresses themselves. It would be very hard to convince them that they were not being deprived of a birthright.

The minimum wage rates proposed by the Commission for unlicensed places of refreshment are probably less than a worker, who receives tips, would normally expect to get in a week, but considerably above those which would be received by kitchen staffs.

They are certainly higher than the Hetherington scales for domestic workers in hospitals and institutions. The rates proposed vary according to the area—there is a London rate and two provincial rates—and to the type of work. Thus a waitress would get, for a 47-hour week, 57s. 6d. in B province and 62s. 6d. in London, compared with 77s. 6d. in B province and 82s. 6d. in London for a waiter. A female chef in B province would get 100s. a week, compared with 125s. for a male chef in London. A female assistant cook would get 65s. in province B and a male assistant cook 90s. in London. The Hetherington rates are £3 5s. for a non-resident head cook, for a 48-hour week, £3 for an assistant cook, £2 15s. for a general maid and £2 12s. 6d. for a maid. Tipping apart, the nationally more important job once again offers a less attractive financial reward than is found elsewhere.

Shorter Notes

The Registrar-General's return for the first quarter of 1947 shows a birth-rate of 22.8 per 1,000, which is the highest rate for a March quarter since 1920 and compares with 17.1 per 1,000 in the March quarter of 1946. The infant mortality rate was 55 per 1,000 live births, which is 11 per 1,000 below the average figure for the first quarters of the years 1937-46. The return contains, for the first time, a summary of the Social Survey's morbidity inquiry. It shows that in the last three quarters of 1946 illness and injury of some kind was reported by 72.3 per cent of the sample interviewed.

*

A new monthly called *Eastern World* has been in publication since April. It deals with Asia from Afghanistan eastwards, and the early numbers have provided a substantial fare with a refreshing variety of subjects and opinions. This is a praiseworthy British venture into a field which such American periodicals as *Asia* and *the Americas* and *Amerasia* have hitherto had more or less to themselves in the English-speaking world.

*

Up to July 12th this year, 545 cases of infantile paralysis have been notified, of which 110 are attributable to the week ended July 12th alone. What is disturbing about the present outbreak is that the normal seasonal rise has started earlier than usual; the peak months are August and September. In 1938, when over 1,400 cases were notified in the whole year—the highest figure recorded since the disease became notifiable—only 142 cases had been notified by July 16th. Moreover, the highest weekly incidence in that year was 85.

*

The House of Commons has now confirmed the abolition of an annual tax on solicitors which has been in existence since 1784. The present amount of the tax is £9 for London solicitors and £5 for country solicitors, and has been paid by them in the form of a stamp on their annual practising certificates. However, lest anyone should think that solicitors will be that much better off in the future, it should be pointed out that from this year each solicitor will be required to present to the Law Society an accountant's certificate about the correctness of his financial records before he can obtain his annual practising certificate; the cost of obtaining this certificate is not likely to be less than the amount he has hitherto paid to the Government.

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The approach to an age in which dictatorship has been so salient a feature in Central and Eastern Europe is appropriately made through an essay on Napoleon III. The French Second Empire anticipated so much of the technique and spirit of modern Fascism, yet one is conscious also of the contrast when one compares this regime with the monstrosity of the Third Reich. When he comes to Germany and contemplates "the contrivers of Europe's desolation and debasement," Professor Namier does not shrink from a "grand inquest" on the German nation. He has his view of the Germans and expresses it with force: "unfree and unfitted for freedom, they seek release in organised violence; war is the German version of revolution . . . if congregated, the Germans are merely regimented: for the typical German is an introvert . . . there is such a thing as a Belsen of the mind and spirit." But if he is unsparing in his condemnation of Germany, Professor Namier is also severe in his judgment of the world of East Central Europe which offered such easy opportunities to the Nazi revival of German imperialism. He points out that of about 100 million inhabitants of six states—Poland, Czechoslovakia, Hungary, Rumania, Yugoslavia and Bulgaria—after 1918, nearly 30 millions were unwilling or unwanted national minorities; he points out also that of these states only Czechoslovakia achieved anything resembling the Western idea of democracy, and he claims that "the false educational system of Eastern Europe, which at best encouraged chauvinism and at the worst helped to destroy all conceptions of morality, is one of the fundamental causes of the misfortunes of these peoples." He wrote before the creation of the Russian orbit in East Central Europe, and it is a pity that he has not supplemented his survey by a comparison of the regimes of Bierut and Tito with those of Smigly-Rydz and Stoyadinovitch. Of Russia, and of what Russia stands for in contemporary Europe, Professor Namier has less to say than one would expect in a book of this kind; he has not the direct acquaintance with Russia which he has with Europe as far east as Galicia, and the Russian remains a somewhat indistinct figure in the background of his picture. Politically Professor Namier is—or was when he wrote in 1943 and 1944 three essays which he now reprints—in favour of "spheres of interest" and no interference by the Anglo-Saxon Powers "where they cannot act." But he certainly indulged hopes doomed to disappointment when he wrote that "a clean frontier and non-interference in each other's internal affairs" must be the basis for future friendship between Russia and Poland.

The last three essays of the book deal with anti-Semitism and Zionism. They are related to the rest of the book in so far as the problem of Palestine is, for Professor Namier, indissolubly bound up with that of the Jews in the dispersion. He holds that Zionism is the only solution for the Jewish question, and he seems to take it for granted that this solution should have priority over the wishes of the local Arabs. Only with their own state, he argues, can the Jews be "a nation, like unto all nations, a nation and not a problem." Many will disagree with his advocacy, but in his study of the failure of "assimilation" and his forebodings of new movements of anti-Semitism he is unpleasantly convincing. Fifty-five per cent of Jewry, he points out, is now in English-speaking countries "and the question is whether on that stage too the recurrent Jewish tragedy is to be re-enacted."

Last Days of Fascist Italy

"Empty Balcony." By Pietro Saporiti. Gollancz. 128 pages. 7s. 6d.

On a warm summer evening in September, 1943, the record of the National Anthem which followed the news broadcast from Radio Rome was never finished. The needle sticking in 'one groove ludicrously repeated the same bars until the transmission was suspended. The worn record seemed to symbolize the breakdown of civil government in Italy. Three days earlier, the botched Armistice had been announced. Badoglio had appealed to Italian troops to "resist aggression from whatever quarter it should come," and promptly bolted from Rome with the Royal Family. But the soldiers, like most of the population, were in any case no longer capable of an emotional response, and their one desire was to escape home with all speed. By midday on Sunday, the 12th, the Germans were in control of Rome and a guttural voice read out over Rome radio Kesselring's very clear and concise orders. Italy's long expiation had begun.

"Empty Balcony" describes the principal events which preceded and followed the four days of confusion. It opens with the preparations for the fateful meeting of the Fascist Grand Council which, summoned for the first time since December, 1939,

was to vote after an impassioned debate to restore power to the King. Why did Mussolini not react vigorously to the challenge to his authority? Saporiti suggests it was due to over confidence, but perhaps it was rather because military defeat and internal disorder, assisted by sheer fatigue, had momentarily undermined confidence—a lapse no dictator can afford. No official transcript appears to exist of the proceedings and the writer has relied on Bottai's account. There follow chapters describing Mussolini's arrest and detention, and the dramatic release from a 9,000 ft. high platform on the Gran Sasso by S.S. Captain Skorzeny; the secret negotiations for an armistice; the puppet "Republican Fascist" Government; and the trial and execution of the six Grand Council members in Republican hands. The negotiations conducted by S.S. General Wolf and Colonel Dolman are a fascinating story against a Swiss background of the moves which led to the peaceful surrender of Italian troops in North Italy and procured immunity for the principals. The book concludes with a rather confused account of the capture and summary execution of the fleeing Republican government, and of Mussolini and his mistress, in which the Communists revealed themselves as possessing a policy of their own. No mention is made of the highly controversial fate of the "Dongo treasure," the banknotes and jewels supposedly taken by the fugitives, which according to one account got "dispersed" about the countryside, and according to another found their way to Communist Party coffers.

The events described happened from two to four years ago; the fact that they still belong to the realm of contemporary history excuses the somewhat journalistic approach of this book. (In passing one wonders why it was necessary to make such play with the reproduction of the eight important documents, or to include Mr Brown's poem at all.) A final account can only be written when the records of governments are finally laid bare. In the interval personal accounts of historic events, such as M. de Wyss's "Rome under the Terror," and Countess d'Origo's "War in the Val d'Orcia," and a dispassionate compilation of contemporary records as "Empty Balcony," concerned as they are with events which have played a part in our own lives, should be read to enlarge the understanding and purify the emotions. Seldom was there a clearer case of "hubris" than that which led to Mussolini's downfall, and it serves to underline the present great need for humility in temporal rulers.

From The Economist of 1847

July 24, 1847.

A REMARK made to us [at the Royal Agricultural Society's annual meeting], somewhat in disparagement of the awards, by a plain but intelligent-looking farmer—a stranger to us—when standing by the prize Leicester sheep, was worthy of notice. He said, pointing to a pen of Leicester ewes, which had obtained one of the highest prizes: "They are pretty sheep, but I should like more size; 'tis always the pretty things which obtain the prizes at these shows." . . . It must be recollected that breeding prize stock is in itself a business, and that to obtain the symmetry we all so much admire, some sacrifice of size is necessarily made, for in all very large animals there is usually a disproportion of parts. Now, the object of the prize breeder is to correct these disproportions, to produce a level, even-shaped animal, with all the good points of the particular breed fully developed, but no one point exaggerated so as to be greatly out of proportion. To succeed in this, implies the production of an animal of moderate size; and a moderately sized animal of good proportion is just what we, as practical farmers, at first sight, are apt to designate "pretty." . . . It was jocularly remarked to us by a shrewd observer, after meeting at dinner a large party of the leading breeders of prize stock, that they justified the poet's language—"He who feeds fat oxen should himself be fat"—for many of them seemed to be as phlegmatic and calm-tempered as the animals they had passed their lives in rearing. And we believe it to be perfectly true that a certain sort of philosophic calmness, that absence of excitability which is usually found to accompany eminence in experimental science, is essential to high success in the breeding department of husbandry.

[Extract from the Queen's Speech Proroguing Parliament: "I rejoice to find that you have in no instance proposed new restrictions, or interfered with the liberty of foreign or internal trade, as a mode of relieving distress. I feel assured that such measures are generally ineffectual, and in some cases aggravate the evils, for the alleviation of which they are adopted."]

AMERICAN SURVEY

Lewis Finds a Way

(From Our US Editorial Staff)

IT was unfortunate for Messrs Taft and Hartley that the first major engagement fought under their new rules should have had to be with Mr John L. Lewis. The Labour Act had only been law for a few days before Mr Lewis and his team of lawyers swept a clear passage through its minefields and won the greatest of all their victories. Their path was easier because the field had not been completely laid, some of the provisions of the Act not coming into force for 60 days. How many other unions will be able to use the same channel is doubtful. The Act may not be the useless weapon it seemed when used against Mr Lewis. Most lawyers, however, think it aimed at too many targets. It was conceived in emotion, and the reaction of the unions to it has so far been only emotional. The United Mine Workers made it look silly, but it may still seem more effective when other people try conclusions with it.

Mr Lewis, as is usually the case before he risks battle, had secured certain positional advantages, legal, economic and political. Having no contract with the employers, he had a free hand in his attempts to circumvent the provisions of the "Lawyers' Full Employment Act (1947)," as the Taft-Hartley Bill is called in the Department of Labour. Mr Lewis left litigation and arguments over the constitutional validity of certain clauses to more public-spirited unions. His lawyers got their employment finding ways round them. This is an occupation for which American lawyers are uniquely trained. The passing of laws—not their repeal—is always the main consideration of Congress. Dead laws are not removed from the Statute Book; they are overlaid by new ones. Pelion is piled on ossified legislation. So there is always a dense undergrowth through which lawyers must cut a path for their clients.

The Republicans, who for ten years had been threatening what they would do to the Wagner Act—Labour's "Magna Carta," passed during the heyday of the "New Deal Terror"—did not repeal or amend a clause of it except by implication. The Wagner Act gave unions a set of rights and privileges. The Taft-Hartley Bill, in theory, gave management a parallel (and, in many cases, more potent) set. The Wagner Act was passed, after some years of high unemployment, to ensure to workers the right to organise and bargain collectively. At that time the financial strength of industry and the pressure of workers on jobs had put management in a strong position. The Taft-Hartley Bill was supposed to remedy some of the abuses which the greater prosperity of the unions had brought about. Full employment and the growth in strength, political and economic, of the big unions had, in the view of more than just Congressional Republicans and the Southern Democrats, put management at a disadvantage. They insisted that legislation was needed to correct this, and the Labour Act was born.

It may be true, as an official of the American Federation of Labour said last week, that "most of the sponsors of the Bill seem to be aiming at one man, John L. Lewis." If so, their aim was poor. It is already clear that the big unions are not

going to be hit. The victims will be the small ones (for whom Congress affects much verbal solicitude) and those yet unborn. The organisation of new unions—particularly in the South, where serious attempts to unionise labour met with opposition last year—is going to be more difficult. Mr Lewis, as he has proved, is going to be little troubled.

What the Act does is to freeze the existing monopolies of the big unions and protect them and big industry from competition. They will be free to continue their formalised quadrille of litigation without the danger of any brash youngsters cutting in. But, curiously enough for a piece of Republican legislation, that Master of Ceremonies, the Government—in the person of the National Labour Relations Board—will be interfering with the pattern of the dance more than ever before. As Mr Gerhard Van Arkel, who resigned his post as General Counsel of the NLRB the moment the Bill became law, said: "The Wagner Act brought them (the union and the employer) together and left them there. This new Act is with them day and night thereafter." This is a feature which industry, now that it is licking the sweets of victory, is beginning to see. The more management studies the Act, the less it seems to like it.

The second of Mr Lewis's advantages arose from the trading position of the steel companies, whose coal stocks were low and whose unfilled orders were large. On the management side, the negotiators were Mr Benjamin Fairless, president of United States Steel, and Mr George Humphrey, chairman of the board of the Pittsburgh Consolidation Coal Company. Mr Fairless was involved as representative of the "captive" mines (those owned by the steel companies). Mr Humphrey's company is one of the Mellon group, which is also interested in steel. It is no exaggeration, therefore, to say that the negotiations were carried on less in the interests of the coal owners than of the steel companies, who are in no position to plead hardship. The industry is operating at nearly full capacity, its profits are more than satisfactory, and it has orders enough to keep it in this happy state for some time to come. These facts were inclined to make the steel companies feel indulgent towards Mr Lewis and provided strong political reasons within the industry for not desiring a stoppage at the moment.

The Eastern steel interests have, moreover, another problem on their hands. There have been suggestions that the steel industry in this country needs expanding. The suggested expansion would come on the West Coast. The Eastern companies, who have fought the development of Western steel, recently assured a Senate Committee that "existing facilities should be more than enough to bring supply into balance with demand." They would prefer to prove this statement true, and a coal strike at this time would be embarrassing if it increased the backlog of unfulfilled demands.

Mr Lewis's legal and economic advantages were obvious. His political position is more obscure. He is the most important Republican trades union leader and might have been expected to attack his own party for betraying labour. It is true that he made formal protests and threats, but the violence of his language, which is a natural form of expression with him, obscured the fact that they were merely formal. He is believed to have reached agreement with Governor Dewey and to have promised support to him for next year. Mr Dewey, whose chief quality is caution, was careful not to commit himself on the Taft-Hartley Bill until the fight had been won. He is now reported to have expressed his approval—which

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

involves him in its fortunes during the next year. He may well feel the necessity for doing this to ensure nomination, and Republican Labour can hardly withdraw its support from him for that reason, as his only apparent rival, Senator Taft, is even more involved.

With the passing of the Bill its sponsors have gone their separate ways. Representative Hartley, a straightforward man and not a candidate in 1948, spoke his mind about the Lewis contract. He believed that his own law meant what it said and asserted that the Lewis-Fairless agreement "reflects collusion between the mine operators and the United Mine Workers with the intention of violating the law." Mr Taft, who had perhaps had news from Ohio of the effect of the Act on his Presidential chances, announced that the contract was no violation. "The whole theory of the Bill," he claimed, "is that employers and employees should be able to make any contract they want to under free collective bargaining." This was news to many who had voted for it.

If the political consequences of Mr Lewis's victory are uncertain, its economic consequences are just as vague. Indeed, no two authorities can agree even on the amount by which miners' wages have been raised. Some maintain that it is 44½ cents an hour, but Mr Truman has issued a statement proving that it is no more than the 15 cents which has been the standard increase in all major industries. This figure is calculated on the

daily wage, which now becomes \$13.05 instead of \$11.85; but the day becomes eight hours straight instead of seven hours at standard rates plus two at overtime rates. The rise is therefore \$1.20 a day, which is 15 cents an hour on an eight-hour day, as the President says. Somewhere in this calculation the operators have lost an hour's work. They have gained, on the other hand, a certain operating efficiency which will compensate them in part. Overtime will not be paid on Saturday except to men who have already worked the full five days. Previously it was possible, and even habitual, for miners to work on Saturdays at overtime rates instead of on weekdays at normal rates. There will be a saving of overhead expenses on Saturdays in future.

Mr Truman has made an appeal to the producers of coal and steel not to raise prices "until a fair test has been made of the actual effects of the wage advances." He thinks that "they have been enjoying their full share of the high profits which are flowing to industry" and "will want to invest a portion of these profits in the maintenance of business stability." But it is estimated that the increase in "take-home pay" for the miners will be close to \$150 million, and no industry would like to absorb such an amount. Though steel prices have not yet been raised, an increase of \$1.50 a ton is forecast. The coal companies, in spite of the President's appeal, have begun to announce increases. The first rises were of 50c to \$1.00 a ton. The dykes have not burst yet, but the water is beginning to trickle round Mr Truman's fingers.

Coal Comfort

(From Our US Editorial Staff)

THE more Mr John L. Lewis succeeds in forcing up the labour bill that the coal industry has to meet, the more will mine managers hasten to perfect the labour-saving devices which technological research has already marked out. More capitalisation, more machinery, more chemistry and less man-hour expense—this is the indicated path of development for the coal industry in the United States. Experiments already in progress are bearing fruit important not only to Mr Lewis but also to mine operators in Britain and in Europe who seek ways of recovering from too heavy a load of obsolete methods, labour intransigence, or wartime destruction.

In the United States the coal industry, not overly famous for foresight, has gone far beyond the simple process of taking coal out of the ground in order to deliver it for burning in the furnace of a manufacturer or the grate of a householder. Most of America's coal is still used in that way, but the small remainder holds the key to a future in which coal is made into gas, petrol and chemicals at central stations, and neither manufacturer nor householder is loaded with the inefficiencies attendant on carting in coal and carting out ashes. It has even been suggested that the process of rationalisation go one step further and that coal be burned where it lies in the ground, thus by-passing the costs of mining and handling. This latter dream, not yet made commercially practical by sufficient research, may be one of the nightmares that is driving Mr Lewis to get what he can while the getting is good, and before the miner's trade withers away.

Coal and lignite constitute 98.8 per cent of America's fuel energy reserves in mineral form. They underlie vast areas, and are said by the Bureau of Mines to total 3.2 trillion tons. Petroleum, far better advertised and exploited, makes up only 0.2 per cent of those resources, though the American pools still rank as the largest known body of oil reserves in any one nation. Natural gas and oil shale together make up the other 1 per cent. How badly depleted America's oil reserves were by the late war has been definitely announced neither by the government nor by the oil producers, though the angry voices raised by the latter when it is suggested that supplies might be nearing a foreseeable end are revealing. In any event, it is becoming increasingly clear to many people that petroleum cannot be counted on for

increased consumption except at increased cost, and even then for a limited time only.

Twenty years ago such a situation would have thrown this oil-consuming nation into a panic. That industry, the army and the public now view it, in so far as they understand it, with reasonable calm, is due to the chemical engineers who have, in that period, moved from the familiar analysis of the chemical structure of coal and of crude oil, to the discovery of practical methods by which to join their component molecules or take them apart as though they were beads on a string. By so doing they have shown the way to make from the one products hitherto expected only from the other.

It was during the menacing nineteen thirties that British and German scientists succeeded in producing petrol from coal, but at costs several times greater than those of producing it from petroleum. The Germans, working in a totalitarian state where war needs had priority, could afford to do it at whatever expense their processes demanded. The problem facing American industry has been to do it with costs low enough so that the resulting synthetic fuels could compete with natural fuels obtained with far less effort and expense. In view of ample oil reserves and continued improvement in extraction processes, that problem seemed before the war reasonably academic; American rights to I.G. Farben patents for the hydrogenation of coal (which turned it into petrol) were allowed to elapse.

Meanwhile another process toward the same end, the Fischer-Tropsch process of hydrocarbon synthesis, was perfected by the Germans in 1926, and put into commercial operation by them in 1933. Here, too, the costs of the German method are too high for the American competitive economy in peacetime, but experiments already tried suggest they can be reduced. It is in this field that the American genius for taking an expensive, complicated and hand-made foreign process and adapting it for mass production is now at work.

The problem is to turn America's cheapest and most abundant mineral fuel, bituminous coal, into fuels and chemicals which will be more variously useful to the public and hence more profitable to the converters than is the raw material in its present form. The German device—the Winkler gas generator

for turning coal into synthesis gas, which is the first step—will do the job, but the method is clumsy and the costs exorbitant. The Standard Oil Company, under the spur of war, took an important intermediate step by starting part way up the chemical ladder and turning natural gas, abundant in the Southwest, into synthesis gas and from there into light and heavy oils.

In terms of supply, however, natural gas is to coal as 0.2 per cent is to 98.8 per cent. Obviously the next step is to start at the foot of the ladder and work from coal itself. For this purpose the coal and oil interests have joined hands in a new experiment that holds significance for miners and mine operators all over the world. The Pittsburgh Consolidation Coal Company, one of the largest independent producers of bituminous coal in the United States, and the Standard Oil Development Company, are together building a \$300,000 pilot plant at Library, Pennsylvania, which is to lead the way toward coal refineries capable of the fluidised turning of coal into synthesis gas. Standard Oil, intent on pushing fluid catalysis one step further, built a preliminary pilot plant along these lines late in the war. The Massachusetts Institute of Technology and the US Bureau of Mines are also doing exploratory work. The Library plant's purpose is to perfect low-cost, commercial processes for transmuting coal into gas, which will then be combined with the process of hydrocarbon synthesis for making chemicals and liquid fuels out of gas. The end result will be integrated methods of making out of bituminous coal a supply of synthetic petrol and oils, gas fuel of high BTU content, and a range of chemicals, principally alcohols and related compounds. It is not expected that the Library plant will discover new processes. Its specific functions are, first, to obtain design data for commercial plants, and, second, to work out in life-size experiment the practical operating factors and engineering methods that cannot be investigated in a small laboratory.

The new experiment, and the opportunities it implies, present the coal industry with new problems in mining practice. It has

formerly been recognised as desirable to produce as high a percentage of coarse coal as possible because of the greater demand for that size. The coal-oil refinery will, on the contrary, operate on coal crushed to powder. Moreover it appears that a reasonably high content of ash can be handled by the gasification process without great difficulty. The industry is therefore called on to work out a new programme of developing mine machinery and underground transport methods so that in the regions where coal refineries are located, new mines with new equipment and new operating techniques can feed gasification plants with the cheapest coal that has ever been produced from underground sources.

It is at this point, where technological improvements in coal use meet current practices in coal mining, that Mr Lewis and his miners come in—or go out. So also do British and European mine operators, who face the needs of their fuel-hungry countries with machinery obsolete or ruined and management practices inadequate to the demand.

American Notes

Exports and Prosperity

President Truman's mid-year report to Congress this week made some interesting comments on the relationship between the current "export boom" and the very high level of industrial activity. The economic witch-doctors of the Kremlin have for some time predicted that the United States must face in the very near future an industrial slump on the scale of the early 'thirties, and their cries have been echoed far too readily by critics of the Marshall offer nearer home. It is obviously true that an export surplus, running at the rate of \$10 billion yearly, must exert a very powerful lever on industrial trends, and Mr Truman minimised the impact of marginal pressure when he declared that shipments abroad had brought only minor strains within the domestic economy. At another stage in the report he declared that movements in the net balance of payments accounted for no

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less than three-quarters of the advance in gross national product between 1946 and 1947, and he warned Congress that the net export balance must decline in the absence of new dollar aid for restoration in Europe.

Export problems, however, were put into their true perspective by Mr Truman when he contrasted the present rate of shipments with total American productivity, and with a gross national product which has now reached an annual rate of \$225 billion. It is essential on this side of the Atlantic to bear in mind that the current rate of business activity is supported also by a vast back-log of demand both in respect of capital equipment and consumer goods. Continuance of the export surplus at current levels would be less than sufficient to sustain national income and employment, if home demand were to slacken. Indeed, the grant of "Marshall aid" by Congress on any conceivable scale will not be sufficient to hold exports at the rate of early 1947, since North and South America together have been taking between forty and forty-five per cent of shipments from the United States, and have been straining their own resources on a scale which cannot last and which is already bringing counter-measures. As events are now shaping, the economic position of the United States would be strengthened, rather than weakened, by at least a temporary setback in exports, since their present effect is less to maintain the volume of output than to exert a very strong marginal pressure on the price level. This is true particularly of farm products. The Marshall offer does, of course, proceed from a clear realisation that world stability is desirable for American security and longer-term prosperity. But it is not based on fears of a more or less immediate, prolonged, and incurable slump.

Despite all this, it remains true to say that Congress will be more willing to listen to Mr Truman and Mr Marshall in the event of a fall in exports and a temporary break in the business boom. For, while such a development seems almost inevitable within a fairly short-term period on domestic—apart from export—probabilities, attention will obviously fasten upon the export decline as a source of troubles. The Presidential elections are well over the horizon and Congressmen will be reluctant to incur the charge that their obstruction and delays contributed to a decline in employment and incomes. But it is fully apparent from Mr Marshall's present efforts that "sales resistance" is still met with in some force on Capitol Hill. The immediate mood has been well defined as a blend of "healthy scepticism and unhealthy cynicism." There was a very natural shock not many days ago when the President declared against a special session of Congress, and a disposition in Europe to believe that Washington was waiting for some drastic action on this side before going ahead. No doubt Mr Truman and his supporters in Congress wish to see a more realistic policy in London and Paris. But, machiavellian turns apart, the year-end may be the best time to demand a speedy decision in Congress.

Funds for Foreign Relief

Mr Truman's cautious first lesson in the economics of the Marshall plan followed a victory by the Secretary of State in the battle for foreign relief. The House has finally voted the appropriations to finance American relief in Europe and Asia and American loans to Greece and Turkey, with the only cut finally enforced against relief for Poland and Hungary. Even this may be rescinded in the Senate. This was a battle which it had erroneously been thought to be won six weeks ago; but in this session of Congress nearly every battle has had to be fought twice. It is a pity, however, that Mr Marshall should be forced to cry "Wolf!" so often or that sympathetic Republicans like Mr Eaton should so easily invoke the nearness of war.

The debate in the House lasted only an hour, but it had one instructive moment when an amendment denying aid to any nation which failed to co-operate in the Marshall plan was shouted down. It was rejected not on the ground advanced by Mr Harold

Stassen last week (that the United States should not turn its back on the eight countries that have abstained from co-operation with Mr Marshall), but on the ground that such an amendment might imply advance approval of Mr Marshall's programme. The House is jealous of its prerogatives and will refuse to be hurried. It has just appointed its own special 19-member committee to study needs abroad and resources at home.

One reason for the President's habitual vetoes of tax-reduction measures may be the desire to have on hand funds for financing the Marshall plan without either increasing the debt or appealing for new taxes. But latest reports suggest that the budget surplus may now prove to be smaller than either the President or Congress had hoped. The Senate has refused to be "Taberized"; it is busy restoring many of the cuts imposed by the House, particularly on activities dear to the farm states. The rapid rate of spending of the British loan, the \$400 million loan to Greece and Turkey and the higher costs of administering the new labour law will help to keep the surplus down. Uncle Sam, unlike Uncle Dalton, is not ostentatiously jingling the spare cash in his pocket.

The Domestic Scene

On the domestic side, Mr Truman's report was able to give some remarkable evidence of national prosperity. "Month by month the recession has failed to materialise." There are now sixty million jobs in the roll of civilian employment (presumably not counting Mr Henry Wallace). Gross national product, at an annual rate of \$225 billion in the first half of 1947, compares with \$204 billion in 1946 (all recent figures have been revised upwards), while personal incomes are now two and a-half times those of 1940, and more than four times the low point of 1933. Meanwhile, the consumers' price index gives the less than generous assessment of an increase by 20 per cent over January, 1946, while food prices are up by 50 per cent, and clothing prices by almost one-third.

As suggested here last week, the President can do no more at this stage than to repeat his earlier warnings to industry and labour on the dangers of the price spiral. The danger of fresh advances in the immediate future has been reinforced by damage to the corn crop, which the President now estimates to be at least twenty per cent below that of 1946, given favourable weather conditions until autumn. It is perhaps more than a little difficult to measure the precise value of these economic reports issued by the President, following consultations with the Council of Economic Advisers, and based, in the main, upon the conclusions reached by that Council. The report issued this week was clearly of value in the context of the Marshall offer because it gives an overall picture of the economic situation, linked to the requirements of foreign countries, and to the desirability of plans for rehabilitation. Moreover, the CEA reports, apparently, accelerate the pace at which economic information flows from the government agencies.

It seems more than a little doubtful, however, whether this information represents any net addition to the information already reaching the White House through the Department of Commerce and the Federal Reserve Board. This lack of fresh information is not in itself a valid argument against the CEA as a co-ordinating agency. But if the CEA is to make any particularly valuable contribution to economic debate, it must surely draw a sharp distinction between the long-term, analytical work designed to cover the whole range of government activities, and specific, short-term measures upon which Congress and the President should concentrate at any given point. For example, the Council could at this time have made specific recommendations (one way or the other) concerning such recent controversies as consumer credits, service bonus payments, tax relief, and state control of rents, now that Federal controls have been abandoned. And it should also be prepared, surely, to suggest the mechanisms which may be necessary if heavy grants for overseas restoration do coincide with full employment at home. On the other hand, it should make adequate preparations for a flexible tax policy to become operative as and when the present inflationary situation gives way to a slower pace of activity. It is far too early to suggest that the CEA is no more than just another agency for the accumulation of data which most Congressmen are unwilling to study. But it is not too soon to suggest that it must be prepared to give more definite rulings on short-term policy.

Outlook for Construction

One point stressed by the President's report to Congress deserves special mention. In noting a slackening pace for some equipment expenditures, and in the rate of inventory accumulation,

the President declared that a "compensatory expansion in construction, mainly residential, did not appear on an adequate scale, because building costs remained high." This warning on costs reinforces earlier forecasts from such agencies as the Department of Commerce, which in April revised the construction estimate for the current year from \$15 billion to between \$12 billion and \$13 billion, suggesting that the physical volume of building, including repair and maintenance work, would not in fact show any decisive change on the level for 1939.

Authoritative estimates certainly do not confirm the joyous forecasts given by the construction industry following the abandonment of price, priority, and allocation controls, and the decision to allow a general relaxation of rent controls. Residential construction figures have been especially discouraging in recent months. In 1946, operations in this sector were held up by labour and material shortages, and although a start was made on about 1,000,000 housing units (670,000 permanent) performance fell well below promise, the total of permanent units completed being 454,000 only. Estimated construction this year is not more than 800,000. With the building labour force considerably higher than a year ago, and with the restoration of pre-war organisation for merchandising and contracting, the industry should be capable of far higher levels than this, and building delays which raised costs heavily throughout 1946 have been reduced to a point which compares fairly well with pre-war years. But costs remain obstinately high—they are now probably double those of 1939—and the average purchaser is now very unwilling to meet 1947 charges. A recent survey of the consumers' market (discussed briefly on June 28th), moreover, revealed that a very large proportion of potential buyers simply have not funds available for the high deposit now necessary. A further factor in the uncertainty surrounding the residential trade is the curtailment of loan powers for ex-service buyers, formerly held by the Reconstruction Finance Corporation.

A recent survey in the *Federal Reserve Bulletin* reached the conclusion that "construction markets seem (now) to depend to a considerable extent on the volume of work that can be undertaken without the usual regard for cost. There is a real question whether current and prospective levels of income, for both business concerns and consumers, can continue to support the present level of construction costs or of real estate prices." In so far as potential demand is concerned, the position is no doubt healthy enough. But some very vigorous action is needed to reduce building costs, and it may well be that, as suggested in these columns not long ago, maladjustments in the building industry are already working towards the point where reactions will not be confined to that industry alone.

Flood Crest

The most destructive floods in the history of the modern United States have provided an opportunity for Mr Truman to demonstrate the superior manoeuvrability of the Presidency, even when Congress has the final word. Earlier this year he snatched the Communist issue from the Republicans; last week he made flood control a Democratic war-cry. On this issue the Republicans are particularly vulnerable, for during the past session the House, at least, has slashed funds for irrigation, flood control, conservation and power developments in the West.

In his message to Congress, Mr Truman said:

The major opportunity of our generation to increase the wealth of our nation lies in the development of our great river systems. I urged in the State of the Union message, on January 6, 1947, that the programme for improvement of our rivers be pushed with full vigour. Since that time the urgency of one phase of our water resources control programme has been demonstrated forcefully and tragically.

Since 1937, over a billion dollars' worth of damage has been suffered in the Mississippi basin, the rich central core of the United States; and there has been a washing away of soil re-United States; and there has been a washing away of soil re-United States; and there has been a washing away of soil re-United States; and there has been a washing away of soil re-

The President, who is on record as favouring for the Missouri Valley a creative authority like the TVA, once more expressed his belief that the most efficient and economical approach was through multi-purpose dams, which not only harness floods in the lower reaches, but conserve water and soil up-stream, improve naviga-

tion and supply cheap power. But the TVA, now having its funds slashed, is no happy example to cite to economising Congressmen, despite the spectacular exemption of the Tennessee Valley from this year's floods. Flood control alone is far less controversial.

Yet even this summer's catastrophes will ensure no speedy action. The Republicans will prefer to introduce their own flood control programme next year; and even among friends of the valley authority idea there is strong criticism of the President's suggestion that \$237 million of the first year's funds should go to the army engineers. Taking the middle course guarantees, if nothing else, that the President will be under fire from both sides—while the Middle West is under water.

Line of Succession

In the phrase so beloved by the American press, only a heart-beat now stands between a Republican and the Presidency. Both the Senate and the House have now passed the Bill providing that in the event of the President's death when there is no vice-President, the Presidency should fall, first to the Speaker of the House, and in the event of his death, to the President *pro tempore* of the Senate. There is no question of a Presidential veto, as the law embodies a suggestion of Mr Truman's expressed both before and after the Republican victory at the last election.

It is Mr Truman's belief that no President should have the right to appoint his own successor, as would have been the case during the years when the Secretary of State stood next in line. But this is an argument of limited application, for no one would deny that Mr Roosevelt, in the years of his authority, chose his own successor, in the persons of Mr Wallace, and, as it proved, in fact, of Mr Truman. The willingness of the Republicans to pursue the Presidential suggestion arises not so much from a desire to see Mr Martin succeed to the White House—a possibility calculated to make even the Republicans pause—as from the fact that Mr Truman's death in office would, under the existing law, make President the man most capable, if he so desired, of engineering a Republican defeat in 1948: Mr Marshall, the Secretary of State.

The new law returns to the line of succession which prevailed before 1886. It is difficult to see that it improves the quality of possible Presidential timber; and it may even prove unconstitutional. With all deference to Mr Martin, his record does not suggest that the Speaker of the House is usually better fitted to succeed than the average Secretary of State. The Speaker is chosen for ability as a politician, rather than as a statesman; he may be closer to the will of the people than an appointed member of the Administration; but he is chosen as a Representative of one small constituency, not as a possible President. The new law may raise the level of the Speakership, but it has not always had that effect on the Vice-Presidency. In times when, as at present, Congress and the Administration are of different political parties, the new law would, on a President's death, change the whole character and tenor of the Administration without direct popular consent.

The possibility that the new line of succession may be declared unconstitutional arises from the fact that the Constitution declares that "an officer of the government" shall succeed in the event of the deaths of both President and Vice-President. Neither the Speaker nor the President *pro tempore* of the Senate (now Mr Vandenberg) is usually so regarded. The line of succession established in the new law is largely hypothetical. The Presidency has never passed beyond the Vice-President. But if changes are to be made, various other suggestions, such as that for two Vice-Presidents, would seem to have more merit if the chief aim is to name an heir-apparent worthy of the office.

Shorter Notes

Advocates of the "white primary" received a rude shock last week when a US District Judge ruled it illegal to bar negroes from the Democratic primaries in South Carolina. In 1944 South Carolina repealed all the state laws pertaining to primary elections, in the hope that this would enable white Democrats legally to bar negroes from participating in a white man's club. The judge branded this "pure sophistry."

A moving story from South Carolina tells the tale of a negro war veteran who won a \$3,000 Cadillac car in a Kiwanis lottery. When it was discovered that he was a negro, the ticket he held was declared to be "unauthorised" and the car was given to a white doctor who already possessed a Cadillac. This aroused such a roar of protest from the national Kiwanis organisation that the negro is now to be given a second Cadillac—though, as he remarked plaintively, the money would have been more useful.

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THE WORLD OVERSEAS

The French Economic Crisis — I

Inflation versus The Monnet Plan

(From Our Special Correspondent)

NO better and no worse capital could have been chosen than Paris for the discussions on the economic integration of Europe. None better, because in France every problem of Europe's economic disintegration crystallises. Here around one is all the evidence of war-shattered economies, of the clash between concepts of security and reconstruction, of the deep cleavages between political parties (irreconcilable by normal democratic methods) that have to be understood and allowed for in any realistic appraisal of the European economic situation. None worse, for certain minor but important practical reasons; because even by European standards France can be so inefficient; because, for example, so much time can be wasted, so much frustration and hopelessness can be engendered and experienced in what should be the simple task of putting through a local telephone call. Whatever design for Europe is evolved in this setting and with these object lessons strewn around, it should be imbued with a sense of reality and conceived in full knowledge of the problems that have to be overcome.

The economic situation in the midst of which the negotiations are proceeding could hardly be bettered as an illustration of the difficulties that must be surmounted before Europe becomes a self-supporting and viable economy. The French economy is attacked by two main enemies each with its host of subsidiaries. The first is clearly visible. It is the lack of coal—that common denominator of all European economic prostration. The second is more concealed and therefore more dangerous. It is monetary inflation and all that goes with it: loss of confidence in the currency, inadequacy of savings, breakdown in the distributive system, interruption of production by periodic labour strikes as the spiral of wages tries to catch up with that of prices, negation of all intelligent estimation and planning.

Coal Bought with Dollars

The problem of coal supplies is fundamental. The French economy is geared to the use of about 70 million tons of coal a year. Last year it had to make do on little more than 50 million tons, and, though the plan for this year puts consumption at 64½ million tons—53 million tons domestic and 11½ million imported—there are grave doubts whether that target will be achieved. If it is not, the fault will lie with France's overseas suppliers and not with its own producers. The latter have brought output well above the immediate pre-war figure, though it is only just getting back to the 1929 level. In 1938 the monthly coal output averaged 3,963,000 tons. Last year the figure had risen to 4,108,000 tons. By last April, the latest month for which figures are available, the output was 4,209,000 tons. This recovery, however, has been accomplished with a much larger labour force than was available in 1938, and the daily output per worker—which in that year was 1.22 tons—was still as low as 0.96 tons last April, though this represented a considerable improvement on the figures for 1945 and 1946.

The coal gap, however, is seen most clearly in the import figures, and the following table points unerringly to the culprits responsible for France's deficiency:—

	1938	1945	1946
Great Britain	6,500	1,320	718
United States	...	2,450	5,181
Belgium	4,900	170	426
Germany—Saar	1,700	420	1,295
Ruhr	5,500	816	2,088
Poland	1,600	...	561
Others	2,600	...	121
	22,800	5,176	10,390

Apart from the latest total being inadequate, this distribution of coal imports is wholly abnormal. Coal from the United States is already uneconomically expensive when it is loaded in American

harbours. By the time freight has been paid across the Atlantic and allowances made for the fact that the ships return to the United States three-quarters empty, these imports have become an intolerably heavy drain on France's very exiguous dollar resources. The main deficiency, as compared with 1938 is in British coal. This applies not only to France but many of the countries now represented in the Marshall plan discussions.

Efforts have been made by the French to work up imports of coal from Poland. In spite of Polish intransigence in the matter of payments—they insist on payment in dollars—it is hoped to raise imports from this source to an annual rate of three million tons. It is, however, to the Ruhr that France looks for its main additional supplies of coal. The present plans for industrial production assume minimum imports of 500,000 tons a month from the Ruhr for the second half of 1947, rising to 1,000,000 tons a month from the beginning of 1948. This expectation raises the whole problem of the level of industrial output in Germany; it will unquestionably provide the most controversial of all those topics that will be drawn into the vortex of the Paris discussions, which are to produce the answer to Mr Marshall.

In spite of the shortage of coal the French industrial plan for 1947 is not going seriously awry. Industrial output as a whole for the first half of 1947 was about the same as that for 1938, which, admittedly, was a poor year. The excellent recovery in production which was made in 1946 is being rather more than held, but the impression is that the momentum of last year has been lost and that 1947 is proving a period of somewhat halting and painful progress. None the less, the following figures show what is being achieved in some of the basic industries:

PRODUCTION IN FRENCH BASIC INDUSTRIES

	Monthly Average, 1938	Monthly Average, 1946	April, 1947
Pig iron (thousand tons)	501	288	416
Index	100	57.5	83
Steel (thousand tons)	518	369	508
Index	100	71.2	98.1
Electric Power (million k.w.h.)	1,548	1,848	2,110
Index	100	119.4	136.3
Cars and Trucks (units)	3,260	5,215	6,370
Index	100	160	195.4
Woolen goods (tons)	6,650	4,210	4,702
Index	100	63.3	70.7
Cotton goods (tons)	12,083	8,442	10,339
Index	100	69.9	85.6
Rayon goods (tons)	2,334	2,575	3,300
Index	100	110.3	141.4

This is a picture of solid progress, though, it should be added, the progress falls appreciably short of what had been envisaged in the Monnet plan. Shortage of coal is probably the main cause of the deficit, but it is not the only one. The increasing pressure on the French balance of payments and the consequent curtailment in imports of certain essential commodities, notably of lead and tin, may have played a part in retarding the rate of progress. This, however, is unlikely to have been an important part. On the contrary, the evidence suggests that France has gone headlong into her foreign exchange crisis, at a pace even greater than that maintained by Great Britain, and with an equal lack of corrective cuts in the import programme.

That import programme has kept very close to the plan, and, given the rise in dollar prices, it converts itself into much higher monetary terms than those incorporated in the estimates. The Monnet plan envisaged imports to the value of 190 milliard francs for 1947. The actual figures, for the first half of the year alone, amount to over 120 milliard francs.

While imports are running at well above the estimated figure, exports are falling somewhat short of the Monnet Plan estimates. The exports from metropolitan France were estimated in the plan at 134 milliard francs, or at 178 milliard francs expressed in terms of January, 1947, prices. The figure has already been readjusted

downward to about 140 milliard francs, reflecting a considerable reduction in the expected volume of exports. In some part this is due to low production and the absence of goods available for export. But a more serious factor is now coming into play: it is the rise of French costs and prices to a point at which French goods are becoming too expensive for the export markets, even for the sellers' markets which still obtain to-day. That is a factor which leads straight to the complex problem of monetary inflation.

Before turning to factors of essentially monetary and fiscal character, mention must be made of the deterrent effect of bad planning and administrative inefficiency. Much of the administration of distribution and price control is unintelligent to the point of ineptitude.

In fixing the price of wheat at about four times its pre-war level, while the price of meat has been allowed to rise on an average to eleven times, that of butter fourteen times, and that of potatoes over twenty times the pre-war figures, complete nonsense has been made of the whole machinery for distributing and retailing foodstuffs. The result is clearly evident in France today, where farmers are refusing to give up their wheat to the authorities and are either hoarding it or feeding it to their cattle; while the maize which should be used as feeding stuff is being consumed by the people in the form of maize bread. This example of inept

price fixing is typical. The whole system is riddled with discrepancies and contradictions of this character. When allied to inadequate and ineffective control machinery they lead to the development of inordinately profitable black markets, such as those that flourish in tobacco and petrol, or else to complete disregard of rationing systems, as in the case of textiles, where the coupon scheme has recently been abandoned solely because the shopkeepers refused to work the system.

A recent report of the Comité Central d'Enquête sur le Cout et le Rendement des Services Publics pleaded for an increase in the number of officials who today are vainly attempting to enforce the rationing and price control systems. The report received most sympathetic consideration by Ministers, but none the less the relevant appropriation was one of the first to be cut in the recent budget pruning. There is, therefore, little hope of improvement on this sector of the economic front. Yet the other alternative, namely, the return to free markets, is unthinkable at the moment, because of the absence of confidence in the currency, of the propensity to hoard which is already so strongly developed, and of the real shortages of consumer goods with which France is likely to be faced for months and perhaps years to come.

[A further article will examine the fiscal and monetary problems facing the French Government.]

Indonesia—The Real Issues

(By a Correspondent)

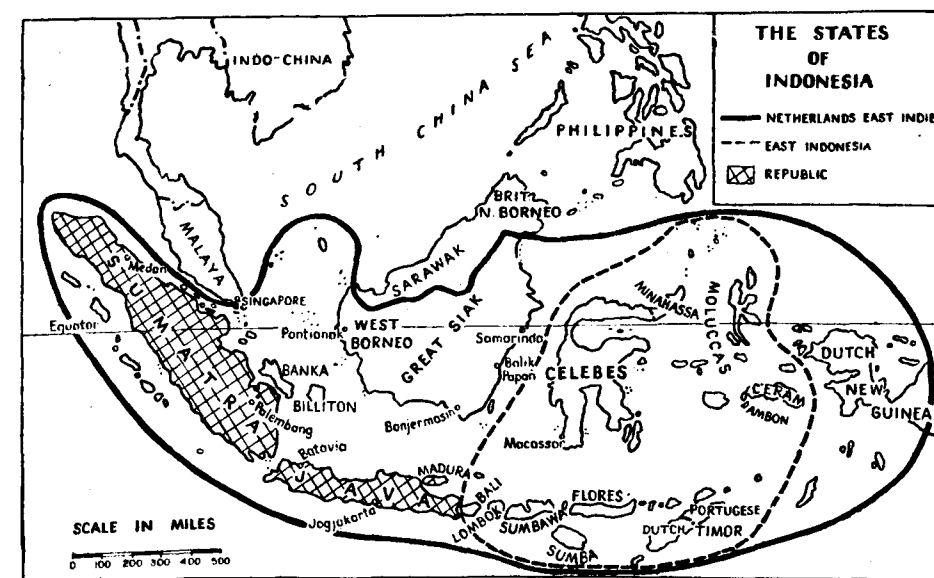
ON Sunday Dutch Forces in Java opened military operations against the Indonesian Republic, and so far appear to be meeting with only slight resistance. The object of what the Netherlands' Prime Minister, Dr Beel, describe as "police action" is, in his own words, "to achieve what the Republic itself appears incapable of doing," that is to re-establish peace and order, industry and commerce by implementation of the Linggadjati agreements.

The Netherlands-Indonesian Union, as outlined by the Linggadjati Agreement signed between the Netherlands Government and the Republic of Indonesia, is an ingenious pyramidal structure intended to unite the 70 million people of the 3,000-odd islands of the Indonesian Archipelago and eight million people of Holland in a new federal constitution under the Dutch Crown. This federation will consist of two units: the Kingdom of the Netherlands (comprising the Dutch West Indies) and the United States of Indonesia, whose components may in turn be also smaller federations. So far the USI consists of two equal members: the Republic of Indonesia based on Jogjakarta, the royal and ancient capital of Java, which was proclaimed by President Soekarno on August 17, 1945; and East Indonesia, with its capital at Macassar in Celebes, established by decree of the Lieutenant-Governor General, Dr H. J. Van Mook, in December, 1946.

By the Linggadjati Agreement the Republic of Indonesia has now been recognised by the Dutch as exercising *de facto* authority over Java, Sumatra and Madura; while East Indonesia comprises the islands of Celebes, the Moluccas and the Sundas. In Dutch Borneo two states have come into existence: West Borneo based on Pontianak, and Great Siak, comprising South and East Borneo, based presumably on Banjarmasin. These may either federate into a single State of Borneo which then in turn may join East Indonesia or they may apply for direct affiliation to the USI. But the Minahassa in North Celebes, Ambon in the Moluccas and Dutch Timor in the Sundas have petitioned Queen Wilhelmina for self-government within the framework of the Kingdom of the Netherlands, as they are unwilling to join either the Republic or East Indonesia. The Menadonese in the Minahassa and the Ambonese are mainly Christian communities and hitherto provided the Dutch with the bulk of their native army. These facts have to some extent estranged them from other Indonesians, whose dominion they fear on account of possible reprisals. Dutch New Guinea will in any case probably remain under the direct administration of the Crown owing to its political and economic backwardness.

Since the Linggadjati Agreement, Netherlands-Republican negotiations have been concerned with the formation of an Interim Government to administer the whole area from now until the USI comes into being on January 1, 1949. Directly it was signed the Dutch, still confined to the occupation of bridgeheads in the Republic area (Medan, Sabang and Palembang in Sumatra; Batavia, Surabaya, Semarang and Bandoeng in Java) began to press the Republic to start putting it into force at once. On May 27th the Dutch Commission-General issued what really amounted to an ultimatum, that the Republic should at once take part in establishing a single currency; joint boards for the control of imports, exports and foreign exchange; and military co-operation to terminate the hostilities which still take place on the perimeter of the Dutch bridgeheads. Thus when at last a political agreement seemed to have been reached, a new breakdown threatened on the economic and military issues.

What the Dutch allege to be recalcitrance on the part of the Republic is more easily understood when set against the underlying issues which are seldom formulated by either party. Before the war the entire economic life of the Indies was a capitalist economy under the Dutch. In particular, they controlled—apart from the staffing of the administrative services—shipping between the islands, a huge industry of which the bulk is in the hands of the K.P.M. shipping line; and the profits on all exports. Now the Republic has declared for a Socialist economy in which all these activities would be nationalised. If it should succeed in cutting the Dutch monopoly of these three sources of profit, it has been



calculated that the present standard of living in Holland would fall by 30 to 35 per cent. Under the present system the world prices of rubber, for example, are dictated by capitalist concerns in New York, London and Amsterdam, over which the Indonesian has no control whatever. In common with all other Asiatic countries, the Republic now demands an increase in internal wages and a major share in the profits on its own exports. So the fundamental issue behind the current negotiations is a new expression of the world-wide struggle between the forces of private enterprise and state Socialism.

End of the Old System

Ostensibly the present disagreements turn on the structure of the joint Interim Government. Is this to be, as the Dutch propose, merely a "reconstruction of the Netherlands Indies Government as a central apparatus of the future Federation" with the incorporation of a larger proportion of Indonesians as the only major difference from pre-war days? Or is it to be, as the Republic desires, not merely a new form of government, but a government harnessed to a new purpose and embodying at least some Republican institutions? Before agreeing to co-operate in forming joint economic controls, the Republic wants some guarantee that Indonesian representatives will not become mere stool-pigeons, manning and financing a system it is their declared purpose to destroy.

In conformity with Linggadjadi, it has so far been agreed that the head of the Interim Government will be a representative of the Netherlands Crown which, during the transitional period, remains sovereign over the whole area; that external relations will be conducted by a joint federal foreign service; and that all property in Republican territory will be unconditionally restored to its legal owners. The last two points represent concessions by the new Prime Minister, Amir Sharifuddin. He, though a Christian and educated in Europe, stands on the left of the Socialist party, and is likely to prove less conciliatory than his predecessor. The Republic is adamant in refusing to admit Dutch personnel to the internal police force in Java and Sumatra. Considering the narrow interpretation which the Dutch formerly placed upon civil and political liberty, and their rigid repression of the Republican movement in South Celebes since liberation, Republican intransigence on this point is hardly surprising.

Despite the adoption of an embryonic constitution, the political situation everywhere in Indonesia is still very fluid. Within the Republic there have been signs of separatist movements among the Sundanese in West Java and the Batak in Sumatra. In some non-Republican areas, where the Dutch retain strong influence, though not their old power, there is strong nationalist support for the Republic, especially in politically volcanic South Celebes and in Bali. Though the Republic still aspires ultimately to absorb the rest of Indonesia within its own unitary and socialist constitution, it has now officially "recognised" its rival state of East Indonesia. Possibly Jogjakarta reckons that the East Indonesian Parliament, which opened at Macassar on April 22nd, is too virile to remain long in Dutch leading-strings, and that sooner or later the Republican heaven will "out." The Prime Minister of East Indonesia, Najamoeddin Daeng Malewa, the "prau king" of Macassar, who, as a potential tammany boss, is perhaps the most significant Indonesian politician, recently declared that "East Indonesia stands for planned economy and social justice."

America Steps In

The overriding concern of the Dutch and of the outer world, especially America, is to re-start international trade in the products of Java and Sumatra. As Mr Bevin emphasised at Margate, "were the NEI at peace the far rationing difficulties of the world would, in twelve months, be solved"; though he omitted to add that in July, 1945, Britain had to reject an offer of 10,000 tons of copra because it was unable to supply the textiles in which half-payment was required. The USA is making Indonesia a new theatre of dollar diplomacy. When Linggadjadi was signed a reconstruction loan of \$300 million was proposed, and in the recent crisis the US Government has been bringing pressure on both parties to implement Linggadjadi by forming an Interim Government as "a pre-requisite to rehabilitation"—in other words: No Interim Government, no American loan. This sense of urgency is not shared by the Republicans, as their food situation is adequate and Java's rice surplus is being exported to India in exchange for the all-important textiles. Though fully alive to the need of foreign development loans to buttress their newly won political independence with economic stability, the Republic has no intention of purchasing economic reconstruction at the price of that independence. In this connection it is noteworthy that

Prime Minister Najamoeddin has expressly opposed the acceptance of American loans, though desirous of loans from Holland and other small countries.

A young Dutch woman of the Dutch WVS, returning from Indonesia last year, succinctly expounded the situation as she had absorbed it from the long stream of repatriate internees: "You see, we cannot give up our Indies because without them we should have no money and no jobs for our young men." Dutch anxiety to recoup their war losses from Indonesia has received a fresh impetus from the loss of the German market which formerly absorbed the bulk of Holland's agricultural exports. As a race, the Dutch are more reluctant than ourselves to confront an unpleasant situation. So, though there is little to justify the hope that their former prosperity will ever return on its old scale, they still tend to be imbued with the 1918 spirit that everything is bound to get better and better. Due partly to this attitude of mind, the final ratification of Linggadjadi was held up for four months while the Netherlands Government at The Hague tried to browbeat the Republic into adopting as an integral part of the Agreement unilateral interpretations of it in the form of (1) an "explanatory memorandum" by the Dutch Commission-General; (2) a "statement" by the Minister of Overseas Territories. This rather irregular procedure did not succeed, and eventually the Netherlands Government was obliged by foreign pressure to ratify the original text without amendment.

Diehards at The Hague

After this delay on the Dutch side it is not surprising that the Republic jibbed at the shock tactics introduced by the Dutch after signature. With the opening of full-scale hostilities the patient conciliatory policy, after which Dr van Mook has striven so tirelessly, was abandoned, and one is obliged to question whether after all he has been out-maneuvred by the diehards at The Hague, having as their real motive for holding up the agreement a desire to gain time in which to complete their military preparations, so that the concessions contained in it may be whittled down when hostilities end.

The difficulty of his position during the past two years as the storm centre between reactionaries in Holland and extremists in Java has not been fully recognised in this country. The persistent rumours of his impending dismissal, circulated by his enemies at home, were scotched by an official statement on June 11th, that he is to remain in office "until the political situation allows his request to be relieved of his post to be met." That van Mook only induced The Hague to make the concessions represented by Linggadjadi by threat of resignations if they refused is generally understood, and his presence in Java is the best assurance that when, as eventually they must, both parties meet again across a table, the Republic will not receive worse terms than before, and that what he described as the Netherlands Government's "unchanged desire to execute the political programme of Linggadjadi" will in fact be observed.

Deadlock in Cyprus

[BY A CORRESPONDENT]

"THERE is grave danger ahead if the trustee power lags too far behind," prophesies an African in a new book on Nigeria. If so, "nationalism will know no moderation; when it is in the saddle, it rides hard." If this prophecy may become fact in Nigeria, it is already so in Cyprus, where a population that is mainly European in descent, and at least equal to wide tracts of the Balkans in culture, has long been restless and is now openly hostile to the British rule. Its goal is "national rehabilitation," alias *enosis*, which means union with Greece. Within the months since its prospects were reviewed in *The Economist* of October 26th, the mood of its *enosis* has hardened. "Enosis or nothing" is now their cry. A new governor is trying, by means of internal reforms, to soften their intransigence. Can he succeed, or are they set in a gallop via misunderstanding to deadlock?

Recent facts are soon told. Lord Winster arrived in March. At the time of his arrival the Cypriot Left was strongly against the British support of the monarchy in Greece, and believed that Greek union would allow them to throw their weight into Balkan politics; Right-wing elements, although nominally adhering to the idea of union, were considering whether, with the position in Greece, this was the time to press their claim. When a former Secretary of State for the Colonies, Mr Amery, visited the island earlier in the month, he was quick to realise this, and wrote a

reasoned article advocating a British-Greek condominium, offering double citizenship to all who wished it. If this had been pressed, and the Cypriots could have been convinced of British *bona fides*, it might have enabled the Right-wing to co-operate without loss of dignity or support.

On Lord Winster's arrival, the Left-wing, fearing the possibility that the Right might come to terms with the British either on autonomy or future promises of some sort of Greek citizenship, proposed a complete boycott of the Government Ten-Year Development Plan which should be emphasised by a refusal to attend the new Governor's first reception. There is every indication that a number of Right-wing leaders were opposed to the idea, and there are amusing stories of domestic quarrels with wives who bought new dresses for the occasion; but a polite reception by the Right, in the face of abstention from the Left, would have resulted in accusations of fawning to the British or of scheming for autonomy. Either would have meant a serious loss of popular support. They therefore abstained.

Lord Winster had not been in the island long enough to judge the position first hand or to realise the character of the Cypriot. He was forced to rely upon the advice of the old machine, and promptly dismissed the abstaining members from the Advisory Council, which was then left with only two Turkish members. The action was necessary to uphold British dignity. What he did not take into consideration was that he was the successor to a line of Cyprus Governors who had possessed dignity and very little else.

To say the least, the action was unfortunate. It removed the last hope of any co-operation from the Right, and made the chances of forming any sort of Advisory or Administrative Council negligible. In addition, it strengthened a jubilant Left. The AKEL party, for the first time, identified their demand for Greek union with their Communist claims, and the *Enosis* movement was widened to include open support for Left-wing movements in Greece.

Lord Winster is a sincere person, and those who know him are impressed by his desire to come to a real understanding with the Cypriots. But few Cypriots are disposed to meet him informally or with constructive ends in mind. He set about the usual opening round of visits to villages from which the element of patronage

is difficult to eliminate, and he started upon his proposals—ultimately issued on July 9th—for a Consultative Assembly invited from among the mayors, the Bar, the doctors, the press, the trade unions, the chamber of commerce and other bodies of local standing. The purpose of the Assembly he proposed was to frame the island's future constitution.

Meanwhile, however, the *Enosis* movement had received new impetus. Its focal point has always been the Church—the body which, seeing in a Greek future its best chance of survival—preserved Greek national characteristics and consciousness throughout 300 years of Turkish domination.

In fulfilment of a promise made from London, elections for a new Archbishop of the island were held in June. The man elected was Bishop Leondios of Paphos—a remarkable and highly educated person who went to Colombia University and who is regarded as a possible successor to the ageing Ecumenical Patriarch of Constantinople. Bishop Leondios is a confirmed *enosis*. He promised his flock the establishment of a new Ethnarchy Council to conduct the "national struggle," and advised them to "seal their ears" to the Governor's proclamation establishing a Consultative Assembly.

To whom will they respond? The Briton who tries to work out the answer should remember that the Greek Cypriots, though they have never been administered from Greece since 300 B.C., push aside history as British propaganda and maintain a sincere belief in their connection with Athens. The peasant follows the Church's lead. The industrial workers, bound together by strong Left-wing trade unions closely allied to the Communist AKEL party, see in Greek union the chance of a weak government and struggle for the overthrow of imperialism. The professional classes, embittered by years of playing second-fiddle to higher-paid Britons, look towards Greece as a country in which they would possess equal social and economic status. The politicians, remembering the example of Venezelos, and Crete, see in Greek union a chance of enlarging their sphere of activity.

Given such a state of mind, the Archbishop starts the contest at an advantage. The British Government would be wise to strengthen Lord Winster's hand by thinking out an offer to be made in conjunction with the Greek Government. There is now no other way out.



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THE BUSINESS WORLD

Transport for Oil

THE post-war pattern of the world's oil industry is unfolding. On the demand side there are three dominant factors: the high level of consumption by the United States—now increasing at a record pace; the slow but potentially great expansion of demand in Europe as industry and transport recover from the war; and the growing importance in all markets of oil products other than petrol—especially diesel oil, heavy fuel oil and oil for chemicals. On the supply side are two outstanding factors: the growing importance of Middle East oil supplies and the changing position of the United States from self-sufficiency to that of an importer of crude oil to provide marginal supplies for its refineries. A high, sustained demand and a shift in emphasis from America to the Middle East as the world's primary source of oil are the keystones of the situation. That these factors are helping to shape the policy of the oil companies has been clear from the recently published accounts and chairmen's remarks of Shell Transport and Trading and the Anglo-Iranian Oil Company.

Important changes in the direction of the international oil trade are involved. If the potential demand for oil is to be equated with supply within the next few years, some considerable increases in tanker and pipeline capacity will be required, for the present capacity of each is insufficient for the purpose and its geographical distribution has to be radically changed. Given the present cost and price structure, the obvious strategy which the oil industry is now working out is to use the Middle East oil supplies particularly as a source for petrol and fuel oil for European markets and to use American oil reserves outside the United States for the United States and West Indian oil refineries to supply world markets with petrol, kerosene and heavier oils.

The emergence of the Middle East as a major source of supply was visible ten years ago, when foundations of the post-war transport pattern were laid with the construction of the first Middle East pipeline by the Iraq Petroleum Company from Iraq to the Mediterranean. The crop of inter-group oil pacts in the Middle East seven months ago showed that this enormous field has now become the object of major decisions of Governmental and oil company policy to ensure continued oil supplies. But to raise oil is useless if it cannot reach the market, and success in equating the potential world demand for oil with supply during the next few years depends in a

large degree upon sufficient transport capacity. The problems involved can be summed up in three questions. Are there enough tankers to move the oil? Can they be mobilised for international trade? And, finally, can pipeline capacity be expanded quickly enough, especially in the Middle East, to ease the burden on tanker capacity in carrying the increased flow of oil required?

Table I shows world total tanker tonnage and the principal owning nations in 1939 and 1946, together with tonnage under construction at June, 1947. The war saw a remarkable expansion of 40 per cent, despite sinkings, in world tanker tonnage. It also saw a revolution in the disposition of that tonnage. In 1939, the United States owned 26 per cent of the world total: by 1946 it owned 59 per cent. Britain and Norway had lost ground heavily by 1946, but Britain has been trying to improve its position since. In June, 52 per cent of world tanker tonnage under construction was building in this country. Building new tonnage, however, can only slowly rectify the balance in the ownership of world tonnage; meanwhile the United States has a surplus, while Europe is desperately short for its own needs. To transfer the American surplus to Europe would be theoretically an attractive solution, but for several reasons it is not practical. Under the Merchant Ship Sales Act, tankers built during the war for the United States Government must be offered first to Americans, and only in the second place to foreign buyers. After the end of this year, the unsold balance of these tankers will be immobilised into a reserve. Further, these surplus tankers must be sold at not less than 87½ per cent of the pre-war cost—and dollars are scarce in Europe. Finally, many of these ships are of limited suitability for Europe's needs; they are large and fast, but expensive to run and suitable for deep harbours only.

Tanker tonnage during the next few years will therefore be governed by the amount of government-owned American tonnage which is immobilised after the end of this year and the rate at which new tonnage can be built by the oil companies. The rate of expansion of the oil companies' tonnage can be estimated in round figures. World tonnage totalled 23.5 million tons deadweight, in June last year. By December it was about 23.7 million, and by June this year it was about 23.9 million. These figures indicate a rate of expansion of

some 400,000 tons a year. Taking into consideration the fact that world gross tonnage under construction at the end of June was 617,000 tons, and that it takes roughly 18 months to two years to build a tanker, the recent rate of expansion will probably be maintained in 1948, and it cannot be much more rapid owing to the world shortage of steel. So if the United States immobilises, say 5 million tons deadweight of tanker shipping (a not improbable figure), the world's tanker tonnage will be perhaps 3 million tons above the pre-war level by the middle of next year, an increase of 18 per cent. But the major part of this tonnage will be owned by the United States and other countries will have to pay dollars for its hire.

These tonnage figures have to be viewed against the background of the probable demand for oil. How much oil will have to be shipped to world markets? Table II shows the imports of crude oil and finished products for the three main consuming areas in 1938 and 1946—Continental Europe, Britain and the United States. Adding all kinds of oil and oil products together, these three areas imported 47.8 million tons last year, compared with 41.9 million in 1938. This increase was due primarily to higher American imports of crude oil and finished products and to larger imports of gas and fuel oils into this country, which together offset the heavy falls in European imports. On the assumption that rehabilitation in Europe called for an increase in oil imports next year to the level of 1938 (a modest target compared with Europe's eventual requirements) and if imports to the other two areas were no higher than in 1946 (which is highly unlikely unless there is a slump in America and drastic petrol rationing here) the demand for imports of oil would rise to 55.6 million tons—an increase of one-third compared with 1938. Even this modest expansion would involve tremendous pressure on tanker capacity, beyond its present ability to absorb.

How far can such pressure, if it develops, be relieved by increased use of pipelines, especially in the Middle East? If the plans which are going forward at present for increasing pipeline capacity in that area could be carried out by the end of next year, the immediate economy in tanker space would save what may be a critical shortage of transport facilities. A ton of oil piped from Iraq to Haifa, refined and sent to the United Kingdom needs to be carried only 3,300 tanker miles, compared with a journey of 6,500 by sea if it goes from Abadan via Suez. Likewise, oil shipped from the Levant to Britain instead of from Venezuela or the Dutch West Indies would save 900 miles by sea. It is not suggested that Britain or the rest of Europe should cease to import oil from the West Indies or South America. But the long-term pattern of world supply is for the United States to draw its imports from the southern half of the Western Hemisphere, and for Europe to rely more and more on the Middle East, and there is much to be

said for accelerating that development when tankers are in short supply and Europe's demand for oil is increasing.

There is at present a record demand for oil equipment. Middle East pipe-lines are only a part, although an important part, of a world expansion programme. The cost of the pipeline alone from Abadan to Haifa is estimated at about £12 million. The American-Arabian pipeline from the Gulf of Persia to Haifa, which is somewhat longer, but of about the same diameter (about 30 inches) would, on the same basis, cost about £15 million. Further north, Iraq Petroleum are installing another 1,200 miles of pipe of 16 inches diameter from Kirkuk to the Mediterranean. The total investment in pipeline schemes in the Middle East can, therefore, be conservatively put at £32 million to £35 million. In addition, several tens of millions of pounds will be required for pumping stations and ancillary equipment. Sir Frank Smith, of the Anglo-Iranian Oil Company, recently declared at Manchester that a line with the diameter and the length of the proposed pipe from Abadan to Haifa would have a throughput of 13 million tons a year. This pipe, plus the American-Arabian pipe further south, might thus have a combined throughput of 25 million tons. Allowing 8 million tons for the new Iraq Petroleum pipes, total throughput from East to West would eventually be about 38 million tons compared with a present total capacity of just over 4 million. These figures may be compared with total European imports of oil and oil products in 1946 of about 29 million tons.

Such estimates of capital investment and oil throughput need to be treated with caution. Costs of equipment are already three times higher than before the war, and they are still rising. Capital commitments may, therefore, have to be revised before the schemes are much older. But even such tentative estimates as these emphasise the enormous cost of investment in the oil industry, which is likely to intensify the development of Middle Eastern oil by groups rather than companies. They also show that Middle East oil schemes will have to join the long queue for steel before they get delivery of their equipment. The first of Iraq Petroleum's new lines will not be in operation much before 1949, while the two big pipes from the Gulf of Persia to the Mediterranean cannot be in operation until after 1950. The position in the short period, that is prior to 1950, seems to be that the pipelines may add a further 4 million tons a year by 1949.

A solution of the oil transport problem is of the highest importance to this country. When the present coal-to-oil reconversion is completed, Britain will be importing 6 million more tons of fuel oil from the Middle East than in 1946—enough to keep about 60 tankers a year fully occupied. Bids for so much tanker space against the increasing calls on world tanker tonnage will have only limited success unless tanker tonnage is quickly expanded.

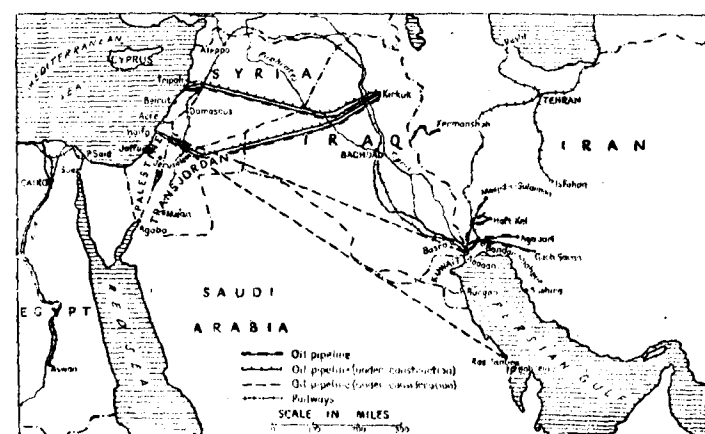


TABLE I: WORLD TANKER TONNAGE

	Owned: '000 tons (dwt)		Under Construction (gross tons) End June 1947
	1939	1946	1947
United States	4,434	14,002	26,390
Britain	4,704	4,280	323,110
Norway	3,125	2,269	...
World Total	16,652	23,721	616,785

TABLE II: OIL AND OIL PRODUCTS IMPORTS (mil. tons)

	Continental Europe	UK	USA	Total
Crude Oil				
1938	10.3	2.4	3.7	16.4
1946	3.9	2.2	11.8	17.9
Finished Products				
1938	12.1	9.7	3.7	25.5
1946	10.7	12.1	7.1	29.9



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Will the Shipping Boom Last?

INVESTORS can hardly complain at the current spate of shipping news, for most of it is good. The 1946 accounts of several leading companies have revealed increased earnings; only this week the Cunard White Star report has shown how generous is the current rate of return on the luxury cross-Atlantic trade. Yet the cautionary overtones of the chairman's speech (discussed, with the report, in a detailed note in the *Records and Statistics* supplement) have not gone unheeded. The decision of Court Line to liquidate a profitable tramp shipping company on the ground that replacement costs are prohibitive, and that of the Stock Exchange Council to retain the ban on dealings in Stanhope Steamship shares have also been responsible for a rather questioning tone in the shipping share market, only partly allayed by the success of the Silver Line issue. And shareholders of OSN Realisation are now puzzling out the comparison between the price of 40s. which has been offered by Cunard Steamship Company for the OSN holdings of Cunard White Star shares and the markedly favourable earnings and break-up value of the shares which is suggested in the latest report. This offer is examined in a later note on page 167.

British shipping is not a homogeneous industry, and the factors which affect its prospects are complicated and infinitely variable. Shipping is an international industry, extremely sensitive to political and economic conditions in widely different parts of the world. Its present circumstances are, of course, completely abnormal. They bear some similarity to those after the First World War, though there are also significant differences. In 1919, despite war losses, the total tonnage of merchant ships in the world was higher than in 1914. Its quality and its distribution among flags, however, had completely changed. The surviving ships were older, overworked and undermaintained, and the wartime replacements were largely of standard design. The American shipbuilding effort had enormously increased the tonnage under the American flag, while British and other merchant fleets had been reduced both in quantity and quality. But British shipowners, in two years of uncontrolled freights, had built up splendid reserves from profits, and neutral owners, whose earnings were never subject to control, did even better. The increased price of shipbuilding, therefore, did not deter them from restoring the balance of tonnage and quality; and such energy was put into new shipbuilding that the reconstruction programmes were largely completed by the end of 1920—by which time all remaining controls over freight levels had been abolished. Rates immediately rocketed, but a panic slump quickly ensued and before long millions of tons of merchant ships were being laid up.

The apparent world-wide shortage of tonnage during the war years and the period of reconstruction had been, in fact, illusory, for it resulted largely from the reduction of the technical efficiency of shipping in war conditions, the necessity for travelling in convoy, with its consequent congestion in the ports, and from the delays resulting from overloaded ship-repairing facilities. Wartime cargoes had often to be hauled greater distances than normally, Government control and direction of voyages and cargoes necessitated long voyages in ballast, and a large number of ships were withdrawn from commercial service for use as military transports and naval auxiliaries. All these factors reduced the carrying capacity of the available ships, and created an impression of shortage which would have readjusted itself automatically with the return of normal operating efficiency.

The post-war period of World War II is still making its own history, and it has yet to be seen whether shipping will follow the dismal precedents of the 'twenties, when the volume of

international trade failed to fulfil the expectations of optimistic builders. Once again, world shipping tonnage has increased, despite even heavier losses, owing to the gigantic shipbuilding effort in North America. But the average quality of the world's shipping capacity, unlike its quantity, has decreased to a far greater extent, mainly because of the loss of over 11 million gross tons of British ships, of which a large proportion was valuable specialised tonnage such as refrigerated cargo liners and "handy" short-sea traders. The United States, which had a declining merchant navy in 1939, emerged from the war with five times as many ships, most of them new but of "utility" design. Such ships are not well suited for certain needs, such as the carriage of passengers or oil, and for many trades they are too big; many of them, therefore, have been laid up. Meanwhile British and other Allied shipowners have embarked on large-scale replacement programmes, and the Americans now seem more disposed to accept a return to pre-war strength in commercial shipping—perhaps realising, in the words of the Economic Adviser to the US Maritime Commission, that "it was not on the cards that the United States should build and operate the world's ships any more than it was on the cards for Britain to build the world's automobiles."

Since British merchant shipping is still well below its pre-war strength and quality, despite post-war building and the stop-gap purchase of American surplus ships, there is still plenty of employment for every ship that can be put in service, including many on bareboat charter from Dominion and foreign flags. The increased earnings of 1946 are due partly to tax reliefs and partly to the release of additional ships from Government requisition. High freights and an acute demand for tonnage still prevail, but other factors, which did not exist in 1920, must be taken into account. Shipowners, who naturally wish to participate in the present prosperity, complain about high shipbuilding costs, which are becoming a deterrent to the placing of new contracts, but they are more seriously affected by the declining output of British shipyards, owing to shortages of steel, timber and components. The increasing costs of manning and operating ships have also to be offset against the benefits of higher freights, but the most alarming factor in operating costs is the delay which ships are suffering, particularly in overseas ports. All these factors tend to create a feeling of frustration for owners, because they detract from the earning capacity of existing ships at a time of opportunity. It might perhaps be argued that continuance of controls, by restricting the efficiency of shipping, may have the advantage of warding off a surplus of tonnage until world trade expands, but such artificial limitations on shipping efficiency are more likely to reduce it below the requirements of world trade, and also to handicap British shipping *vis-à-vis* its competitors. This is true of passenger liners and, to a smaller degree, of tankers. Employment for both these types of ship is assured for years, owing to the demand for travel, migration and oil; yet the former are seriously affected by delays in reconversion and the latter by delays in delivery from the berths.

The effect of long-distance air transport is not yet certain. Only ships which rely mainly on passengers for revenue are likely to be affected, and the results neither of British and American airlines nor of Cunard White Star so far indicate that sea transport is falling out of favour. The entry of the *Queen Elizabeth* on the North Atlantic run last October, in fact, caused much concern to airline operators, and the re-entry of the *Queen Mary* next week is not likely to reduce it. It is not altogether a matter of luck that these two liners should have survived the war, despite their energetic and unhesitating use as military

transports. The foresight which led to their building amply rewarded the Government during the war and for several years they may be expected to reward their owners and earn valuable dollars. Their replacement, however, will eventually raise formidable problems, the solution of which may be much influenced by technical advances in marine engineering when the time comes. On the more distant passenger trades, a certain readjustment will probably be necessary when the Indian and Far Eastern situation becomes clearer, but there is reason to suppose that, migration and repatriation apart, sea transport requirements will best be met by fast liners which carry more specialised cargo and fewer passengers than before the war. Of such ships there is a world deficiency which only new building can make good.

In the movement of bulk commodities, shortages of tonnage can be alleviated by the more efficient employment and allocation of ships and cargoes. The forthcoming transfer of certain executive work in this connection from the Ministry of Transport to the industry (October is mentioned as a likely date) will give it an opportunity to demonstrate how British shipping resources can best be used in existing circumstances of shortage. The power of the Minister of Transport to license or to direct voyages will in no way be restricted, but the return to more normal commercial methods of chartering on the Baltic Exchange should help to restore London's position as the world's chartering centre. The success of British shipowners and shipbrokers in this task, however, will necessarily be conditioned by future cargoes—a matter on which the continuance of bulk purchasing has a marked and disputed influence.

The more gradual relaxation of control over freight rates, compared with 1920, has done much to prevent the consequences of a sudden boom: indeed, free freights have been known to fall below schedule rates. A sudden fall in general rates would seriously affect the earnings of British tramp companies, for the present level of freights has to cover the regrettable absence of adequate outward bulk cargoes, particularly of coal. The prospects for the tramp industry depend very largely on the expansion of trade and the resumption of coal exports. The worst disaster for British shipping would be a recrudescence of economic nationalism and its concomitant, state subsidies for merchant fleets. Against national Treasuries, even the strong financial reserves of British companies, so essential for survival in the lean years, may dwindle away.

The accompanying table relates these reserves to the liabilities for new tonnage on existing contracts—which do

not represent the total costs of post-war building programmes. Present indications suggest that the industry will need generous financial resources to restore the efficiency of its fleets and, possibly, to provide a buffer of strength against the possibility of some future decline in earnings from the present level. Most companies, in addition, have maintained a handsome margin between their ordinary share earnings and their dividend pay-

SHIPPING SHARES AND EARNINGS.

Company (and Date of Latest Accounts)	Earned for Ordinary			Liability for New Tonnage on Order	Net Current Assets, latest Balance Sheet	Ordinary Shares		
	1938	1945	1946			Latest Div.	Price (a)	Yield per Cent.
	%	%	%	£,000's	£,000'	%	s. d.	£ s. d.
LINER COMPANIES								
Cunard Steam Ship (Dec. 31st, '46)	Nil	12.6	18.2	†	†	10	56 0	3 11 6
Peninsular and Oriental Steamship (Sept. 30th, '46)	8.2	26.8	20.7	7,500	14,386	12	66 6	3 10 9
Union Castle Mail Steamship (Dec. 31st, '46) ..	Nil	19.5	25.8b	3,700	4,469	8	40 0	4 0 0
CARGO AND MIXED COMPANIES								
Cairn Line (Dec. 31st, '46)	5.4	19.2	34.7	...	736	7½	16 0 (10/- Stock Units)	4 13 9
Furness Withy (April 30th, '46)	5.0	7.9	9.7	(d)	4,323	7	40 6	3 9 6
John I. Jacobs (Dec. 31st, '46)	46.8	43.0	55.3	348	123	20	65 6 (12/- Shares)	3 13 4

(a) £1 shares unless otherwise stated. (b) After charging £600,000 for repairs. (c) Deficit. † Figures for Cunard White Star: Liability for new tonnage £5,486,700; net current assets £8,537,733. (d) 120,000 d.w. tons building.

ments—a feature perhaps most marked in the recent record of John I. Jacobs, though it is present to a considerable degree among the passenger companies. Many of the shares listed in the table are evidently valued on the basis that some increase in dividends should be forthcoming during the next year or two. Yet it is perhaps questionable whether holders of shipping shares will participate in the present earnings boom except at the fringe. The best shipowners are the most cautious, and at this time of possibly peak earning power it is not difficult to discern the arguments in their favour. But one can have too much even of caution, and shipping shareholders—who know that their directors will never be profligate—will expect some modest recognition of the fortunes of the industry. If they are disappointed, the present level of shipping shares can hardly be maintained.

Business Notes

Support for Tired "Daltons" ?

This has been another bad week for the gilt-edged market, which added the trouble in Burma and Indonesia to its many worries and was quite unable to stem a further fall in prices. The gains in the recent rally are now wholly extinguished, and Old Consols have fallen further below 90, with 2½ per cent "Daltons" reaching new low levels. Yet the dreary situation is not without its piquancy—especially for those financial scribes who, despite the abuse and ill-informed accusations of partiality now so regularly levelled at them, still manage to mingle a little humour in what Mr Tom Johnston, ably following the Chancellor, calls their "dismal prognostications."

The high light this week has been the result of the North of Scotland Electricity issue, of which, confounding all market prophets, no less than 71 per cent was taken up—all but a fraction by subscribers north of the border. True, it might have been reasonable to look for stags in the Highlands; but there were certainly no such animals among those who thus swiftly rallied to the relief of the "public stag"—the National Debt Commissioners—for this stock looked even dearer when the lists were opened than it did upon the first announcement. One small deal opened to have been put through at three points discount, but

the loyalty of tight holders has ensured a nominal market enjoying the fantastic quotation of 96-101. The "success" of this issue is indeed a Pyrrhic triumph for the Chancellor, whose rallying cries for British patriots evoked no response, but who now finds that Scottish patriots prefer smaller returns from the stocks of their own public boards than they could obtain from those of the British Government. Perhaps they have not noticed that the Electricity stock is Treasury guaranteed?

On a more sober plane, the City remains at a loss to understand the attitude of the authorities in the face of the decline. Sections of the market are now in danger of seizing-up in such fashion that only another violent turn in the whole mechanism will restore freedom of movement—unless the authorities apply some lubricant where the friction is greatest. There were rumours this week of small support for the irredeemable (or should one say, irretrievable) "Daltons," which admittedly are looking very weary. However that may be, setting sentiment aside, it is elsewhere in the market that the lubrication process might be more effective. The steady stream of (presumably) mainly industrial sales of the short bonds, in a market lacking the normal institutional off-take, has had effects closely paralleling those of the autumn of 1945. Then heavy sales of shorts (for the purpose of financing purchases of the last of the 3 per cent Savings Bonds)

quickly took up all the slack in the discount market which provides the main jobbing cushion. Now, despite the intervening 50 per cent expansion of Lombard Street resources, the same thing is happening, with the result that prices of the shorts, instead of being determined by the fine yield basis to which the discount houses can work (mainly by reason of their special tax position), are marginally fixed by the appetites of the outside ring of buyers. It is now possible to obtain gross redemption yields of some 2½ per cent on five-year bonds (the 2½ per cent National War Bonds, 1951, return £2 2s. 4d. per cent gross to the earliest date and £2 4s. 11d. per cent to the latest, whilst the comparable yields for the 1952-54 issue are £2 6s. 6d. and £2 7s. 6d. respectively). If the normal margin between yields on these shorts and those on the medium-longs is put at no more than ½ per cent—and it has been more than that recently—these prices for the shorts are discounting a yield of fully 3 per cent from the longs when the market is in equilibrium. If the effect is not to spread right through the list, the authorities will surely need to restore flexibility to the short market.

* * *

Finance Bill Postscript

Last week's debate on the third reading of the Finance Bill was necessarily little more than a postscript. But even postscripts can be worth reading, and this one was notable for a contribution from Mr Oliver Stanley which, for insight and delicacy of wit, was outstanding even by the standards of his speeches. The Finance Bill emerged from Committee greatly improved on numerous points of detail, but—except for the large changes in the clauses dealing with retirements and pensions schemes—with little alteration in principle. Necessarily, no further change was expected at the third reading, and none was made. Nor has the Government thrown any fresh light upon its policy on the more contentious issues. The anomalous Distributed Profits tax, and the still more anomalous Bonus Issues tax, go to the Statute Book in broadly the shape in which they were initially cast; the prolonged discussions between the Opposition and the experts on the one hand, and the Government with its mainly political motives in these matters on the other, have done little or nothing to bridge the chasm between the opposing points of view.

Mr Dalton's main contribution—and it was a useful one—was to survey the tax concessions and changes which have marked the progress of the Bill. In the field of Customs and Excise and motor taxation these changes (mainly in purchase tax and in the arrangement for supply of tobacco to old-age pensioners) will cost about £10½ million this year and £17½ to £18½ million in a full year. Inland Revenue concessions—chiefly the exemption of transfers to charities from the increased stamp duty—will cost £1,000,000 this year and £9,000,000 in a full year.

On the wider issues of economic policy, the Chancellor's speech unfortunately contributed nothing at all. It simply demonstrated his own "Bourbonism," if not in capacity for learning, at least in incapacity for forgetting. Upon his Budget accounting he remains unrepentant and unmoved by the consensus of expert criticism, still preening himself upon the reality of his "record" surplus—with Mr Glenvil Hall lamely rallying to his support by claiming that he had looked "only yesterday" at the returns and there saw the surplus, "bogus or not," in the "kitty in hard cash." On that point all that need be said is that the experts have looked at the returns, too. Unhappily, there is a reality behind these apparently petty squabbles pitched on the plane of book-keeping. By juggling with the accounts the Chancellor is able to claim that his policy is doing what it is not—restraining inflationary pressures. But on the really vital aspect of current economic policy, the Chancellor does not even seek debating points to demonstrate that he is doing the right thing. He says frankly that "this Budget does not directly touch" the crucial problem of the overseas deficit, and "indeed purely fiscal measures cannot do the major part of what would be required in that field." Perhaps not. But they could do a great deal more than the Chancellor either contemplates or seems to realise.

* * *

Russian Trade Deadlock

The optimistic prospects last week-end of concluding a trade agreement with Russia have been followed first by doubts and finally by a definite breakdown. As this issue goes to press, one slender—very slender—hope remains, for Mr Harold Wilson, who was to have returned from Moscow to London on Thursday, has agreed to stay on for one or two days more.

The agreement broke down on grain prices. Reports suggest that the Russians were willing to accept a price about half-way between the American and Canadian levels—say \$2 a bushel, or approximately £20 a ton—whereas Britain was unwilling to go above the Canadian price of \$1.55. In view of Britain's urgent need for increased grain imports, the British objection to the Russian demands needs elucidation. The quantities of grain involved were 6,500,000 tons over four years, worth some £130 million. In addition, the financial concessions offered by Britain in mitigation of the outstanding debt due from the Russians would have been equivalent to a further £18 million. Thus the deal as a whole would have involved a total cost to Britain of £148 million over four years. As this sterling would have been currently earned, it would have been convertible, at Russia's option, into hard currencies, and might have led to an additional strain on British dollar reserves. The Russians intimated that they would like to purchase steel rails, timber-cutting machinery, and oil equipment—all of which Britain could sell in dollar areas and some of which, like oil equipment, it has itself to purchase from the dollar area. Thus, from the Britain viewpoint, the whole of the £148 million had to be considered as potentially convertible into dollars.

This factor alone might not have led to a breakdown in the negotiations, for it would seem that Britain, in addition, was unable to concede a higher price for grain to the Russians because of the stand she took last April at the International Wheat Conference; this ended unsatisfactorily because Britain refused to be party to an agreement fixing prices at what it considered to be too high a level. It would be paradoxical, to say the least, if Britain now agreed to pay higher prices to Russia, and if it did, there would be no alternative but to accept the International Wheat Agreement at the next Conference. Moreover, the Canadian wheat contract, which was concluded at favourable prices to this country, evoked considerable Canadian opposition, particularly from the grain merchants. These two reasons were sufficiently strong, politically, to prevent the British delegation in Moscow from offering higher long-term prices than those fixed under existing contracts.

The timber contract has already been signed, and although it is not linked specifically to a wheat agreement, both sides were discussing the two in conjunction. Thus it may be that even the small amounts of timber agreed upon will not in fact be shipped to this country. The moral to be drawn from these negotiations is simple and depressing. As state trading authorities have to concern themselves with political consistency as well as economic factors, their forecasts and precedents cannot afford to be wrong. That many have been so wrong in the past, and so permanently binding for the future, causing the British taxpayer or industry to bear the burden, must surely add to misgivings about governmental purchasing.

* * *

Coal Outlook—No Change

The coal debate on Thursday last week again brought under review the only too familiar facts of the coal situation, and it offered no new evidence of any firm prospect of achieving the target of 200 million tons by the end of the year. Government spokesmen declined to project the current production trend into an estimate for 1947, but concentrated their attention instead on short-term plans for increasing output. These schemes—such as the "concentration of coal faces," more intensive work at selected collieries, training schemes for labour and the development of drift mining—are entirely praiseworthy. But such prescriptions will have to produce results quickly if the 1947 coal programme is to be achieved. On present evidence it seems much more likely that the year's output will not exceed the recent estimate of the Parliamentary and Scientific Committee of 195 million tons.

Coal production totalled 106 million tons in the first 28 weeks of this year, leaving 94 million tons of the 200 million ton target to be won in the last 24 weeks. This will require an average weekly production of 3,900,000 tons, including the weeks of lower production in the holiday period. Provisional production figures for the first two weeks of July reveal outputs of barely 3,800,000 and 3,500,000 tons respectively. If production were to settle down half-way between these figures for July and August, an average production of 4,100,000 tons would have to be achieved from September and December to reach the target. The best weekly figure since the five-day week was introduced in May was just over 4,000,000 tons. If the present labour force could consistently raise the same output during the last four months of the year as it did in the first enthusiasm of the five-day week, the gap would still be of the order of 100,000 tons a week. Towards filling this, some 30,000 tons a week could be obtained if unofficial



July

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BRANCHES THROUGHOUT THE COUNTRY

stoppages could be eliminated. If a further 6,000 face workers could be trained and drafted to the mines by the closing weeks of this year (which is the number of face workers to be recruited by December under this year's target of a labour force of 730,000), an additional 70,000 tons a week could be cut, given the present rate of face workers' output.

It is possible to construct figures to close the gap on such assumptions, but they err on the side of optimism. The pace of labour recruitment has fallen, and is now no higher than a net rate of 400 a week, which would provide a total force of just over 728,000 workers by the end of the year unless the intake of new workers improves. In any event, increased output must depend largely on the reduction of voluntary absenteeism which is now increasing. Imported coal from America and Poland may add perhaps a million tons to supplies between now and December, but the critical margin amounts to two or three million tons of coal, and this will determine whether industry can keep going without serious interruption next winter. The Ministry of Fuel and Power is now working out the winter allocations; they will need no reminder that the fuel crisis last February was caused by a shortfall of only two million tons—and cost about £200 million in exports alone.

Drawings on the Loan

Hopes that the accelerated rate of drawings on the dollar credits in recent months might conceivably reflect precautionary measures so as to permit a slackening of the demands after July 15th now seem doomed to disappointment. Last week two further drafts on the dollar loan were announced from Washington within only two days, and although the real interval of drawings was probably longer than this, there was certainly a fresh draft in each of three successive weeks, the latest being £37½ million in the "Revenue return week" ended on July 19th. Previously the shortest interval between any two drafts had been a fortnight and from February 22nd to June 7th the interval was invariably three weeks. It is true that the amount drawn on each occasion was then usually £50 million, whereas the latest drafts have been for smaller amounts, but the fact remains that drawings in the first three weeks of July have reached the alarming total of £100 million. This brings the total demands on the U.S. credit up to £612½ million, so that the amount still remaining to be drawn is only £325 million, as the following table shows.

	U.S. Credit : Amount Drawn*	Approx. Weekly Average £mn.
1946		
July 15th to Dec. 31st ...	150	6.3
1947		
Jan. 11	50	
Feb. 22	25	
March 15	50	
First quarter	125	9.6
April 5	50	
" 26	62½	
May 17	50	
June 7	50	
" 21	25	
Second quarter	237½	18.3
July 5	37½	
" 11	25	
" 19	37½	
	100	225.30
Total drawings at July 19	£612½	
Unutilised portion	325	

* In Revenue Return weeks ended on dates shown.

As has previously been pointed out in these columns, it cannot be taken for granted that the dollars are spent (or earmarked against known commitments) immediately they are drawn. There was always a possibility that Britain was still adding to her hidden reserves of gold and hard currency, the gross total of which rose by no less than £100 million in the second half of 1946, the latest period for which figures are available. It is noteworthy, too, that Mr Dalton, in the debate on import policy, emphasised that the figures he was giving related only to drawings; he remarked that he preferred not to say anything about the state of the gold and dollar reserve. If the position really is better than the disquieting figures of the credits suggest, the public is surely entitled to be given the full facts without further delay. As it is, the only assumption which can be made in computing the period for which the credits will last is that the dollars from each

drawing are either used or definitely bespoken before the succeeding drawing is made. On this assumption, the rate of exhaustion in the six weeks from June 7th, when the interval of drawings was first shortened, works out at about £23 million per week, but on the basis of the figures for the last fortnight of this period (ended on July 18th) it would be over £30 million per week. This last calculation of course takes no account of the latest drawing of £37½ million; if that were to suffice until the end of the month, the weekly drawings for July would average about £25 million per week.

Staggering by Order

The Minister of Labour's announcement that, as from October 1st, firms will be liable to prosecution for "unreasonable failure" to comply with the approved schemes for staggering working hours follows representations made by both sides of industry that compulsory powers would be needed to enforce the spreading of the electricity load. Under a Defence Regulation [55 (A) (2)] fines up to £500 or one year's imprisonment, or both, may be imposed, though the Government has promised that proceedings will not be instituted except after careful scrutiny. An alleged breach of an agreement will be subjected to investigation both by the Regional Board and by the Electricity Sub-committee of the Joint Consultative Committee before it is referred to the Minister of Fuel. He may then issue a direction to compel a firm to bring down its consumption to the required level. The Government hopes that these powers will be required only very exceptionally, and that industry generally will co-operate voluntarily in making the scheme work.

The situation is such, as Mr Isaacs emphasised, that "drastic plans" to safeguard power supplies are needed. The demand for electricity is now 70 per cent greater than it was in 1939, and is steadily rising, and the progress made with the renovation and expansion of generating plant, though assisted by the priority accorded earlier this year, was never expected to be sufficient to bridge the gap between total generating capacity and maximum demand. Industrial users consume about half of the total amount of electricity, and it is from them that the main economies are sought, the aim being to transfer one-third of the industrial load outside the normal daytime hours. The renewed appeal for continued economies by domestic, shop and office users is salutary, for inadequate co-operation on their part might absorb much of the saving made by industry.

The question of whether any disciplinary action will be taken against workers, who refuse to comply with union instructions and work the shifts required of them has been left surprisingly vague. Employers and union leaders at the national level may agree on terms and conditions for night shift and overtime working—for which an analogy may be found in the recent agreement in the engineering industry for accepted night shift rates, normal rates for Saturday mornings where these are worked to make up the 44-hour week and normal overtime rates for any hours beyond 44. But individual workers in the factories may resist what they might regard as a threat to the five-day week, even though the total number of normal working hours is not affected, and there may be reluctance, genuine or otherwise, against working night shifts. Will the worker have any right of appeal in these circumstances, and who will be the arbiter? And what happens to works which fail to get a sufficient muster of labour on late shift? Have they any appeal against the retiming of their permitted hours, or must they suffer loss of production? Mr Isaacs takes the view that these things are best left to the unions, but experience shows that union authority is not always sufficient to ensure the practical co-operation of the rank and file.

Building Materials and Output Incentives

A resolution passed this week by the Amalgamated Union of Building Trade Workers calling for a State corporation for the building industry can be dismissed as a political gesture rather than a serious contribution to the problem of building new houses. A more realistic approach would have concentrated on the industry's two basic problems—the supply and distribution of building materials and the need for increased output per worker.

The original voluntary rationing scheme for building materials, introduced fifteen months ago, has worked with only moderate success. The problem is to devise a system of distribution which would ensure that the limited supplies of materials are used on

building work approved by the licensing authorities—that is, by the local authorities. But the diverse trade channels by which materials reach a large number of firms, ranging from large building contractors to a host of jobbing builders, has always left ample scope for a flourishing black market. The voluntary WBA priority scheme requires building merchants to deliver materials on a scheduled list only against forms signed by the licensing authority. But without a large inspectorate to supervise the scheme, materials have leaked away, particularly into repair work.

Alternative schemes have all broken down on the difficulty of finding man-power to operate and supervise a watertight rationing scheme. It now seems probable that the list of priority materials will be reduced, but that the revised WBA scheme will be reinforced by sanctions. This would at least have the merit of reducing the amount of form filling and of concentrating the industry's energies on its job of building houses and factories. But it is no substitute for the only satisfactory solution—to produce sufficient building materials to obviate the need for rationing and controls.

This may be a remote dream at present, but it is not so fantastic as the proposal to nationalise the building industry, which has been aired at Worcester this week. Such proposals completely overlook the fact that the building industry needs not an increasingly complex central administration, but more realistic calculation of the output which existing building resources can provide, given the optimum distribution of building materials. The unions' pre-occupation with the idea that more central planning is a panacea for the industry's ills is on a par with the further discussion at Worcester that an increase in wages, irrespective of an increase in output, can be secured without increasing building costs. The war-time defence regulations which forbade incentives payments to building operatives is being relaxed this week, and the Government will no longer reserve powers to fix a ceiling for wages. The way will thus be open for both sides of the industry to negotiate wages and conditions of work without the restraint of a fixed minimum for the industry. This has long seemed the most promising line of development in raising building output, and the union showed belated signs of a more realistic approach to the building problem on Wednesday when it gave its executive power to join in negotiations with the employers on incentive schemes.

Bank Deposits Rise Again

The complete figures for the clearing banks as at end-June, when compared with those for the May "make-up," rather spoil the pattern which had begun to emerge of a declining tendency in bank deposits. During the month, net bank deposits rose by £58.9 million to a level actually a shade beyond the peak reached last January. By contrast with last year, of course, the position is greatly improved—in June, 1946, net deposits rose by no less than £112 million. The extent of the past month's rise is, however, a little unexpected, and sits ill beside Mr Dalton's latest self-congratulation on the size of his book-keeping surplus in the national accounts. Of the recent additional bank credit, a substantial proportion was created specifically for the requirements of the public as distinct from the Government—bank advances during the month rose by £29 million and investments by £9,500,000. But even if the credit created under both these heads is regarded as "private" finance, there would still remain £20 million of additional finance ostensibly required for Governmental purposes. Yet in the five weeks to end-June the Exchequer return figures suggested that the Government should have had a net surplus of resources.

The "above-line" account showed a surplus of £10 million; net payments to small savers were roughly balanced by net receipts from Tax Reserve Certificates; and "below-line" outgoings (loans to local authorities, War Damage Payments, Post-War Credits, etc.) totalled £40 million, thus leaving a net deficit of about £30 million. But during the period the Government received £30 million by way of gifts from the Australian and New Zealand authorities and also drew £77 million on the North American credits. It is true that not all the gifts represented "new" money for the Exchequer because a part—possibly more than half—of the Australasian funds had previously been lent to the Treasury. It is true, too, that the "above-line" surplus was struck after including some purely nominal revenue—during the period £40 million was credited from receipts from trading services, miscellaneous receipts and sales of surpluses. But even an allowance for these two factors would suggest that the Government's net requirements for finance amounted to no more than £55 million, before allowing for the £77 million of drafts on

the credits. In sum, if anything like the whole of the dollars drawn in the period from the credits were used during the period (thus providing the Government with sterling paid to it by the spenders of the dollars), the Exchequer might have been expected to have been able to reduce its net borrowings from the banking system instead of requiring additional bank finance. Some day, perhaps, the puzzles which these figures regularly present will be resolved—but not until Mr Dalton decides to release more information about the operations of the extra-budgetary and departmental accounts.

New Investment Record

Meanwhile, of particular interest to the gilt-edged market is the further increase during the month in the clearing banks' investment holdings, which now stand at the new high level of £1,479 million, compared with £1,382 million at mid-1946. The month's increase, of £9½ million, is approximately the same as that which occurred in May. By the standards of the heavy purchases of 1945-46, this is, of course, a modest movement, but it affords a complete answer to the suggestions recently made—evidently on political grounds—that the banks have been partly to blame for the change of climate in the gilt-edged market. At the same time, it is worth noting that the month's increase is principally attributable to the operations of one bank. Two of the "Big Five" disclose slightly smaller holdings than in May and one of them—the National Provincial—has reduced its portfolio by £10 million in the course of two months.

In money market circles it has been suggested that, if the authorities really want to induce the banks to increase their support for the gilt-edged market, the right course would be for the Treasury to switch its floating debt borrowings substantially from Treasury deposit receipts to bills. This policy certainly played an important part during the phase when the banks were buying gilt-edged securities aggressively, but now that the ratio of clearing banks' money market assets to deposits is relatively comfortable (at least by contrast with the stringency of two years ago) it is perhaps questionable whether it would have similar effects now. If the banks feel that their attitude towards gilt-edged ought to be more cautious than in the past, one would have thought that the mere increase in the volume of their most liquid assets, at the expense of a decline in TDRs with their only slightly higher interest yield, would not by itself induce them to change their policy. A more promising line of action, assuming that the departments are reluctant to support the market extensively themselves, would simply be to increase the volume of clearing bank cash by open market operations. Even this expedient would not be certain in its results, but, now that the banks work to a virtually stable cash ratio, it might conceivably be more effective than it would be if ratios were still permitted to move within their former wide limits.

What Price Cunard White Star?

The City has been much exercised by the offer of Cunard Steam Ship to acquire the balance of 3,800,000 shares in Cunard White Star from OSN Realisation at 40s. per share. OSN Realisation holds 1,274,216 shares, and has the right to receive the proceeds of realisation of 2,525,784 shares, held by the Treasury and the Ministry of Finance for Northern Ireland, in excess of £3,274,378. These two authorities refused to approve a scheme prepared by the directors of the OSN Realisation by which its shareholders would retain an interest in the Cunard White Star shares held by the company and by the two governments. Meanwhile the Cunard cash offer was received.

Approximately 50 per cent of the voting rights of the "B" and "C" shares of OSN have been informally cast in favour of the offer of 40s. per share which was arrived at after the directors of OSN Realisation had seen advance copies of the latest accounts of Cunard White Star. They show impressive results for 1946, with a 22 per cent increase in operating profit and a 3 per cent rise in earnings for a period which included only 2½ months' revenue from the *Queen Elizabeth*, though the figures have been very much tempered by the chairman's cautionary review of future prospects.

Accepting the balance-sheet values for assets, the break-up value of Cunard White Star shares would be around 33s. a share, but the figure of £9,589,075 for the book value of the fleet must be taken as conservative. The real criterion, of course, is earning capacity. By July 31st the company will have the two

* To earliest redemption, except if flat yield and † assumed average life 17 years 6 months. † Excluding draw.

30th. On that date work on hand was 31,234 tons gross higher than at the end of March and 298,006 tons higher than at the end of the June quarter of 1946. The tonnage of ships launched during the quarter, however, totalled 243,644 tons gross, compared with 270,543 tons for the first quarter of the year, while in the same period the tonnage on which work was begun declined from 294,902 tons to 272,703 tons gross. It is apparent, therefore, that the cuts in the allocation of steel for shipbuilding may have a greater effect on output than either the fuel crisis or the hard winter. The following table suggests that the output of 1,250,000 tons projected in the *Economic Survey*—by no means optimistic in normal conditions—will not be achieved by a serious margin, and that the Minister of Transport's more recent estimate of 750,000 tons is more realistic. The inevitable consequence will be a reduction of earnings from ships built for export and of British ships in foreign trade.

MERCHANT SHIPS UNDER CONSTRUCTION IN GREAT BRITAIN
(gross tons)

Quarter Ended	Launched	Commenced	Total under Construction	Percentage of Foreign Orders
Sept., 1946	268,715	369,156	1,874,878	20.6
Dec., 1946	267,760	339,060	1,937,062	24.7
Mar., 1947	270,543	294,902	2,031,715	25.5
June, 1947	243,644	272,703	2,062,949	28.1

The slower pace of output from the shipyards is illustrated even more strongly by the figures published in the *Statistical Digest*, which show the tonnage of shipping undergoing or awaiting repair or reconversion. This figure has increased by 500,000 tons since the beginning of the year and now reaches the amazing total of 3,500,000 tons gross—practically 25 per cent of all the shipping on the United Kingdom register. The effects of this creeping paralysis will become more noticeable by next spring, for by that time 1,000,000 tons gross of American ships at present on charter will have been returned across the Atlantic.

Ships under construction in British yards amount to 53.6 per cent of the world total of 3,846,656 tons gross. Vessels building in foreign yards amount to 1,783,707 tons, the increase of 72,107 tons over the previous quarter being accounted for mainly by fuller information from Poland and France. No returns are recorded for Germany, Japan and Russia. Sweden's share has increased to 266,905 tons, France's to 236,678 tons and Holland's to 224,428. In the United States shipbuilding work has further declined to 183,236 tons gross.

Railway Charges

Mr Barnes, who has shown some reluctance during the past four months to grasp the nettle of increased railway charges, gave a virtual promise in the House of Commons last Monday to make a statement before the Recess. The Minister disclosed that the estimated deficiency on the railway control accounts this year would be £37 million, and an estimate on a similar basis for 1948 (when in fact the railways will have passed to the British Transport Commission) indicates a deficiency of about £28 million. The 1947 estimate is not far out of line with the figure suggested in *The Economist* a fortnight ago, but Mr Barnes made it plain that both estimates, for 1947 and 1948, took no account of the additional cost that would be incurred if effect is given to the recent recommendation of the Court of Inquiry into charges and hours of railwaymen. Rough estimates of the effect of this recommendation indicate a total deficiency on net revenue account for 1947 of about £50 million and for a full year of some £70 million.

Mr Barnes refused to be drawn into discussing the suggestion that the railways should be subsidised to mitigate the incidence of increased charges on costs of production, and his reference to "the necessity of making a decision to meet the existing circumstances" hardly took matters very far. Obviously a considerable increase in railway charges will be needed to cover the accumulating burdens of rising costs, for there is nothing in the current trend of traffic, with its scarcely relieved minus signs (apart from coal) to encourage the hope that an improvement in gross takings will come to the relief of rising expenditure. So far, however, there is no indication whether Mr Barnes, in reaching his decision on increased charges, will follow the line of action suggested on page 78 of *The Economist* of July 12th.

Grantham In Retrospect

The complexities and invidious decisions which may be involved in the allocation to commercial firms of Government-owned factory space have been vividly illustrated by the recent disclosures in the Grantham Productions case. The problems of making a choice from among rival applicants in such cases were, in fact, foreseen before the end of the war, but they do not appear to have been successfully solved. Grantham Productions, which attained public prominence in its recent but abortive efforts to organise production of a "people's car" went into liquidation some time ago. Both the coalition Government and later, the caretaker Government, had already allocated the factory run by Grantham Productions to the firm of Aveling Barford for the production of agricultural tractors. But Grantham Productions were able to produce evidence satisfactory to the present President of the Board of Trade that they had sufficient backing from a financial group to carry on. So the factory space was re-allocated to them to continue producing tractors. The Ministry of Agriculture apparently made a routine examination of the tractor's merits for peace-time purposes but no official comment was elicited, despite questions in the House of Commons, on the group's technical credentials. The financial backing for the new enterprise was provided by a group represented in the negotiations by Mr Cotton. Mr Kendall, the Independent Member for Grantham, who was responsible for building the factory and operating it during the war, claimed that the production of tractors did not cease while these negotiations were proceeding, although it appears that no steel allocations were made to the company after July, 1946, and that no tractors have been ordered by county agricultural committees.

The factory space was allocated to the Cotton syndicate by the Board of Trade upon the evidence of a binding contract, arrived at between the liquidation of Grantham Productions and the syndicate. But since the contract has not been completed, the allocation has been withdrawn. Fresh applications are to be considered by the Board of Trade.

Judged by results, a mistake was made in this particular instance in placing the advantages of continuity of production and management above the need for a thorough investigation into the technical and financial qualifications of the group and their product. But that does not seem to be the entire story. Official inquiries appear to have been formal if not perfunctory, and the tendency to hedge in official answers in the House, followed by the unwillingness of the Lord President to allow time for a motion to appoint a Select Committee to examine the case, has left an unsatisfactory impression. The motion for a Select Committee of inquiry was well supported, and its dismissal by Mr Morrison because of lack of time can only increase the speculation which the case has caused.

Shorter Notes

Ever since the Chancellor of the Exchequer announced his intention to take power to alter the basis of the valuation of imported films for taxation purposes (which is now provided in the Finance Bill) repeated but unavailing attempts have been made to obtain estimates of the dollar earnings and expenditure of the British film industry in America. On Tuesday this information was again refused in answer to a question in the House, on the grounds that the information should not be given in a public statement when it concerned the business of a single undertaking. It is somewhat illogical at a time when public attention is pre-occupied with the dollar problem that the size of dollar remittances from American films shown in this country should be provided in the *Economic Survey* and in the revised import programme, but that information should be withheld on the profit and loss and capital account of British film exhibition in America.

Certain exceptions will be made to the doubling of stamp duty on share transfers which becomes effective on August 1st. These include transfers to charitable organisations and trustees and transfers presented after August 1st for bargains made but not executed before that date. To rank for the current rate of duty, these will need endorsement by a member of a recognised Stock Exchange that they were delivered to buying brokers or lodged for certification before August 1st.

Difficulties in obtaining spare parts are now seriously interfering with the London Passenger Transport Board's bus operations. There is now a daily shortage of about 100 vehicles in scheduled requirements for coach and central services representing about 1 per cent of the total bus fleet of 6,900.

COMPANY MEETINGS

CUNARD WHITE STAR, LIMITED

IMPROVED OPERATING PROFIT

DOLLAR EARNING POTENTIAL OF FLEET

MR F. A. BATES' STATEMENT

The following are extracts from the statement of Mr F. A. Bates, M.C., D.L., chairman of Cunard White Star, Limited, reviewing the operations of the company in 1946.

EXPANDING PEACE-TIME SERVICES

Taking now the accounts, it will be observed that our gross operating profit for the year at £2,040,088 shows an improvement of £566,945 over that for 1945. This is due in part to the introduction of the *Queen Elizabeth* into peace-time service, and also in part to the operation of our cargo tonnage, supported by chartered ships. Increases in operating surpluses are in these days essential to shipping companies, because they are drastically eaten into by having to provide for the unknown cost of deferred repairs and keeping the ships up to date, which of course includes amenities for the comfort and convenience of our crews as well as of passengers.

On the debit side of the profit and loss account depreciation is up by £90,000, for which the newly acquired cargo ships are mainly responsible. Income tax shows a modest increase over the previous year. On this difficult subject of tax I may say that we have provided for all our estimated liabilities to date, but it is expected that this item will be of an onerous character in 1947, as the heavy losses—including unearned wear and tear allowances—which the company incurred in earlier years have hitherto been a set-off against subsequent profit and this relief will soon be no longer available.

After meeting outgoings and providing for deferred repairs and maintenance of fleet, the profit for the year is £1,036,606, out of which it is proposed to transfer £100,000 to reserve, to provide a sum of £350,000 for the pension funds, the need for which I will refer to later, and to pay a final dividend of £275,000 net, which is the same as last year.

RECONVERSION ACHIEVEMENTS

After dealing with various items in the balance sheet, the statement continues:— "There has been much activity in rebuilding the company's business on both sides of the Atlantic. The release of British shipping from Government control, except for a measure of direction through licences, began on March 2nd, but many passenger vessels still remain under control for carrying troops and various kinds of sub-standard traffic. The *Queen Elizabeth* was, however, returned at that date to be reconversioned, and this work was completed in October at Southampton. She then proceeded to the Clyde for her trials and while she was lying at the Tail of Bank on October 8th, the company had the great honour of a visit by H.M. Queen Elizabeth accompanied by their Royal Highnesses the Princess Elizabeth and Princess Margaret. Her Majesty inspected the ship and the Royal party remained on board while the vessel put to sea and underwent speed trials on the measured mile off the Isle of Arran.

The completion of the reconversion of this ship at Southampton enabled similar work to be commenced on the *Queen Mary*. This has been in progress for ten months under pressure to get the ship into service, in order that her dollar-earning potential may be available to the country as quickly as possible. In this respect she will join the *Queen*

Elizabeth and the *Mauretania* in this country's effort to restore the shipping industry, with all that this means to our national economy. When she sails shortly, it will bring to a close what I think must be regarded as a remarkable performance on the part of John Brown & Company, the builders, in association with our management and staff.

Later in the year the *Mauretania* was also returned, and her first post-war commercial sailing to New York was made from Liverpool on April 26, 1947. In her case the work of reconversion was no less efficiently carried out at the Gladstone Dock in Liverpool by her builders, Cammell Laird and Co. Here again its successful conclusion was a triumph of organisation on the part of the staff of that company and of those of our own people at Liverpool specially delegated for the job.

The *Britannic*, another of our large passenger carriers, came off Government service in February last, and is now in the hands of her builders, Harland and Wolff, at the Gladstone Dock in Liverpool for reconversion and alterations, the same team of our own staff which dealt with the *Mauretania* being engaged on this work.

RECONVERSION IMPACT ON FINANCES

The impact of all this work on our finances it is impossible at this stage to gauge, under the conditions which obtain to-day, or to assess the overall cost to the company. It is estimated, however, in respect of the four ships I have mentioned that we shall require to find from our own earnings between two and three million pounds, in addition, of course, to the recovery of amounts from the Ministry of Transport for that part of the work for which they are financially responsible. From this necessarily wide estimate of the company's liabilities can be deducted £500,000 to cover the cost to December 31, 1946, which has been taken care of as maintenance in the 1946 accounts.

The Government still retain control of a number of our passenger ships, all of which are much needed at the present time in our own business in the North Atlantic. Our Canadian connections in particular have been seriously prejudiced by the continued shortage of passenger ships in that trade. For example, the Canadian Government have had under consideration plans to extend the admission of immigrants, but the absence of ships is having a restraining influence upon their ability to put these into effect.

The shareholders will see from the report the present position of our shipbuilding programme, and will note the progress in the delivery of new tonnage. When the new ships are all in commission this will complete the first stage of our building programme, at an estimated cost of over £8,000,000.

REPLACEMENT COSTS

The increased cost of building new tonnage is obtaining a good deal of public attention at the present time. It is an upward movement which receives constant impetus as time goes by—either as the result of the scarcity of supplies, increased cost of raw and finished materials, or reduced working hours in the shipbuilding yards. The effects of shortages and rising costs are grave and must inevitably impose a limit on the ability of shipowners to place orders. One example in our own experience emphasises the position. The *Caronia*, of approximately 30,000 tons, smaller

than the *Mauretania*, which was delivered in 1939, will, we anticipate, have a finished cost of considerably more than twice that of the *Mauretania*. The net result is that if a company is to be in a position to replace its tonnage without financial strain, it must be able to set aside an annual appropriation from profits at least twice the pre-war figure currently allowed by the Inland Revenue on the existing ships.

As regards our future prospects, it is impossible to speak with any degree of certainty. I have endeavoured to convey some idea of what it is costing us to keep our fleet up to date as we get the ships back from the Government, and what we must set aside by way of replacement reserves, in order to maintain our ability to rebuild as and when the ships outlive their usefulness. There are all kinds of influences, political and otherwise, at work in the world nowadays which make for the pursuance of a policy of caution. The trade of the company lies almost wholly between the American Continent and countries short of currency and supplies essential to their needs. The restrictions imposed by governments anxious to preserve their financial stability, whether in the direction of curtailment of imports or the spending power abroad of their nationals, are too well known to need emphasis on my part. These influences, which seem to be gaining strength all the time, must in their repercussions affect all types of commerce, but he would be a bold man who would prophesy what the outcome is likely to be in relation to our prospects. For myself, I remain an optimist, feeling that the march of progress will demand all the opportunities of trade and travel which 20th Century development can offer and to which this company has endeavoured to make its contribution.

THE PENSION SCHEME

On the subject of the transfer of £350,000 to augment the company's pension funds to which I alluded earlier in my remarks, I have this to say.

During the years of Atlantic depression, when the vicissitudes of trade made the struggle to maintain company solvency very hard, all alike, staff and shareholders, suffered. There were cuts in salaries as well as no dividends; and pension prospects were reduced. A further weakening of the position has been introduced by the fall in rates of interest, which cuts severely into the actuarial position of all pension schemes. It has been the Directors' task to endeavour to regain for everyone concerned a sound financial background and to build the company's finances for the future, always with an eye on the risks which may so easily arise from the ever-changing conditions in the Atlantic. In the directors' view, salary scales having been improved, the time has come to take another step in reconditioning our Pension Funds.

In my statement to the Cunard Company's Stockholders, of the 9th April last, I referred to the intention of the Cunard Directors to continue the policy of improving the scale of pensions under that Company's scheme, and I now have the permission of my colleagues on the Cunard Board to say that at the appropriate time they will recommend that that Company shall take parallel action for its staff, present and retired.

It will remain for the directors of Cunard White Star Limited, after full examination, to decide on the best way of applying the £350,000 proposed now to be transferred. Subject to actuarial calculations, I am bound to warn all concerned that owing to the low interest rates obtainable under present conditions, the proposed allocation may not go so far as I at first hoped. The Directors, in taking this course in connection with the Pension Funds, would like to place on record the gratitude of the company for the devoted service of all those, both ashore and afloat, who are applying themselves so diligently and so successfully to the promotion of the company's business.

STANDARD BANK OF SOUTH AFRICA, LIMITED

VERY SATISFACTORY POSITION

SIR JASPER RIDLEY'S SURVEY

The one hundred and thirty-fourth ordinary meeting of the Standard Bank of South Africa, Limited, was held on the 23rd instant, in London, the HON. SIR JASPER N. RIDLEY, K.C.V.O., the chairman, presiding. The following is an extract from his circulated statement:—

The position shown in the bank's balance-sheet is very satisfactory.

Since 1942 we have referred with each issue of this statement to a steep rise in the amount of deposits. As more goods have become available traders have been able to commence the replacement of their stocks and employ the funds that had accumulated over the period of war, and on this occasion it will be observed that the pace at which this increase of deposits has taken place has slackened. Although the item deposit, current and other accounts is still higher by a little more than £12 million at over £226 million, this may be compared with an increase of £35 million last year.

INDUSTRIAL ACTIVITY

Another sign of the quickening of industrial and commercial activity may be seen under the headings bills of exchange purchased and bills discounted, advances to customers and other accounts. The amount of bills of exchange purchased is about £7 million higher and that of bills discounted, advances to customers and other accounts about £23 million greater than the figures reported at March 31, 1946. Arising from these movements it will be seen that cash in hand, at call and short notice, at the date of these accounts, at £71 million is about £25½ million less than the amount reported last year. This item, however, reflects a satisfactory ratio of slightly more than 31 per cent. to deposit, current and other accounts.

Investments at over £81 million are more by about £7 million and, with the exception of the investment of £500,000 in the capital of our subsidiary company, Standard Bank Finance and Development Corporation Limited, this increase is accounted for entirely by purchases of Government stocks and a small amount of Union of South Africa Municipal stocks. Customers' bills for collection also indicate the prevailing high degree of traders' activities. Compared with last year this item has risen to £19 million from the figure of £14 million shown at March 31, 1946.

It was specially brought to your notice last year that a further stage in our progress had been marked by the fact that the total of the balance-sheet had for the first time reached and exceeded £200 million. On that occasion the figure was £237 million, and you will now observe that it has increased by a further £18 million to the new record of £255 million.

PROFIT AND DIVIDEND

Turning now to the profit and loss account you will observe that the balance of profit for the year ended March 31, 1947, after making an appropriation to contingencies account, amounted to £819,015 as against £661,298 last year. This increase of £157,717 results from the increased volume of business transacted by us, to which reference has been made earlier in this statement when explaining certain items of the balance-sheet, and also to the effect of the provisions of the Finance (No. 2) Act, 1945, in accordance with which Dominion income-tax relief or double taxation relief applicable to the sum paid as dividends is reflected in the profit and loss account instead of being applied in reduction of the rate of income-tax

deducted from dividends in accordance with the practice followed before the passing of that Act.

After adding the amount of £185,292 brought forward from last year there is £1,004,307 for disposal. The interim dividend of 7s per share paid in January last absorbed £175,000 and, after appropriating £75,000 to bank premises as against £50,000 in 1946, a balance of £754,307 remains.

It is recommended that £250,000 be allocated to officers' pension fund, and that a final dividend of 9s per share be paid, together with a bonus of 4s per share, making a total of 20 per cent. for the year, leaving a sum of £179,307 to be carried forward. The final dividend and bonus now recommended compares with a final dividend of 9s and a bonus of 3s distributed last year, and it should be explained that, after taking into account the requirements of the Finance (No. 2) Act, 1945, to which reference has been made in explaining the balance of profit for the year, the distribution now declared represents a slight increase in the amount distributed to shareholders as a final dividend and bonus last year.

PROGRESS IN THE UNION

During the period under review further progress has been made in the Union of South Africa towards the attainment of more settled conditions, although in many respects the path has not always been smooth and untroubled. Among other influences shortages of materials and transport difficulties have continued in varying degrees to be retarding factors: No country can remain unaffected by conditions elsewhere, and the impact of shortages and industrial troubles, in some cases of a protracted nature, which in some parts of the world have interrupted the movement towards recovery, have not been without disturbing results.

Notwithstanding these obstacles to progress, a considerable amount of expansion has been achieved in South African industry and trade. Evidence of the confidence with which the prospects of development in South Africa are viewed generally is reflected in the number of new companies established which have experienced little difficulty in obtaining their capital requirements.

OTHER COUNTRIES

In Southern Rhodesia business conditions have been marked by the continued steady rise in activity, and turnovers were stimulated by the expansion in imports. The most important industry in Northern Rhodesia is centred in the copper mines. That the operating companies look with confidence on the future is evidenced by the programmes of expansion upon which they are engaged, both in the development of mining and in refining. In Nyasaland fairly favourable weather conditions assisted farmers, and the exports of the main crops further improved. Business conditions were active although limited by shortages of imported merchandise.

There was a marked acceleration of business activity in South-West Africa. The East African Territories have made progress during the year. The development of Tanganyika should be accelerated as the result of the scheme fostered by the British Government. I believe that in the forthcoming year we may look forward to a continuance of progress in South and East Africa, and I feel sure that we shall play a full part in the development of the resources and trade in those countries.

The report was adopted.

"SHELL" TRANSPORT AND TRADING COMPANY, LIMITED

ANNUAL MEETING

The annual general meeting of the "Shell" Transport and Trading Company, Limited, was held on the 21st instant in London.

Sir Frederick Godber the chairman, said that his statement on the past year's operations had been circulated with the report and accounts. Since it was prepared the need for making available the largest possible quantity of all products had become more and more pronounced and the group companies were continuing to bend their every effort to that end. He then moved the adoption of the report and accounts and the payment of a final dividend for the year 1946 on the ordinary capital of 1s. per £1 unit free of income tax, making 1s. 6d. for the year.

Sir Robert Waley Cohen, K.B.E., seconded the resolution which was carried unanimously.

LORD MARCHWOOD'S TRIBUTE

The Viscount Marchwood, proposing a vote of thanks to the chairman, directors, management and staff, said that shareholders appreciated the splendid results which had been achieved in the past year, which had not been an easy one either for the "Shell" group or for any other combination in the world. Governments made things more difficult every day and he was afraid that they were in for it for some time yet. The detailed survey which the chairman had circulated gave them an inkling of the responsibilities which rested on the shoulders of the board.

With an organisation of this magnitude, spread all over the world, with ground and aviation facilities, the world upheaval of the past seven or eight years might easily have damaged the structure of their group, but this had not taken place. Losses there undoubtedly had been, but the speed and efficiency with which many of those had been replaced was a remarkable achievement which could only have been accomplished by co-operation, efficiency, loyalty and drive.

Mr. L. S. Sedgwick Rough seconded the vote of thanks and it was unanimously accorded.

CHAIRMAN'S REPLY

The chairman, in acknowledgment, said that it was true that they were passing through a very anxious time, but the fact that they had the body of shareholders firmly behind them gave the board not only some relief from its anxieties, but also courage to face the future and prepare the great plans which were a matter of almost daily consideration. He was glad that the management and staff of the group had been included in this vote of thanks, because upon them also rested a very heavy burden.

One asset of great value which did not appear in their balance sheet was tradition. That also could not be built up overnight. For many years there had been a sorting out of men and the applying of them to the jobs for which they were best suited. As a result they had built up what was probably the most loyal and efficient of staffs. The group had been built on the foundation of fine tradition and the board regarded it not only as a money making concern—which it was and of which they had no need to be ashamed—but also as an enterprise performing a great service to the Commonwealth and indeed to the whole world, of which they might also be rightly proud. It had been the life work of many of them, and in these days when tradition and great enterprise were often frowned upon, he thought it only right that he should remind his hearers of these things. (Applause.)

The proceedings then terminated.

METAL BOX COMPANY, LIMITED

CAPITAL INCREASED

SIR ROBERT BARLOW'S REVIEW

The twenty-sixth annual ordinary general meeting of the Metal Box Company, Limited, was held, on the 17th instant, in London, Sir Robert Barlow (the chairman) presiding.

The secretary (Mr John Cartner, A.C.A.) read the notice convening the meeting and the report of the auditors.

The following is an extract from the review by the chairman, which had been circulated with the report and accounts for the year ended March 31, 1947, and was taken as read:—

The consolidated profit and loss account shows a total profit on trading of £896,969 as compared with £854,424 for last year. The total reserves and undivided profits including E.P.T. post-war refund of £362,983 now amount to £2,862,305 and the balance of current assets over current liabilities is £3,403,716.

Tinplate supplies: Whilst fortunately we are not entirely dependent on tinplate it remains by far our most important raw material. Restrictions on its use continue as acutely as during the war and are a gravely limiting factor not only on our own activities but on all those industries which must use a tinplate container for their products. The United Kingdom production of tinplate in 1946 was 573,000 tons as compared with an average for the five pre-war years of 800,000 tons.

OPERATIONS

The year's production has been at a record high level despite the fuel crisis in February. Sales amounted to over £16,000,000. In my Review last year I said that we had committed ourselves to an expenditure of over £1,000,000 on buildings and improved plant. Of this £815,000 has been installed during the current year. Our Sutton-in-Ashfield factory, though much delayed due to shortage of materials and weather conditions, came into operation in January, 1947, and has already proved very successful. Indeed we are planning an extension to it. We have recently obtained a licence to extend our factory at Neath in South Wales at a cost for buildings and services of about £600,000. It is not expected that this factory will come into operation before 1949. We expect shortly to receive a licence to rebuild a paper-printing factory at Southwark which was destroyed during the war.

Our three existing paper and carton factories are quite unable to meet demands and this new factory will greatly relieve the pressure. I referred last year to the acquisition of a factory for cork products and another for the production of specialised machinery. Both of these have been subject to delays beyond our control but I am glad to say that they will be coming into operation very shortly. We have further plans in hand for extensions or improvements to buildings and for considerable replacement of plant which are likely to involve an expenditure of upwards of £3,000,000 over the next three years.

OVERSEAS ACTIVITIES

The Metal Box Company of India.—The continual development shown by our company has been the means of enlarging the scope of many industries in India. We are steadfast in our belief that our technical knowledge and support will be sought by all parties and receive their due reward. Our policy is to co-operate with the new Governments and in the industrial progress of India and to equip ourselves to do so effectively.

The Metal Box Company of Africa has made very satisfactory progress in re-equipment since the war. A new factory is being built at Port Elizabeth in addition to those at Cape Town, Johannesburg and Durban. From our point of view the position in South Africa is potentially most important. As we see it, the Union's economic position demands that secondary industries should be encouraged; the soil and climate are particularly suitable for the production of vegetables and fruits of many kinds; the fisheries are extensive. In our judgment the canning industry of South Africa has a great future before it, and we are anxious to foster and develop it to the best of our ability, realising that it must be prepared to meet competition both in quality and price from other parts of the Commonwealth and the United States.

The company has also operated during the year a small plant in Palestine to which it supplies partly fabricated cans for assembly there for the packing of citrus fruits and juices, and in that country, too, despite political difficulties, we believe we have a contribution to make. We have purchased a site for a factory at Dar-es-Salaam in East Africa, and have commenced developments in Malaya. In both these territories we believe that we can do a great deal to stimulate the production and preservation of foodstuffs, for both are rich in natural resources. It will take a considerable time before our investments are remunerative.

In all these efforts at home and overseas thus briefly outlined your Board believe that the company can make, with advantage to its shareholders and employees, a contribution alike to the national economy and to the communities which it serves.

FRESH CAPITAL

For all these purposes we shall require some additional finance and we have applied to the capital issues committee for permission to raise it.

As to the form, after discussing the matter with the company's financial advisers, the Board decided that the most appropriate course would be to provide the money partly by a pro rata issue of ordinary shares to ordinary stockholders and partly by the issue of new redeemable cumulative second preference shares to be offered to all stockholders.

Although there has not been time for the decision of the capital issues committee to be received, the board has thought it would be inappropriate to hold the annual ordinary general meeting of the company without at the same time seeking the shareholders' approval to the creation of the proposed new preference shares and also—although the company has a sufficient number of unissued ordinary shares to carry through the proposals the directors have in mind—to effect an increase in the ordinary capital. Accordingly, there will be an extraordinary general meeting immediately following the ordinary meeting, at which approval will be sought for the creation of 1,500,000 4 per cent. redeemable cumulative second preference shares and an additional 200,000 ordinary shares.

It must, of course, be understood that the shareholders can do no more than authorise the increase of the authorised capital and that subsequent action must depend upon permission from the capital issues committee. The report was adopted.

NEW CAPITAL ISSUE

At an extraordinary general meeting which followed, the chairman said that Treasury

permission having been granted the directors had decided to issue 1,350,000 4 per cent. redeemable cumulative second preference shares at 22s. 6d. per share and 194,659 ordinary shares at £5 per share. The preference shares would be offered to debenture, preference and ordinary stockholders; the ordinary shares would be offered to existing ordinary stockholders in the proportion of one new share for every complete £8 of ordinary stock held.

The directors had also decided to redeem the whole of the outstanding 4 per cent. mortgage debenture stock on December 1, 1947, at 102 per cent. The debenture holders would be given an option to convert their holdings into preference shares at the issue price of 22s. 6d. per share.

The resolutions approving the capital increase were passed.

A vote of thanks to the chairman and directors terminated the proceedings.

WM. CORY & SON, LIMITED

COAL DISTRIBUTION WELL MAINTAINED

The Rt. Hon. Lord Leathers, C.H., Chairman of the Company, presided, on the 24th instant, at the fifty-first Annual General Meeting of Wm. Cory & Son, Limited. The following is an extract from his statement circulated with the report and accounts.

The accounts show a profit of £725,302. The distribution of coal in this country has been well maintained, and our discharging berths are considerably more active than for some years past. During the time of the fuel crisis your Company was called upon to render its utmost service in carrying coastwise the maximum amount of coal, discharging it on arrival with all speed and ensuring its delivery to final destinations by water, rail or road.

Our interests on the Continent have shown satisfactory movement towards recovery and certain expansions have been made. The coal export trade, however, has practically ceased to exist. There is not only no exportable surplus of coal, but a necessity for importing coal to ensure against another fuel crisis next winter. The U.S.A. have conditionally allocated to Britain 600,000 tons over the third quarter of this year, and your Company has undertaken to contribute its share in the responsibility for the purchase and freighting of this coal, and its distribution in this country.

The Oil Department's revenue from oil bunkering shows a further increase over last year, and progress has been achieved in the industrial field.

SHIPPING INTERESTS

We have acquired the shares held by outside interests in a shipping company in which we were already interested. We now have a substantial holding, with other coastal shipowners, in a new company formed to undertake the carriage of coal for one of the biggest electricity undertakings. There has been planned for this new company a large future development programme, and we shall take our share in the financing of the new capital required. We have already transferred two of our modern steamers to this company.

When the Transport Bill was first issued, many of the extensive services at the ports which we have developed over a century were threatened, but amendments were subsequently proposed by the Minister which went a long way to clarify the position.

The Bill, as originally drawn, provided for the acquisition of most of the privately owned railway wagons, on terms that were unfair to the point of substantial confiscation, but the Minister introduced an amendment embodying a list of wagon values agreed with the industry.

The report and accounts were unanimously adopted.

ANGLO-IRANIAN OIL COMPANY, LIMITED

RECORD RESULTS

The thirty-eighth ordinary general meeting of the Anglo-Iranian Oil Co., Ltd., was held, on the 22nd instant, in London, Sir William Fraser, C.B.E., the chairman, presiding.

The following is an extract from his statement circulated with the report and accounts for the year 1946:

The trading profit of £12,199,247 is the highest figure yet attained. After provision for income tax, which has had the benefit of the various additional allowances provided by the Income Tax Act, 1945, the profit brought down available for dividends and reserves is £9,624,938. The directors have allocated £500,000 to preference stock reserve, making the total £4,000,000, and £2,000,000 to general reserve, which now stands at £3,500,000. They now recommend a final dividend of 25 per cent., less income tax, making 30 per cent. for the year.

PRODUCTION DOUBLED

The production of crude oil in Iran during 1946 amounted to 19,189,551 tons, and was drawn from four main producing areas—Haft Kel, Agha Jani, Masjid-i-Sulaiman and Gach Saran. This shows an increase of 2,350,000 tons over the production of 1945, which was itself a record year. The measure of development in the scale of the company's operations in Iran is, perhaps, best shown by the fact that our production from the country in 1946 was double that of 1939.

Throughput at Abadan refinery was the highest yet achieved, with an aggregate of 17,673,000 tons of oil handled during 1946.

The refinery is being further extended by the provision of plant for the production of lubricants for local sale, by the addition of a catalytic cracking plant and by a major increase of storage capacity. The new cracking plant will be of particular value to us in maintaining the quality of our products at the standards currently required and in facilitating adjustment of our refining processes to meet changes in market demands.

In a refinery working over long periods to full capacity, as is the case at Abadan, a great load is placed on all plant which serves the refinery. Water, steam and electricity are at present required in quantities which leave little reserve. A new water pumping station is about to be commissioned at Abadan. With it in operation the water pumping capacity will amount to nearly 28,000,000 gallons an hour. Our electricity generating plant has already been augmented and plant for a new power station has been ordered. After these additions, the total generating capacity will be 140,000 kilowatts. Unfortunately, the present shortage of materials and manpower prevents as rapid a fulfilment as we would desire of our programmes for the expansion of the refinery and its services.

I gave details last year of the conditions prevailing for workers in the company's service in Iran and of the efforts we had made for their well-being. It was evident that the extent of the company's activities in these spheres had been largely unappreciated. The company's efforts in health, housing, education, etc., are in all ways on a plane with those in its purely industrial and commercial activities, and the post-war programme for the improvement of education and the provision of amenities generally is now gaining momentum. In the provision of housing, unfortunately, we are hampered by the universal shortage of building materials and have not yet been able to make up all the leeway caused by the rapid war-time expansion of our refining and other operations.

It is fitting at this point to record that the company's relations with the Imperial Iranian Government have remained excel-

lent. The Government, its Ministers and Officials have given us considerable assistance during this period of general rehabilitation and we are grateful for their collaboration.

WORLD-WIDE SEARCH

Our search for oil in parts of the world other than the Middle East has been resumed after the interruption caused by the war. We are engaged in exploratory work in the Bahamas, where we have a wholly-owned subsidiary company, and in certain areas in Papua, India and Africa, where we are associated with other companies. We have also entered into arrangements with other parties to explore large areas in Australia.

Our production of oil in England in 1946 has, I regret to say, again declined, by some 16,000 tons, to 55,387 tons. Six further areas have been drilled during the year, without finding oil. The search for additional structures continues. The financial results of the operations of the Scottish shale industry were slightly better in 1946 than in the preceding year.

For the first time since 1939, it can be reported that, with one exception, all the company's refineries are in full operation. In addition to Abadan our smaller refineries in the Middle East, at Kermanshah, Iran, and Alwand, Iraq, have operated normally.

THE TANKER FLEET

The British Tanker Co.'s fleet, which I last reported as comprising 82 vessels of 899,000 deadweight tons, has now increased to 96 ships of approximately 1,100,000 tons. The increase is made up of 11 ships built for us in British shipyards and 4 large tankers recently purchased from the United States Government, less one small 26-year-old coasting tanker of which we have disposed.

I expressed the hope last year that we should, within the year, have raised our fleet again to its pre-war tonnage of nearly 1,000,000 deadweight tons, thus completing the replacement of our war-time loss of 44 ships. We have been able, owing mainly to our purchases in the United States, to improve considerably on that hope—actually by nearly 100,000 tons—but, even with the additional tonnage, our tanker fleet remains inadequate.

EXPANDING WORLD DEMAND

The world's demand for oil products has continued to expand, and at a much greater rate than was thought likely under post-war conditions. This is especially so in the case of fuel oil. War-time pooling systems in the markets have been replaced by a return to individual company distribution, with the outstanding exception of the United Kingdom where distribution is still conducted by the Petroleum Board.

Substantial advances took place during 1946, and in the present year, in the price of crude oil and were reflected in market prices of products. Costs everywhere throughout the oil industry are greater. Wages and salaries have increased, tanker costs have risen steeply, all plant and materials are more expensive. In comparison with the rise in price of other commodities, the increases which have taken place in prices of oil products are moderate.

The distance of the company's oilfields in Iran from the large consuming regions west of Suez has always imposed upon us the disadvantage of a long and expensive tanker-haul. The arrangements which we have recently made with the Standard Oil Co., of New Jersey, and Secony Vacuum Oil Co., will help us to overcome some of this disadvantage and will benefit us in other ways.

The report was adopted.

UNITED KINGDOM GAS CORPORATION, LIMITED

INCREASED REVENUE

The annual general meeting of United Kingdom Gas Corporation Limited was held in London, on the 22nd instant, Colonel W. Moncrieff Carr, O.B.E., the managing director, who presided, said:

It is with profound sorrow that I have to announce the sudden death of our Chairman, Mr. Bruce Ortle, on the eve of this meeting after an illness lasting only a few days. It is a great shock and a severe blow to all his colleagues on the Board of our Corporation who owe such a lot to his wide knowledge of affairs, delicate judgment and deep humanity.

The net revenue for the year, after providing for Income Tax, interest and other expenses amounts to £160,090 which compares with £137,470 for the previous year. This reflects to some extent the results of your directors' policy, followed ever since the Corporation's inception, of forgoing dividends in undertakings requiring major reconstruction, and in other cases, ploughing back to the immediate benefit of the consumer, and now the shareholder profits which could have been distributed in the way of dividend. We have felt justified in recommending a final dividend of 4½ per cent. on the ordinary stock, making 7 per cent. for the year as compared with 6 per cent. for the previous period.

MAGNITUDE OF ENTERPRISE

Your Corporation now controls 76 gas supply undertakings and the West Yorkshire Gas Distribution Company. In the year under review the supply undertakings sold 14,008 million cubic feet of gas and the West Yorkshire Gas Distribution Company 3,616 million cubic feet of gas, a total of 17,624 million cubic feet. The supply undertakings also sold 308,557 tons of coke, and over 9 million gallons of tar.

The number of domestic consumers served was 428,278 representing just about 4 per cent. of the total number of consumers served by the entire British Gas industry. Your Corporation is now the third or fourth largest gas enterprise in this country.

Gas sales to domestic consumers accounted for approximately two-thirds of the total, the balance being sold for industrial and commercial use.

Indicative of the efficiency with which our undertakings have been conducted is the fact that the price at which our gas has been sold has averaged 10.445 pence per therm in the year under review as against 8.682 pence per therm in 1939, an increase of only 20 per cent., although the price of coal, our raw material, has risen in the same period by 98 per cent. and our expenditure on salaries and wages by 145 per cent.

EXPANSION SCHEMES

With regard to the development of the schemes which we had prepared at the end of the war we have now received sanction from the Ministry of Fuel and Power to proceed with new works and distribution plant to the value of approximately £3,000,000; these schemes will eventually involve a total capital outlay in the region of £4,500,000 and will be capable ultimately of carbonising some 1,162,000 tons of coal yearly and of producing an annual total of 22,500 million cubic feet of gas, over 500,000 tons of coke and 13 million gallons of tar. By and large they will eventually more than double our present productive capacity. Taken jointly, these schemes constitute a very large contribution indeed to the country's fuel economy.

The report and accounts were unanimously adopted.

GOVERNMENT RETURNS

For the week ended July 19, 1947, total ordinary revenue was £93,202,496, against ordinary expenditure of £48,097,300 and issues to sinking funds £260,000. Thus, including sinking fund allocations of £3,471,384, the surplus accrued since April 1st is £275,823,724, against a deficit of £284,569,936 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1947-48	Receipts into the Exchequer (£ thousand)			
		April 1 to July 20, 1946	April 1 to July 20, 1947	Week ended July 19, 1946	Week ended July 19, 1947
ORDINARY REVENUE					
Income Tax	107,300	251,951	234,990	16,683	18,434
Sur-tax	80,000	12,720	14,380	385	350
Estate, etc., Duties	155,000	45,330	52,683	1,895	4,800
Stamps	57,000	8,580	12,170	500	800
N.D.C.	202,000	97,211	61,448	5,540	3,600
E.P.T. Refunds	1,000	123	95	...	...
Other Inland Rev.	1,000	...	...	...	...
Total Inland Rev.	156,800	425,204	382,776	25,323	28,534
Customs	736,960	170,827	233,077	8,778	10,700
Excise	643,040	151,400	147,100	5,800	6,400
Total Customs & Excise	1380,000	322,227	380,177	14,578	17,100
Motor Duties	50,000	6,343	7,215	...	112
Surplus War Stores	95,000	14,396	60,007	13,487	30,245
Surplus Receipts from Trading	55,000	...	25,000	...	5,000
Post Office (Net Receipts)	11,000	1,110	2,140	...	...
Wireless Licences, Crown Lands	1,000	190	210	...	...
Receipts from Sunday Loans	21,000	4,885	12,382	79	1,970
Miscell. Receipts	270,000	5,472	154,777	810	10,241
Total Ord. Rev.	3451,000	779,826	1,024,684	54,276	83,202
SELF-BALANCING					
Post Office	144,250	35,950	39,280	2,200	1,900
Income Tax on E.P.T. Refunds	49,000	71,153	6,436	6,192	273
Total	3644,250	886,929	1,070,400	62,668	95,375
Issues out of the Exchequer to meet payments (£ thousand)					
Expenditure	Estimate, 1947-48	April 1 to July 20, 1946	April 1 to July 20, 1947	Week ended July 19, 1946	Week ended July 19, 1947
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	525,000	121,502	129,836	5,854	5,859
Payments to N. Ireland	23,000	2,659	5,778	...	...
Other Cons. Fund Services	8,000	3,219	3,140	233	239
Total	556,000	127,381	138,755	6,087	6,097
Supply Services	262,537	933,933	606,634	50,700	42,000
Total Ord. Exp.	3181,367	1,061,314	745,389	56,787	48,097
SELF-BALANCING P.O. & Broadcasting	144,250	35,950	39,280	2,200	1,900
Income Tax on E.P.T. Refunds	49,000	71,153	6,436	6,192	273
Total	3374,597	1,168,417	791,105	65,179	50,270
After decreasing Exchequer balances by £54,337 to £2,564,385, the other operations for the week decreased the gross National Debt by £11,117,241 to £25,447 million.					
NET RECEIPTS (£ thousand)					
Suez Canal shares				478	
NET ISSUES (£ thousand)					
P.O. and Telegraph				333	
E.P.T. Refunds				5	
Overseas Trade Guarantees Act, 1939, Sec. 4 (1)				2,350	
Local Authorities Loans Act, 1945, Sec. 3 (1)				30,000	
War Damage: Board of Trade				1,500	
War Damage: War Damage Commission				152	
Finance Act, 1946, Section 26 (7), Post-war Credits				50	
Finance Act, 1935, Sec. 30 (1) 5 per cent. Local Loans Stock				34,750	

Statistical Summary

CHANGES IN DEBT (£ thousand)

NET RECEIPTS		NET REPAYMENTS	
2½% Defence Bds.	1,683	Treasury Bills	37,794
Other Debt	...	3% Defence Bonds	5,513
External	39,702	2½% Nat. War Bds.	50
Treasury Deposits	40,000	1945-47	...
		2½% Nat. War Bds.	50
		Tax Reserve Certs.	1,377
		Other Debt	28
		Ways & Means Advances	49,690
			92,502

* Including £2,698,000 paid off on maturity.

FLOATING DEBT (£ million)

Date	Treasury Bills		Ways and Means Advances		Treasury Deposits by Banks		Total Floating Debt
	Tender	1a	Public Depts.	Bank of England	By Banks		
1946							
July 20	1930-0	2514-9	326-2	8-75	1454-5	6234-4	
1947							
Apr. 12	2185-0	2728-8	580-6	...	1443-5	6837-9	
" 19	2185-0	2708-6	580-8	...	1463-5	6941-0	
" 26	2190-0	2692-1	519-9	...	1463-5	6865-5	
May 3	2190-0	2661-5	507-9	...	1463-5	6822-9	
" 10	2190-0	2629-4	401-3	...	1463-5	6684-1	
" 17	2190-0	2627-1	348-0	5-25	1463-5	6633-8	
" 24	2190-0	2620-1	327-5	...	1463-5	6601-1	
" 31	2180-0	2603-3	337-5	1-0	1463-5	6585-8	
June 7	2180-0	2584-9	341-5	5-5	1463-5	6575-7	
" 14	2180-0	2592-1	347-1	10-75	1453-5	6589-8	
" 21	2180-0	2614-4	341-9	10-0	1443-5	6529-2	
" 28	2180-0	2537-3	369-9	...	1442-0	6429-2	
July 5	2180-0	2584-9	356-7	6-25	1368-5	6496-4	
" 12	2180-0	2541-0	378-6	...	13-8	6486-0	
" 19	2180-0	25-3-1	3-8-9	...	1408-9	6420-5	

TREASURY BILLS (£ million)

Rs. in lakhs					
Date of Tender	Amount		Average Rate of Allotment %	Per Cent. Allotted at Min. Rate	
	Offered	Applied for			
1946					
July 19	150-0	266-5	150-0	10 1-31	42
1947					
Apr. 18	170-0	280-7	170-0	10 3-10	51
" 25	160-0	291-8	160-0	10 2-72	27
May 2	160-0	308-0	160-0	10 0-84	32
" 9	170-0	296-3	170-0	10 1-38	44
" 16	170-0	281-2	170-0	10 1-62	49
" 23	160-0	284-6	160-0	10 1-45	43
" 30	170-0	282-5	170-0	10 1-66	49
June 6	170-0	290-5	170-0	10 1-49	45
" 13	170-0	277-7	170-0	10 1-61	49
" 20	170-0	282-0	170-0	10 1-65	49
" 27	170-0	288-4	170-0	10 1-43	46
July 4	170-0	292-1	170-0	10 1-1	46
" 11	170-0	29-8	170-0	10 1-09	40
" 18	170-0	294-5	170-0	10 1-39	44

On July 18th applications for bills to be paid on Monday, Tuesday, Wednesday, Thursday and Friday were accepted as to about 44 per cent. of the amount applied for at 99 17s. 5d. and applications at higher prices were accepted in full. Applications for bills to be paid on Saturday at 99 17s. 6d. and above were accepted in full. £169 million (maximum) of Treasury Bills are being offered for July 25th. For the week ended July 26th the Banks will not be asked for Treasury deposits.

NATIONAL SAVINGS (£ thousand)

	Week Ended		Totals Mar. 31 to July 12, 1947
	July 15, 1946	July 12, 1947	
Savings Certificates	2,700	3,050	83,300
Receipts	2,750	3,000	42,250
Repayments	...	...	...
Net Savings	Dr. 50	50	41,050
Defence Bonds			
Receipts	2,075	2,045	27,680
Repayments	2,118	830	10,389
Net Savings	Dr. 43	1,215	17,291
P.O. and Trustee Savings Banks			
Receipts	15,394	12,958	186,607
Repayments	13,954	16,173	192,499
Net Savings	1,440	Dr. 3,215	Dr. 5,892
Total Net Savings	1,347	Dr. 1,950	52,449
Interest on certificates repaid	440	540	8,598
Interest accrued on savings remaining invested	2,057	2,276	33,885

BANK OF ENGLAND RETURNS

JULY 23, 1947

ISSUE DEPARTMENT

Notes Issued		Govt. Debt	
In Circulation	1408,267,005	Govt. Debt	11,015,100
In Bank of England Department	41,980,828	Other Govt. Securities	1438,310,879
		Other Secs.	666,888
		Coin	7,133
		Amount of Gold Issue	1450,000,000
		Gold Coin and Bullion (at 172s. 3d. per oz. fine).....	247,833
			1450,247,833

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1946 Accounts

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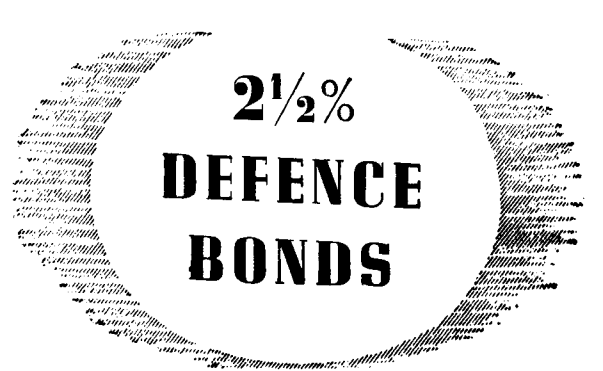
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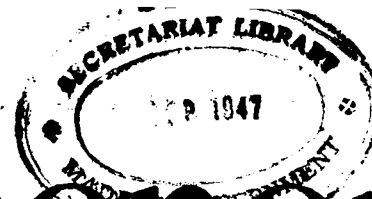
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The Planners' Last Chance

THE minatory chorus is growing louder. From every side there are warnings that the economic crisis is reaching desperate proportions. And from every side there is a demand that the Government should do something about it. That the Government are failing to give the country any leadership is too obvious to be argued. Nevertheless it is difficult not to have a certain sympathy with Ministers. For while everybody is clamouring that they should do something, very few indeed are putting forward any very sensible suggestions about what it is they are to do. It is understandable that any Cabinet should hesitate to order a massive restriction of imports, knowing that the immediate consequence would be unemployment and privation. How many of the critics who are now clamouring for action will be outraged by such action when it is taken? A mere restriction of imports, they will say, is purely negative; what is needed is a consistent policy of bold constructive action by the Government. Quite so; but in what exactly would such a policy consist? It is here that the critics are strangely silent.

The truth is that it is not, in general, the Government's policy that is at fault, but the whole community's. In part, it is wrong to speak of "fault" at all, since there is unquestionably a large element of pure misfortune in the present plight of Britain. No Government could have prevented the disastrous rise in world prices or the disappearance of Britain's overseas assets, and no Government could, in the last two years, have done anything effective to offset them. Ministers deserve some charity. But not as much as they take. They have a tendency to claim that what is within their control has been done well, and that what is bad is beyond their control. And there is a further tendency to equate what has been done well with what has been done inside this country, and to ascribe the impending disaster to the madness and badness of the outside world.

There is no such sharp separation. Some part of the deficit in the balance of payments, it is true, is the result of disturbances in the outside world over which the British Government have no control and which, it can reasonably be hoped, will reverse themselves in due course. Without overloading this article with statistical argument, the guess can be hazarded that about half of the deficit is of this character. It would be foolish to attempt to adjust the whole British national economy to these temporary conditions if any way of avoiding it can be found. But the other half of the deficit is of our own making. It originates either in the over-heavy political and military commitments the British people have undertaken, or else in the muddled and distorted state of our domestic economy. The picture of a sane, temperate, balanced Britain striving to keep its head above water in a mad world is a dangerous distortion. The world is economically mad, true enough. But we are very nearly as mad as the rest and the sooner we realise it the better.

The accepted doctrine, which the Government is proclaiming on every hoarding, is that the general output of the country is too low and that the remedy lies in greater individual effort all round. There are sectors of the

national economy where the trouble is manifestly under-production: coal and textiles are the most important and the most obvious examples. It is also true that an atmosphere of slackness is widespread. But it is certainly not true that the aggregate output of all goods and services is low. On the contrary, it is very high, judged by any of the available tests. The estimates of national income, when adjusted by any reasonable allowance for the change in prices, show a higher level than in 1938. All the familiar indications of general business activity give the same result. Steel production, the volume of traffic on the railways, the consumption of gas and electricity—all of these are above, and some of them well above, their pre-war levels. Even the consumption of coal in this country—as distinct from its production—is no lower than it was before the war. There is really very little room for doubt that the aggregate output of the British community today is from 10 to 20 per cent higher in volume than it was in 1938.

But consider for a moment the burdens that the British community is laying upon its productive output. The following is not even a complete list of the programmes and policies that have been set on foot by the unanimous agreement of the whole British people:

The further increase of a standard of consumption which, in the aggregate and on the average, was, in 1946, already as high as in 1938.

In particular, the maintenance of a standard of nutrition which—whatever it may be for the average of the whole people—is definitely higher than prevailed before the war for fully half the people. In the face of a world shortage of food, high consumption is encouraged by subsidies.

Creation of a national health service and the extension of the national educational system.

A considerable extension of social insurance.

The creation and full employment of a building industry larger than ever before.

Repair of war damage and overtaking of wartime arrears of maintenance.

Re-equipment of several major industries.

An export programme of 175 per cent of the pre-war volume. Servicing of a vast war debt.

A large colonial development and welfare programme.

Maintenance of peace-time armed forces at least twice as large as ever before.

Acceptance of responsibility for a large slice of Germany.

Is it any wonder that the national output, large though it is, is too small for the tasks that have been set it? Is it any wonder that, even with the output index at 110 or 120 per cent of what it was in 1938, there is universal evidence of shortage? Yet the essential point to remember is that there is not a single item in this grievous overload that would have been substantially different if Mr Churchill had been in office. There is not one that the Conservatives have publicly repudiated. The main subject of party controversy, the Government's nationalisation programme, whatever its ultimate effects may be, is of sublime irrelevance to the present economic situation. That situation is not the Labour Government's fault; it is the fault of the whole present generation.

*

It is not the output of the British economy that is mainly wrong but the requirements that are put upon it. It is not the supply side of the equation that is at fault, but the demand side. It is not greater effort that is chiefly required of the great mass of the people, but greater abstinence.

This is what the economists mean when, with a singular unanimity, they ascribe the country's present economic woes to a state of suppressed inflation. The word, it has become apparent, is dangerously misleading, for it suggests a purely monetary defect, for which there is a purely financial cure. The present malady naturally expresses itself in a monetary form;

but its basic nature concerns manpower and materials rather than money. What is basically wrong with the British economy at the moment is that, as a nation, we are trying to consume much more than we produce. We do not, of course, succeed in doing so—except to the extent that we are borrowing from foreign countries or using up our working capital—but, in the effort to do so, untold harm is done. Like a flash of lightning seeking to complete its circuit to the earth, the great spending potential forces its way down every channel that is open to it, consuming all that stands in its way. Scarce goods and materials are sucked out of the working capital of industry. Every service industry that can increase its output with little use of materials is vastly over-expanded, so that labour is drawn into football pools and the like and away from more essential industries. The trade unions exploit the shortage of labour to extort more pay for less work, so that the very fact that the supply of goods is below the demand for them leads to a further restriction of supply. The Government—to change the metaphor from fire to water—overdrives its administrative machine in the effort to dam the flood and prevent it from swamping the supplies of really vital materials such as fuel and dollars. But yet it overflows. In this country, as Keynes once pointed out, it is the poor who consume the imports, and with the income of the wage-earners higher than it has ever been before, it is quite inevitable that imports, for all the controls, should be higher than they would otherwise be. It is also quite inevitable that the lack of incentives for either employer or wage-earner and the tremendous suction applied by the domestic market should make exports, for all the controls and for all the patriotic appeals, lower than they would otherwise be. It is inflation that makes it impossible for the miner to spend his wage, and it is inflation that deprives him of all apprehension of any retribution for slackness. It is therefore inflation that is responsible for the shortage of coal.

*

The first and most vital step in any positive policy to solve that half of the problem that is within our control is therefore to get the inflationary poison out of the national economic system. Once again, the terminology is dangerous, for the opposite of inflation is deflation, and that conjures up visions of mass unemployment and destitution. Let us therefore rather say that the first essential is for the nation to make up its mind that it will not try to consume more than it produces—nobody is proposing that it should consume any less. Since the nation cannot, in fact, consume more than it produces (with the exception previously noted), no real sacrifice would be involved. But it would certainly seem like a sacrifice, since it would involve the abandonment of many universally cherished dreams. It is for this reason that Ministers hesitate, and that the Opposition's clamour for a policy is so unfair, for the adjustment to reality will involve more than the abandonment of a party programme, it will involve a re-shaping of basic assumptions in all parties. Yet since there is no dodging reality, it must be faced. For a time after the war ended there was some justification for cherishing dreams, since no one could then say what post-war Britain would or would not find possible. But there is no excuse any longer. To regain control of our economic destiny we must deal in facts and not in illusions.

There are two ways in which a policy of economic realism could be pursued. Capitalist economics of the orthodox type can successfully cope with situations such as this. If all markets were free, prices would rise until the excess demand was choked off. High interest rates would reduce programmes of capital investment to what was indispensably necessary. And the doctrine of balanced budgets with low taxation would limit Government expenditure. Thus the three constituents of total demand—consumption, capital and government—would all be shrunk to fit the available resources. This process has many

obvious and familiar defects. It pays no attention to equity as between individuals; it hurts the poor more than the rich. It is socially blind in its incidence. And once it starts it may (but does not always) go too far and cure over-consumption by under-consumption. But whatever the defects of the "free" capitalist dis-inflation, it does work. It does produce the necessary result of restoring the reign of reality.

Is there any method by which planning can achieve the same result, without the social irresponsibility and the headlong momentum of a "natural" deflation? If there is, it would be greatly preferable. *The Economist* has long ago committed itself to the view that it is both desirable and possible to have, not indeed a detailed control over all economic processes, but a certain measure of purposive direction of the general economic climate. It must be confessed, however, that the experience of the last two years has considerably dimmed that faith. Here was a situation that should have been easy to diagnose, and a set of controls already in existence more far-reaching than any socialist planner had ever dreamed of. Yet if "planning" is defined not merely as the efforts of the small group of self-confessed planners at the centre, but as the net cumulative effect upon the economic system of all the actions and policies of the state, there can hardly be any room for doubt that it has been bad. If ever a community has been more planned against than planning, it has been Britain in the last two years. There has been quite a singular unwillingness to face facts, to adjust ambitions to resources, or to reduce the policies of the various Government departments to a coherent pattern. There is still a chance for the technique of planning to get the country out of its mess. But it will require planning of a kind quite different from what has been seen hitherto.

It is not very difficult to sketch the outline of a Plan for Realism. It can be set out formally in the following stages—

First, form a realistic estimate of what the community can produce, based not on wishful thinking nor on believing that shorter hours produce higher output or that poster campaigns will reduce absenteeism, or that there will be no strikes, but on a hard-boiled and sceptical estimate of what will actually be produced.

Second, deduct from this the resources, calculated in manpower and materials, that will be needed for all the Governmental activities and programmes with which it is decided to proceed.

Third, deduct further the resources needed for all the projects of capital creation, public and private, that are to be authorised—this to include, of course, all building and repair work.

Fourth, deduct exports and add imports, both calculated realistically.

Battle for Western Germany

TWO conferences are now to consider the future of Germany—an Anglo-American conference on coal production in the Ruhr opening in Washington next week, and a tripartite conference between Britain, France and the United States to take place at a later date and designed to secure agreement, if possible, on the vexed problem of the level of German industry. French protests at the fixing of a new level of industry for the Ruhr are the cause of this second conference, for it is realised that the Marshall Plan can hardly succeed if France disputes the place of Germany in it. The Washington Conference, however, faces the more immediate problem—the restoration of productivity in the Ruhr.

The most recent bulletin issued by the British element in the Control Commission paints a dark picture of the British Zone. The rise in coal production has come to a standstill at about 219,000 tons a day, the steel figure is still well below 3,000,000 tons a year, the food position is no better, the transport system

Fifth, the resultant will be what is available for the consumption of the people and steps must be taken—by taxation, by wage policy or otherwise—to see that they do not have for spending (after they have done their spontaneous and voluntary saving) more than is enough to buy this remainder. In cutting down spending money, the Government can be as egalitarian or as non-egalitarian as it wishes.

Sixth, go back to the beginning and drastically reduce Government expenditure and capital programmes in order to make the consumable residuum large enough to prevent riots in the streets.

This, of course, would be a very painful process. For the politicians, it would be even more painful than "natural" deflation, since the sacrifice of pleasant dreams that it involves would be more conscious and deliberate. But it is the way in which the planning philosophy would meet the present situation and those who have not the stomach to face it had better seek refuge in *laissez faire*. For if our economic policies are to be deliberate, what possible justification can there be for going on pretending? There have already been cries of outrage at any suggestion that the housing programme should be curtailed. But, if that is sacrosanct, what else can be jettisoned? The famous "commitments" that cause such heavy Government expenditure will certainly have to be drastically cut. But even the complete elimination of all Government overseas expenditure would not be nearly enough to do the trick. What other nominations are there for the elimination stakes? To look at each item in turn and say that it cannot be touched is in fact to decide that all of them shall equally fail and, in failing, obstruct each other. The most crying need of the nation today is not a policy of priorities but a policy of posterities.

This is not a party matter, in the sense that one party is right and the other wrong, and there are few, if any, sections of the public that can afford to point the finger of scorn. But since the Labour Party is in office, it is the fate of the Labour Party that is primarily at stake. Ministers and members are beginning to realise, as they have often been warned here, that a storm is brewing that could blow them out of the pages of political history. But something more than the Labour Party is at stake: the fate of an experiment to which many people who are not Socialists had attached their hopes, the effort to assert man's control of his economic environment. For unless the planners make haste to plan for realism, the blind forces of economic nature will take over—either because something snaps and the people revolt against controls, or through the massive growth of black markets. It is the planners' last chance.

is so much worse that without emergency measures more coal could not be handled if it were raised. All are agreed—British and American alike—that the present stagnation presages a winter of collapse, and that under these conditions, far from there being a German contribution to a revived Europe, the ruin and misery in Germany will continue to drag the Continent down. The British Government has therefore agreed to send a delegation to Washington to discuss the central issue in the Ruhr—coal production—even though the Americans are unwilling to consider wider bizonal issues (such as food deliveries) which the British not unreasonably believe to be inseparable from the problem of coal output. The fact that in recent weeks a series of American experts have visited the British Zone and brought uniformly critical reports back to Washington has not increased British anxiety to be summoned to Washington and put on the mat.

Nor is this the only reason for British hesitation. Criticism of

British management—of poor discipline in the pits, of confused lines of authority and lack of clear decisions in the administrative hierarchy—is only half the picture. Most of the American reports insist on the positive demand for new incentives to production in the Ruhr and new outlay to make them effective. For instance, it has already been agreed that some foreign exchange earned by coal exports shall be reserved for purchasing consumer goods for the miners and that the percentage shall increase with each rise in exports, that each miner reaching his production target shall be rewarded with a food parcel equal to 40,000 calories, and that all previous incentives in food, tobacco and Schnaps shall be fully honoured. For the general consumer, Mr Anderson, the American Minister of Agriculture, has promised guaranteed imports of 300,000 tons of grain a month, and since the aim is to raise the ration to 2,000 calories a day as soon as possible, the imports figure might well increase. Other suggestions include the import of foreign coal to provide stockpiles for next winter, an emergency programme for transport, and even the import of some steel. From all these proposals, one conclusion is already obvious. They must add enormously to the costs of occupation.

At this point, the British Government must ask itself and its American colleagues some very searching questions. That a severe economic crisis will overtake this country before the year is out no one now denies. The first problem today is not to incur more commitments, but to reduce those that exist. The cost of maintaining the British Zone last year amounted to over £118 million, the cost of the Army of Occupation to £84 million. The estimate for the current year is not so heavy, but military and civil costs together will hardly be less than £100 million. But the actual figures in sterling do not reveal the full gravity of the situation. A fair percentage of the outlay has had to be disbursed in dollars. Food can only be bought in hard currency and, under the Anglo-American agreement on the fusion of the two Zones, the British undertake to shoulder 50 per cent of the trading deficit, largely in dollars, and over the next three years to provide £125 million in capital investment, also partly in dollars. No figures have been published of the extent of the drain on Britain's supplies of dollars, but it is known to be large and is likely to be larger in the coming year.

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But how, in fact, can these commitments be reduced? Already voices have been raised in this country suggesting that nothing short of a complete British withdrawal from Germany is sufficient to meet the British crisis. Speaking in Sussex last weekend, Mr Douglas Jay, the Labour MP, said, more graphically than grammatically:

We shall have to present America with the dilemma of actually paying the costs themselves or [the British], evacuating and leaving them, or the Russians if you like, to take over the Zone.

And Mr Jay is not alone. A growing body of opinion sees salvation in a ruthless reduction of foreign commitments—military and civil—and Germany, involving great expenditure under both heads, inevitably stands high on the list.

Yet a moment's reflection must show that the international repercussions of so desperate an act as a British withdrawal would be quite disastrous. In the United States, a likely reaction would be a decisive strengthening of that body of opinion which already regards Europe as a finished continent and further American aid as good money thrown after bad. The chance of piloting a Marshall Plan through Congress would be greatly diminished, possibly destroyed. A very possible consequence might be a decision by the American Congress to throw in its hand, abandon the American Zone and leave Europe to go to perdition in its own way. And the mere possibility of

such an outcome would undermine the whole political balances of Europe. The Germans in the West are already uncertain and perturbed by a (wholly unjustified) fear of an Anglo-American withdrawal from Berlin. Any hint of the British leaving the Ruhr would create a mood little short of panic from which only the Communists could profit. Most serious of all, the suggestion of a Western withdrawal would lead to a decisive reorientation in French policy. In France, fear of Germany is still dominant. If the possibility arose of the Western Powers abandoning their control, the French Government, whatever its political colour, would turn to Russia for re-insurance.

These reasons are obviously weighty enough to lead any responsible Government to reject the policy of withdrawal so long as there are any possible alternatives. To withdraw would be the worst of *pis allers*, the confession of ultimate bankruptcy and defeat. But since bankruptcy is precisely one of the possibilities staring the British in the face, it must also be emphasised that the maintenance of the present position is equally impossible. If the choice is forced upon the British of deciding whether to maintain and even increase their present commitments or to withdraw altogether, they may not in another six months be free to choose. Economic collapse may dictate their decision. This is the dilemma which exists quite apart from any questions of British preference or inclination; and it is this dilemma which the Washington Conference on increasing German productivity should be compelled to face.

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Any unbiased examination of the dilemma will show, however, that it is to a large extent unreal. The British and the Americans are not compelled to consider only two alternatives—total British co-operation or total British withdrawal. To argue so would be the equivalent of arguing during the war that since Britain and America were involved in the same operation, they should contribute precisely equal shares. Then it was recognised that each nation should contribute to the extent of its power and resources. Today, if the fact is accepted that the restoration of Germany in a wider European framework is a joint enterprise of importance almost equal to the winning of the war, common sense alone dictates that the same effective and rational methods of pooling should again be employed. Nor is the argument based simply on a wartime analogy. The concept underlying the Marshall Plan is that each nation should contribute what it can to the restoration of European prosperity and that America should make good the deficit. The Americans are insistent—rightly—that the Western Zones of Germany should be included in the Plan. But their inclusion involves not only the contribution Germany could make to European revival. It also involves the question of how much the British and the French as occupying Powers and as good Europeans could make to the revival of Western Germany without endangering their own recovery. Contributions in dollars would clearly be ruled out, but not necessarily in raw materials, in administrative and managerial manpower, or in grants made in sterling or francs. Once their contribution had been assessed, then would be the time to determine what American figure would be necessary to fill in the deficit between the needs of Germany—and its Occupying Powers—and the contribution each could make. Such an estimate would certainly be larger than the American contribution made now (on the basis of parity with Britain), but it would be very much smaller than the American expenditure which might follow on a British or French collapse. This, then, is the only realistic framework for the Three-Power Conference on Germany promised by Mr Marshall. Only in this way can the German problem be genuinely brought into the orbit of the Marshall Plan.

What in practical terms would such an approach entail?

The first point should be a redrafting of the financial commitments involved in the occupation of Germany. Hitherto only an Anglo-American agreement has existed. It would need to be extended to include the French Zone and its basic principle would be the lessening of the economic burden on the two weaker partners. But obviously such a policy would work more efficiently and productively if it were applied, not to three separate Zones with three separate administrative structures, but to a fused Allied administration controlling a genuinely unified Western Germany. Such a fusion demands the most diplomatic and delicate handling and inevitably it would take time, but the lesson of the war is again that a unified operation cannot be accomplished without unified direction, however much the local corps commanders maintain their national independence and work on different fronts. The local administration in the three Zones could remain British, American and French, just as the commands of Montgomery, Bradley and Koenig were geographically and nationally separate even at the height of the Battle of Western Europe. But the prime necessity is to render this local diversity effective by superimposing on it unity of command—in other words, by building up in Germany for the "Operation Marshall" a new inter-Allied command on the lines of Shaeff. The possibility that General Clay's authority will now be diminished brings nearer the possibility of smooth and easy Anglo-American relations, but the resulting improvement would be only a preliminary. To give the necessary leadership and to convince Europe of the scale and gravity of the Allied purpose, nothing would be more effective than to bring back General Eisenhower, in his new civilian status, to head a new civilian administration.

The Ownership of the Press

NEWSPAPER proprietors and editors share with Cabinet Ministers and civil servants one secret dread: that they should one day be asked seriously and publicly to explain "how policy is made." Policy is in fact generally "made" by methods so normally human, so consciously easy-going, that to reveal them would raise a great shout of relief and laughter from readers and voters. This is said, not to cast doubt on the high seriousness and care which are often devoted to statesmanship and editorship, but to throw light on the fact that it is the exception rather than the rule for men in either calling to pursue a long-planned, far-seeing course, of which the strategy is fixed and only the tactics need from time to time be debated. There is nothing so Machiavellian about editorial conferences. Whims, fads, eccentricities, bursts of anger or fits of aspiration, personal prejudices and traditional affections may all go to the making of a considered editorial decision; their influence may be conscious or unconscious, blatant or barely visible. The belief in "success" which so subtly inspires the *Daily Express* is no more a policy in the ordinary sense of the word than is the clever opportunism which makes the *Daily Mirror* march "forward with the people"—or with two or three million of them.

These things would be scarcely worth saying had they not been lost sight of in the agitation against alleged sinister influences in the press, which led to the appointment of the Royal Commission now sitting. The confused ideas and charges then engendered have begun to proliferate. Proprietors and editors have now on their desks a request from the Royal Commission to answer 32 questions. They tempt one, both by their frankness and by their naivety, to the writing of 32 leading articles. Some of the answers—if honestly given—will be unpublishable; for who could expect the much-abused "press lords" to reply to this question:

Should a paper be a mouthpiece of a particular set of opinions

Within a framework of genuine Allied co-operation, the three problems which have so far eluded all solution—the level of German industry, the scale of assistance necessary to reach the new level and the administration, German or otherwise, to run it—could be discussed in an entirely new atmosphere. The administrative solution most earnestly canvassed in America today—the establishment of a Ruhr Authority under international management—is a possible line of approach and the building up of a civilian Shaeff would be a useful preliminary. The scale of assistance needed is no problem, once the United States accepts primary responsibility for financing it, and the remaining problem—meeting France's fears in the matter of increasing German industrial capacity—can at the very least be deferred, since, as Frenchmen such as M. François Poncet and M. Reynaud are beginning to point out, even the Potsdam level of industry for Germany cannot be achieved for some time to come. Meanwhile, it should not be impossible to give France a pledge that under the Marshall Plan, French revival shall enjoy priority over that of Germany.

The problem of the Ruhr, like so many Allied problems, has reached deadlock because within the present framework of discussion no solution is either economically practicable or politically possible. The situation resembles the terrible wasting stalemate of the winter of 1940. But the creation of a new framework—in that case Lend-Lease, in this case the Marshall Plan—can, if it is adopted, resolve the lesser problems in the wider approach. The moment for such an initiative has come at the twelfth hour, it is true, yet victory or defeat in the new Battle for Europe depends upon the courage and vision with which this last opportunity is seized.

or should it present several points of view on a given topic? Which policy do you adopt? And how is an editor of a popular, "live" daily to reply to this one?

How far are inaccuracy and distortion due to deliberate sensationalism either in the choice or in the presentation of material? Is sensationalism increasing? Can it be checked? What—it may be asked—have these questions to do with the main avowed object of the Royal Commission, which is to

"inquire into the control, management and ownership of the newspaper and periodical press and the news agencies, including the financial structure and the monopolistic tendencies in control?"

Clearly they have nothing to do with it, unless it is assumed from the first that the freedom and accuracy of the press are mainly endangered by the manner in which the industry is organised.

It was argued in a previous article that much that is complained of in the daily newspapers arises from bad traditions, inadequate education and false values among journalists, that the remedy lies largely in their hands, and that it is grossly unfair to assume that the only culprits are the proprietors or the shareholders. It is not even easy to establish a good *prima facie* case against them. The National Union of Journalists has tried to do so in the written evidence it has prepared for the Royal Commission. It set out to show that the control of the press is passing "to half a dozen financially powerful men"; that the public's choice of newspapers—especially in the provinces—is being restricted by the activities of the chains; that the status of editors under these proprietors is declining; that directives and "black lists" are circulated to newspapers by the head offices of chains; that the "press lords" do not give a left-wing government a fair deal. The last thesis is not stated in

so many words; but it is clearly implied by the tone in which the treatment of the fuel crisis and bread rationing by right-wing dailies is denounced.

The political grievance can be quickly disposed of. It is evident that until some six months ago the national dailies were almost exactly divided in their support for or opposition to the present Government; *The Times*, *Manchester Guardian*, *News Chronicle*, *Daily Herald*, *Daily Mirror*, *Star* and *Daily Worker* would usually give its case fair, or more than fair, treatment. And for influence on really effective public opinion, this group must be rated higher than the opposition group of the *Daily Telegraph*, *Daily Express*, *Daily Mail*, *Daily Graphic*, *Evening Standard* and *Evening News*. It is surely obvious that any attempt to set a pro-Government group of responsibly conducted, independent, fair and sober newspapers against another group of arbitrarily managed, dependent, unfair and sensational newspapers leads straight to confusion and dishonesty.

The other charges that are brought against the present ownership and organisation of the press boil down to a large number of variations on the three salient themes of "commercialism," "monopoly" and "private ownership." These charges criss-cross each other in a most confusing way; but essentially they are three separate issues, which can be considered separately.

It is quite true that a modern newspaper is a large-scale business. It has to be. In no other industry has the success of trade unionism in forcing up scales of pay and costs of output—whether in the editorial department or in the printing works—been nearly as spectacular as it has been in the newspaper business. It is now a very costly business to produce a newspaper, and if it is not to be done at a loss, it must be done on a large scale. This is the basic reason for "commercialism," for the close attention that proprietors are compelled to pay to their profit-and-loss accounts, to their advertisement revenues and to their circulations. Moreover, "commercialism" is not all loss. Before the critics condemn it out of hand, they would do well to study the history of *The Times* and learn how that newspaper gained its prestige and pre-eminence by a shrewd and lively commercial sense exercised by educated gentlemen. As in any other trade, the better paper is usually the more successful, and the richer paper can certainly be the better paper. Commercialism, it is true, has its dangers, such as the alleged influencing of editorial policy by advertisers; but the way to counter them is by the creation of standards of professional conduct, not by denouncing the proprietors for being successful businessmen. Given equal purity of intentions, a rich and successful paper will serve the public better than one that can never afford to buy the best—and much better than one that goes bankrupt. It is the purity of the intentions, not the degree of commercial acumen, that is the test.

The modern necessity for operating on a large scale to cover costs is also the basic cause of the decline in the number of independent local newspapers. Successful trade unionism, here as elsewhere, has bred monopoly. To the extent that the newspaper "chain" is a co-operative enterprise (as some of them are), it is an attempt to combine local independence with the economies of large-scale operation, and as such surely praiseworthy. The tightest monopolies of all, the Press Association and Reuters, are rarely attacked—at least on this ground. A chain can obviously afford to hire much more, and much better, journalistic talent than a struggling independent paper. Even the much-derided syndicated leading article may be a much better leading article than any of the papers in which it appears could produce for itself. Nine times out of ten, the objection to the "synthetic unanimity" of the Kemsley Press is not to the fact that all these papers speak with one voice but to the fact that it is Lord Kemsley's voice with which they speak. Once again, the question comes down to the motives and the responsibility of the controlling individuals.

This third issue, that of the individual private ownership of

newspapers, is the crux of the whole matter. There is undoubtedly something very dangerous about putting so much power into one pair of hands unless it is accompanied by a high sense of responsibility. Examples can be quoted of proprietorial edicts, some of them sinister, some of them merely comic, such as the refusal, as alleged by the NUJ, of the Thomson Press of Dundee to have any mention of Mr Churchill's name in their papers all through the war. But, once again, a distinction must be drawn: it is not the fact that one man is in a position to issue such instructions that is dangerous, but the fact that some men, placed in such a position, issue the wrong orders. It is in the nature of a newspaper that there must be a strong concentration of authority, as in any other enterprise where far-reaching decisions have to be taken at a moment's notice. It is no more possible to run a newspaper than to run a ship by committee government, or a system of checks and balances. Indeed, many of the proposals for reform are designed to protect the authority of a single man, the editor. Yet if there are reasons for believing that all editors can be safely entrusted with absolute authority, while no proprietor can, they at least do not leap to the eye. May not the thirst for personal power be just as corrupting as greed for gain? Moreover, in a modern newspaper, the editor, if he is a good editor, cannot oversee the whole enterprise, and the authoritative individual whose integrity needs protecting is the active head of the whole concern rather than the head of the editorial department.

It would therefore seem to be a mistake to try to prevent the concentration of authority in newspaper offices or to swallow without examination the complaints of journalists as a class against proprietors as a class. But there is one point of substance to which the reformer may cling. Whoever the man in authority in a newspaper office may be, he should not nominate himself, nor should he be appointed by some other self-nominated individual. Editors, after all, have to prove themselves before they are appointed; proprietors appoint themselves, either by inheriting wealth or by making it. The community surely has a right to insist that there shall be some conscious and deliberate act of selection, either by a disinterested panel or by a body of persons numerous enough to reflect variety of judgment—that is, either by a judge or by a jury—before any one man is put in a position of authority, either as editor or as proprietor, in a newspaper office.

One attempt to secure this object is represented by the new French Press Law, which prescribes a minimum number of shareholders for every newspaper company, and though such a provision is easy to evade, there might be ways of tightening it up. Another line of approach that has become familiar in this country is the creation of an impartial trust to pass upon appointments or changes in ownership, or both. It would ill become *The Economist* to argue against the trust idea. But it does have two defects as a prescription for universal application. The first established; to insist on trusts for all papers would be to increase the difficulties, already great, in the way of any new venture. The second is that, if trusts were prescribed by law, the community would at once have to face the dilemma of either accepting as trustees whomever was nominated by the existing proprietors or else of imposing a right of review by some public body, which would involve what the NUJ calls "the shadow of Government control."

This, it may be suggested, is the basic issue that confronts the Royal Commission. How can the choice of the men to exercise authority in the press be a free choice, and yet a wise choice? It is a special facet of the age-old problem of how men can be made good by Act of Parliament. Nothing that has been said in this article should be taken as detracting from the crucial importance of the problem, when fully analysed and properly defined. But the Royal Commissioners will have to be very clever men and women if they can solve it.

The Indian Princes

THE contemporary political map of India has the same remarkable patchwork quality which is characteristic of eighteenth-century Germany or Italy in historical atlases of Europe. Interspersed among the provinces of British India are numerous areas of varying shapes and sizes, corresponding to the lesser entities of the old European order from Bavaria or Tuscany to the petty jurisdictions of the Knights of the Empire. In Europe, the great majority of these feudal units have long disappeared—though one or two of them, such as Monaco and Liechtenstein, have managed to survive successfully as independent states—and the problems involved in the unification of Germany and Italy seem to this generation rather remote. Indeed, during the last few years, many people in this country were inclined to think how much better it would have been if they had never been unified at all. But it is generally admitted that, where a sense of nationality really exists, the process of unification at the expense of former feudal *Klein-staaterei* is an irresistible one and that rights of ruling dynasties, which do not correspond to popular national sentiments, have to be set aside in the making of national states.

In India, the "Indian States" (or "Native States," as they used to be called) are scattered over the country from Kashmir, which reaches to the Pamirs in the extreme north, to Travancore, which includes Cape Comorin in the extreme south. The Indian States comprise nearly half of the total area of India and nearly a quarter of the population. They are simply all of India which was neither annexed by the British crown to form "British India," nor left as wholly independent States as Nepal and Bhutan were. At a certain stage in the expansion of the East India Company's power in India, the idea of "paramountcy" emerged as descriptive of the relation which should exist between the Company and other ruling powers, great and small, within the geographical confines of India, in order to produce an orderly system. After a period when the greater part of India had been under the effective rule of the Mogul emperors in Delhi, a time of extreme disintegration had ensued. The new independent rulers were sometimes heirs of old dynasties which had accepted subordination to the Moguls, sometimes viceroys and governors appointed by the Moguls, who set up as local monarchs on their own, sometimes adventurers who carved out realms for themselves by the sword. The boundaries of these succession states were constantly changing in accordance with their mutual wars, and some did not even claim fixed boundaries, but consisted merely of a group of forts from which plundering raids were made on neighbouring territories. In all this confusion the British Governors-General

had to devise some method of dealing with Indian rulers whose territories the Company did not want to annex. Thus developed the system of "dependent states," which remained apart from "British India," but under a firm British supervision. Some of the rulers gained their position as allies of the British in wars against their neighbours; others, having fought against the British and been defeated, were allowed to retain reduced territories on condition of accepting the control imposed on them. Few can be said to have survived by their own strength; many had to be bolstered up by British power to prevent their violent absorption by more powerful rivals, and some were specially created as local rulers for reasons of policy. All, whatever their origins, titles or importance, came to be known in common English usage as "Princes."

From the Princes' point of view the bargain was in most cases very satisfactory, for, even though they lost the right to have foreign policies of their own and had to accept a certain amount of interference in their internal administration, they were secured against external attack, rebellion and "palace revolution" and their revenues, no longer dissipated by wars and invasions, provided them with great personal wealth. It is just this aspect of the system which has been so severely condemned by nationalist and democrat critics in modern India. In the old days there was a certain survival of the fittest; the despot might be, indeed had to be, cruel, but unless he had a certain competence he was liable soon to be wiped out by external or internal enemies. Under British paramountcy, however, the Princes have been artificially preserved and the "natural" processes of amalgamation and unification have been suspended. India has been divided into two parts, in one of which has functioned a uniform central administration of unprecedented strength, while in the other the fragmentation produced by a period of utter collapse has been permanently fixed and even accentuated. The category of "States" includes units from the size of Hyderabad, which is as large as England and Scotland together, down to dwarf territories such as Virampura, which has one square mile and 135 inhabitants. The dwarfs are, indeed, grouped together in Agencies for administrative purposes, but even so, an extraordinary patchwork of local personal jurisdictions has remained, in extreme contrast to the theory and practice of modern administrative organisation, as exemplified in British India.

Formerly, the Princes had no unity or cohesion among themselves and it was indeed the policy of the Paramount Power to prevent any combination among them, unions such as the old Maratha confederacy having been forcibly dissolved. But,

The Chairman said —

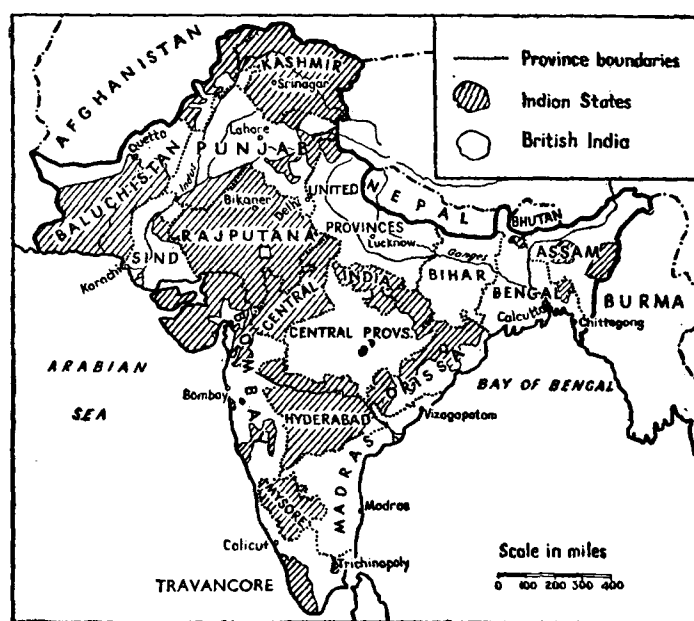


"... the Society's With Profit policies will stand comparison with those of any other office. This is particularly true when the strength of the Society as disclosed by the triennial investigation is borne in mind."

Extract from Chairman's speech, 27th March, 1947

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in 1921, a consultative Chamber of Princes was formed for the whole of India, and the Princes were thus given a definite status, not only as local rulers, but as a class, a hereditary aristocracy confronting the rising middle-class lawyer-politicians and commercial magnates of British India. When a scheme of federation was worked out for India and embodied in the Government of India Act of 1935, it provided that the Princes should have for their nominees 125 out of 375 seats in the Lower House of the Federal Legislature and 104 out of 260 in the Upper; as most of the States were still autocracies and the constitutional reforms which had been introduced in some of them generally fell short of parliamentary supremacy, the participation of the Princes involved a severe restriction of the representative, democratic system desired by the British Indian leaders and ensured a preponderance of socially conservative forces in the projected Legislature. But without the States' participation no unity of India could be achieved, and the British Government would not consider any compulsory unification; it was held that they were independent units, except as bound by treaties with the British Crown, rights arising from which could not legally be transferred without their consent, and hence each must be allowed to choose whether it would join the Federation or not. The Federation was, indeed, itself made conditional on a sufficient number of the Princes joining it; it could only come into existence when



enough States to fill 52 seats in the Upper House, and comprising not less than one half of the total population of the States, had acceded to it. Being thus endowed with a virtual power of veto over the whole scheme, the Princes began to bargain over terms of accession, and when the war in Europe broke out in 1939 no agreement had been reached.

In the post-war Indian settlement the creation of the Indian Union and Pakistan has not been allowed to depend on the accession of a sufficient number of States, but the latter have still retained in theory the right to join or not as they choose, or rather they now have three choices—to join the Indian Union, to join Pakistan or to assume full independence. Lord Mountbatten has been strongly urging them to join one or other of the new Dominions, according to their geographical position, conceding at least defence, foreign affairs and communications to the central authority. So far only three—Hyderabad, Bhopal and Travancore—have claimed independence, and it is not certain that all of these three will maintain their stand; there is already a report that Travancore has

reversed its policy. This is significant, for Travancore would probably have the best chance of keeping its independence, apart from coercion by direct military attack, for it is a seaboard State with a flourishing overseas trade; Hyderabad and Bhopal are inland States entirely surrounded by Indian Union territory, so that their external communications would be at the mercy of Delhi.

The question of independence or federation is, however, complicated by the communal issue, which particularly affects Hyderabad and Kashmir. The former has a Moslem ruling dynasty and a Hindu popular majority; in Kashmir the relation is reversed. Geographically, Hyderabad has no contact with Pakistan and would naturally, if it were going to federate at all, enter the Indian Union; as the Moslem dominant minority fears subjection to Hindu rule, and at the same time does not wish to emphasise the communal issue, the path of independence has been taken. Kashmir, on the other hand, has common borders, both with the Indian Union and Pakistan, and on geographical grounds can suitably adhere to either. It has not proclaimed independence. Pakistan claims it because of its Moslem majority (the "K" in Pakistan stands for Kashmir), but its Hindu rulers are expected to opt for the Indian Union. Both Hyderabad and Kashmir can be sources of serious trouble between the Indian Dominions.

Quite a different issue has been raised by the speech recently made by Sir Ramaswami Aiyer, the Prime Minister of Travancore (now in hospital after an attempt on his life), in defence of his State's reluctance to join the Indian Union. He said that the Congress Party had entered into diplomatic relations with the Soviet Union and was failing to suppress Communist revolutionary agitation in India. This speech was evidently addressed beyond the borders of Travancore to sympathisers in the right wing of the Congress Party itself, who are no less alarmed at the rumblings of social revolution and suspicious of the forces of radicalism, with which Congress has allied itself in its struggle for power. Like the Kuomintang in China after 1927, Congress is rallying towards the Right, and its more conservative leaders now look to the Princes, no longer as the "breakwater" for the British Raj against Indian nationalism, but as a future "breakwater" for themselves against the storms of social revolution in an independent India, the gravity of whose impending social and economic problems is only just beginning to be perceived.

The re-integration of ex-British and Princely India is bound to be a task of great difficulty. It might have been effected by revolutionary violence—and there still may be violent passages in the relations between these sporadic monarchies and the Indias of Nehru and Jinnah. But an attempt is being made for amalgamation by peaceful constitutional process and there is a hope that it may be successful. There is plenty of administrative talent in the States—where ambitious Indians have often found opportunities not open to them until very recently in British India—and some of the States have preserved traditions of an older India by which even a progressive democracy can be enriched. So much that seemed impossible only a year ago is now in process of being realised by peaceful means in India that it would be wrong to be pessimistic about the outcome of this particular problem. Everything depends on moderation on both sides. If the Dominions have the sense to make it easy for the Princes to accede and do not force them to pass through the Caudine Forks, very few of them will give trouble. (In passing, it may be remarked that their willingness to join British Dominions is likely to be greater than their willingness to join wholly independent states.) But, on the other side, the Princes would be very ill-advised to stand on their purely legal rights, in the face of both economic and political facts. Fortunately, one of the discoveries of 1947 is that moderation is a quality that is not wholly lacking in India.

NOTES OF THE WEEK

Coalition Rumours

There is a renewed burst of rumours of an impending coalition. Nothing is impossible; but a coalition between the Labour and Conservative parties is, to say the least, highly improbable. It is significant that all the talk comes from the Tory side. It is, of course, natural for politicians to seek office. But why anybody should seek office in present circumstances is very hard to understand. The most elementary prudence would counsel the Tories to keep out for the present.

The argument seems to be that the imminent economic crisis reproduces the situation of 1931; a coalition was found necessary then, so why not now? But the history of 1931 is by far the strongest reason why there will not be a coalition now. The circumstances are now quite different. Then the Labour Party had no majority; now it has a majority which shows no sign of splitting or crumbling. Then the leader of the Labour Party decided that he could no longer accept the policy of the party; now Mr Attlee is a loyal party man beyond, above and almost to the exclusion of all else. Coalitions can only come about if somebody of the very highest standing in the party in office—the Prime Minister or one of his chief lieutenants—wants to have a coalition, and the fate of Ramsay MacDonald after 1931 ranks as an Awful Warning to any Labour leader who might feel tempted to toy with the idea. The overwhelming probability is that this Parliament will run its course and that the Labour Party will remain alone in office until the General Election.

Not only will there not be a coalition; there ought not to be. Coalitions are bad governments; they are compromise elevated to a principle. They are justified only when two conditions are met. The first is that there should be a wide measure of agreement between the parties over substantially the whole range of the Government's programme. The second is that the execution of that programme should be impossible without the commitment and support of the Opposition. Both conditions existed in 1940, when there was agreement on what had to be done and the active co-operation of the Labour movement was needed to do it. Neither condition exists today. There is no agreement on what should be done, and if the present Government could once make up its mind, it could do whatever it wanted to without the co-operation of the Conservatives. So long as the Cabinet is a party one and faces an Opposition, there is always the possibility that, to save its own skin, it will sink its internal differences and decide upon a policy. With a coalition, particularly one forced by circumstances, every item that appeared on the Cabinet agenda would become a field of manoeuvre.

Government by alternation of parties is by no means perfect. But it is better by a long chalk than government by coalition.

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The Lords, the Commons and the Bill

The solemn comedy of the conflict between the Houses of Lords and Commons over the Transport Bill is not yet at an end. Indeed, it is not yet possible to say absolutely for certain that it is only a solemn comedy, though everybody (the Conservative peers not least) would be astonished if, after a sufficient number of stately rituals have been gone through, the Lords did not in the end do as they are told.

The original set of the Lords' amendments were considered by the Commons last week. There, throughout an all-night sitting that was enlivened by some quite unnecessary personalities, the Government's attitude was entirely unyielding. What they had freely accepted when the Bill was before the Lords, they would advise the Commons to accept. What had been written into the Bill by the Lords against the Government's advice must come out again, every last word of it. This was a bit too much for the Lords who, on Tuesday of this week persisted in the attempt to force amendments on the Government. The Bill will therefore presumably come once more before the Commons. The Commons will stand pat and then, unless all the prophets are wrong, the Lords will bow to the Government's wishes. The stately comedy will be over.

The Lords, however, have played their role much better than the Government. They have been dignified, moderate, judicial. The Conservatives have not abused their majority, and though many of their amendments could not stand if the principle of the

Bill is to be accepted, all of them were reasonable matters of divergent opinion. The Government would have been very well advised to have accepted at least one of the controversial amendments. As it is, by their rigidity, they have given the impression of being hasty, petulant, obstinate and arrogantly convinced of their own infallibility. The Tories may well be satisfied with this achievement. They have certainly no wish to plunge into a constitutional crisis.

* * *

Coal to Europe—and Swansea

The theme that Britain must export coal to Europe to lend power to Mr Bevin's policy has been stated in the last ten days with vigour and noise. But the variations on the theme have been few and unimaginative. Mr Morrison, for example, might have given British miners some graphic instances of Europe's needs, of its dependence on American aid and of the actual amounts required to change the whole picture. All the figures are available, and simple division and multiplication will do the rest.

For example; in the year ending June 30th Europe received from the United States 25½ million tons of coal and coke. This is equivalent to seven weeks' production by British pits, working at the levels reached in May of this year. In other words, one extra hour a day in a five-day week would make American imports unnecessary and save Europe over \$560 million a year. Such calculations may irritate the miners' leaders; but they are the kind of rough estimate that is being made by foreign critics of Britain and by the men who will draw up the Marshall Plan.

The particular case of France is even more striking. The present French coal deficit is 12½ million tons. Partly because of it the Monnet plan is in danger and French policy towards Germany is continually colliding with British policy. This deficit could have been made good by the export from Britain of three and a half weeks' production; and France, whose dollars will run out in two months' time, would have been saved over \$100 million.

The last report of the European Coal Organisation has appeared just as American ships have arrived in this country bringing coal to Swansea—of all places in the world. It shows that in June Europe received 3,263,000 tons of coal from the United States and none from Britain; it also shows the significant fact that Polish coal exports to Europe at 810,000 tons have nearly caught up with west German exports at 848,000 tons. In the circumstances, it is not surprising that Americans are saying that we should fight another Battle of Britain before we talk about more Lend-Lease.

* * *

Breakdown in Moscow

The breakdown of the Anglo-Russian trade talks created the maximum disappointment because the publicity given to them was so badly handled. Common sense should have dictated that when an inexperienced—though able—junior Minister is bargaining with so old a hand as Mr Mikoyan he should not be embarrassed by optimistic leakages. The idea of getting wheat from Russia without paying dollars was getting quite a grip on the British newspaper reader; now it seems that we shall get no Russian wheat partly because we would in fact have had to pay for some of it in dollars.

The British Mission wanted 6,000,000 tons of wheat and small quantities of timber. It also hoped to pave the way for regular trade relations with the Soviet Union, which would in the course of time bring in flax, hemp and dairy produce. The Russians wanted capital equipment and better terms for the settlement of their outstanding debts. Unfortunately, the British could not guarantee delivery of capital equipment nearly sufficient to cover the cost of the wheat; the balance would have had to be paid in sterling convertible to dollars and in amounts that Britain is unlikely to have available in the near future. Moreover, the wheat prices offered over a period of years were substantially above those accepted by Canada in long-term contracts; and the Russians made concessions on their debts a condition of negotiations instead of treating them as part of the general bargain. But the question remains: if the Russians really have a surplus of grain for export and an urgent need for capital equipment, why were they so stubborn?

Testing the Sellers' Market

The answer can perhaps be found in the Russian explanation of the breakdown. They have so far refrained from introducing any political note into their account. It would, however, be surprising if Soviet propagandists were not to try to fit the event into the familiar theme of Britain's reluctance to co-operate with Soviet Russia and its subservience to dollar imperialism. The main reason given for the breakdown is that "the Soviet side could not accept a situation in which Russia alone entered definite obligations," while the British delegation has refused to do so. By this is meant that the Soviet Government was prepared to guarantee the size and the timing of the Russian exports to this country while the British delegation could not similarly guarantee that British goods asked for and promised to Russia would be delivered in the quantities and at the dates desired by the Russians. This may be true, for Sir Stafford Cripps cannot control the direction of British exports in the same way that Mr Mikoyan controls Russia's foreign trade. This is a difficulty that has always arisen in trade negotiations with the Russians, when these have been conducted between Government and Government and not between the Russian trade agencies and the foreign exporters concerned. The difficulty has proved greater because the Russian demand for steel and engineering supplies from this country has by far surpassed the capacity of British exporters to meet it in view of their commitments to other buyers. According to Russian suggestions, it is this unpleasant circumstance that has really caused the failure of Mr Harold Wilson's mission to Moscow.

The Russians were not at all pleased at the prospect that they would receive "convertible sterling" in payment for amounts of grain and timber exported to Great Britain in excess of the quantities that would be paid in British goods. The Russians are little interested in accumulating dollar assets at a time when they have little or no chance to spend those dollars in the United States on the engineering goods they most urgently need. The chief problem facing the Russians is not their balance of payments—in this respect Russia's position is quite different from Britain's. It is, therefore, almost certain that the Russians would have been far less concerned with the terms of the repayment of the 1941 credits if they could have hoped to receive from this country the quantities of steel, mining and timber-cutting equipment which they wanted.

Shortly before the British Trade Mission went to Moscow, it was suggested in these columns (see *The Economist* of April 19, 1947, p. 578) that the Russians were now eager to find out whether and to what extent the sellers' market was beginning to weaken. After a long and exacting test of British capacity and patience they have satisfied themselves that the sellers' market, especially in the goods they most need, is still firm.

Housing at Eatanswill

The more politically explosive a subject is, the less likely it is to be considered on its merits; and housing still remains political dynamite. Monday's debate degenerated into the usual party dog-fight, with a brilliant sparkle of debating points and a proper quota of personal abuse; but with astonishingly little attempt on any side to answer the real and awkward questions of which even Mr Bevan must now be becoming aware. Is the Government still trying to build too many houses, even after the enforced cut in its programme earlier this year? Obviously not in relation to the need for accommodation; but, equally obviously, far too much is being attempted in relation to the need to save foreign exchange and defeat inflation at home. Is it not a fact that the building labour force is now too large in relation to the materials available, and that Mr Bevan is guilty of the hoarding and concealed unemployment of workers of which Labour propagandists rightly accuse certain private employers? Are the right sort of houses being built; or is it a fact that, as one Labour Member hinted during the debate, the temporary housing programme has justified itself precisely because, though three rooms may not be much to go on with, there is no real hope of building enough Bevan mansions to come anywhere near meeting the need? Half a house, as the man said when the lorry with the front of his bungalow went into the river, is better than living with Mother; and ought the Dudley-Bevan standard of size and amenity not to be recognised as the luxury which at the moment it is? And, finally, are the houses going to the right places? Mr Bevan laid down during the debate the fantastic doctrine that house-building should be spread evenly over the country. Some of it certainly should; for there is always the core of genuinely immobile building labour whom no inducement can shift beyond splashing

distance of its parish pump. But the chief need—if need and not politics is to be the criterion—is concentrated today in two or three special sectors: in the farming districts, the more productive coalfields, and perhaps some of the steel towns. The case for getting more workers to these places is a matter, not of two women having to cook on the same stove, but of whether or not either of them is to have anything to cook at all; and at the present moment the measures which give most direct help to production and the balance of payments are entitled to absolute priority.

A few rays of light illuminate the gloom over housing, including particularly the building operatives' decision to accept payment by results, discussed in more detail on page 213. If properly implemented, this decision should lead to a sharp drop in the industry's apparent labour requirements, and so release a useful contingent of workers for other trades; though the building workers may reasonably ask that release should be largely under their control, and should be accompanied by definite reinstatement rights. The country should be thankful for small mercies. But over the housing field in general, on the Opposition as well as the Government side, Eatanswill remains triumphant.

Tinplate and Patronage

The motion put down by Mr D. Grenfell, MP, inviting the House of Commons to disagree with the decision under the Welsh tinplate and sheet scheme to site a cold reduction plant at Llanelly instead of Swansea, draws attention to some of the more disturbing aspects of the present control of the location of industry. The objects of the control are, of course, reasonable and even admirable, and there can be little objection in principle to the methods employed in actually persuading firms to settle in one place rather than another. In practice there is delay and a great heaping of straws on the camel's back; but these are incidental defects which could and should be removed by detailed administrative reform. The point at which real uneasiness begins to spread is the determination and revision of policy. For the fact is that the decisions which have to be taken are strictly political, in the sense that they are and must be based largely on a qualitative judgment of political and social factors, and not purely on technical data; and that, except in special cases or in the broadest outline, they nevertheless do not usually receive publicity or come under any public review—least of all any review in the areas most concerned. Strings are pulled behind the scenes and memoranda circulate; but it is only rarely that a case like Mr Grenfell's arises in which the full facts can be dragged out into the open for public debate. The whole process smells a little too much of the antechamber.

The remedy seems to lie mainly in two directions. The first is to have the combined physical and economic development plan for each area recorded and published in a form which facilitates public comment. An admirable opportunity for doing so will arise with the formulation of development plans under the new machinery set up by the Town and Country Planning Bill; and it is particularly important to avoid the danger that these plans may turn out to be nothing more than glorified zoning schemes of the traditional type. And, secondly, it ought to be possible to return to something a little more like the ideal of control of the location of industry which was emerging in the last year or two before the war. The present control appears to people in the areas concerned as the distribution of industrial manna from Heaven by the agents of Whitehall—something, that is, quite out of end, was to provide for local competition for enterprise within nationally controlled limits; and it is evident that this approach standing and responsibility and in reducing the fear of favouritism by national authorities. Provided that the nationally imposed limits can be drawn tightly enough to prevent purely wasteful competition, the advantages of this latter approach are obvious; and, while it has admittedly been impracticable to draw them tightly enough in the past, it should gradually become possible to do so in future as the new town and country planning machinery evolves.

Mr Rank and the Dollar

Mr Rank's statement, following his return from a three-months' business visit to the United States, on the dollar-earning potentialities of the films produced by his organisation, is opti-

mistic but studiously uninformative. Net monthly returns, after deduction of the dollars necessarily spent on promotion, are steeply on the upgrade, having increased from March to April by 20 per cent, by a similar proportion in successive months, and by an estimated 30 per cent from June to July; but to what original total these percentages refer is Mr Rank's secret. In a little time, he thinks, net dollar earnings would amount to much more than the £15 million to be saved by the proposed tax on films imported from America. But the figure of £15 million is itself mere guesswork; no rate has even been settled for the tax, which the Government has merely taken power to impose. If Mr Rank's purpose was to forestall any inconvenient comparisons between the leniency of Government policy towards dollar expenditure on films with its savagery in the matter of newsprint, he has not achieved it.

He may, of course, be perfectly justified in his optimism. He knows his stuff. On the production side he has worked a near-miracle on an industry which only a decade ago was artistically and financially a laughing stock; he has displayed that gift for picking the right men and then giving them a free hand, which is one of the surest hallmarks of the first rate administrator; and while his control of the major exhibiting circuits certainly represents a regrettably lopsided predominance of power, he has not exploited that power to crush his independent pacemakers. There is, it is true, some evidence that the wily Americans were one too many for him in his first Transatlantic ventures. The best of British films may be killed dead as mutton by, say, a midsummer launching at an obscure theatre; and though some Hollywood producers genuinely welcome the British lead towards intelligence and integrity in picture making, there are others who have no use for either, whatever its provenance, but a good deal of power to back their dislikes. The hiring of a chain of cinemas, like the purchase of others in several of the Dominions, is part of a campaign to counter this policy of blackout. So is the current exchange scheme by which two Hollywood companies are to exhibit Rank pictures in return for exhibitor facilities on the Rank-owned British circuits for an equal number of their products.

On a long view, these arrangements may be unexceptionable. But is this really the precise time for casting dollar loaves on the waters in the hope that they will come back buttered? The onus of proof lies on Mr Rank; and no proof has as yet been provided.

France Between East and West

Only two groups in France have accepted wholeheartedly the growing division of the world. The Communists are the busy first fiddlers in Russia's European orchestra, and play loudly the tune of France selling out to "the Trans-Atlantic Trusts" and America seeking through the Marshall Plan to enslave the French. At the far side of the political arena, General de Gaulle has been parading his brass and drums through Brittany to end in Rennes with an oration blasting the Communists as "a party at the service of a foreign country," and offering his *Rassemblement du Peuple Français* to lead the struggle against the Eastern bloc.

But in between these two extremes few people rejoice in an ideological division which they see tearing not only Europe but their own country apart. The mood of the average Frenchman was well mirrored in last week's debate in the Assembly on foreign affairs. Apart from the Communists and a few fellow-travellers, speakers from Left, Centre and moderate Right repeated to a remarkable extent the same formula—that France, without damage to its own claims in the Saar and the Ruhr and on reparations, must mediate in Europe between East and West, that nothing must be done to weaken its links with Eastern Europe, and that acceptance of the Marshall Plan must represent not a "drift to the Right" as the Communists suggest, but the acceptance of much-needed help in an economic situation of unparalleled severity.

Against this background, M. Bidault had little difficulty in securing an overwhelming majority for his policy. Naturally, he would not yield an inch on France's claims. Of course, the lines to the East were open. Had he not offered the Czechs and the Poles treaties on the lines of the Anglo-French Treaty in recent weeks and received no reply? There could be no question of American hegemony or of drifting to the Right. The plain fact was that France, with only two months' reserves of gold and dollars, had to choose not between "the yellow bread of dependence and the black bread of freedom," but between bread or no

bread at all. But France would in no circumstances abdicate from "its place in history," and would continue to consecrate itself to the reconciliation of the world.

After that, the Chamber clearly felt that there was little more to be said. Even the Communists abstained from voting their disapproval, and M. Bidault received his vote of confidence by 525 votes to 6.

"Scorched Earth" in Indonesia

The Dutch have so far had substantial military successes in their warfare in Java and Sumatra, but they may have to cope with a prolonged guerilla resistance similar to that which is still going on in French Indo-China. Meanwhile the "scorched earth" policy, long threatened by the Republicans in the event of new Dutch military moves, has been put into action and considerable destruction has already been carried out—though, as is usual in such cases, the effectiveness of the method is restricted both by local unwillingness to co-operate in destroying means of livelihood and by lack of time for completing demolitions. In some cases the Republican Army—which seems to have been subject to little control from the Government in Jogyakarta—began demolitions near the Dutch perimeters some time before the outbreak of hostilities, presumably in the belief that they were inevitable; the Dutch took political advantage of this destruction of assets to reinforce their *casus belli*, and they may have been influenced in their final decision to strike by the knowledge that "scorched earth" action was going on in any case. With competent technical staffs the Dutch no doubt hope to get production and transport going again soon, even if only on a reduced scale as compared with pre-war times, and it may be that in the short run they will find their war profitable, for the actual campaigning is not much more costly than maintaining large forces in idleness under local blockade, and exports of commodities may bring in the much needed foreign exchange for the Dutch economy. The world market will also be the better off for any renewal of supplies which have been so long held up.

But the Dutch must realise that they have involved themselves in a struggle which it is unlikely that any quick military victories can really resolve, and a road to reconciliation with Indonesian nationalism will not be easy to find. The nationalist opposition to European colonialism in Asia today is something very different from the local risings or agitations of earlier times. It has a confident, persistent international character, which makes it infinitely formidable. Already India—with Pakistan, concerned for its Indonesian co-religionists, in full accord with Congress—has expressed official sympathy with the Indonesians and has raised the matter with the Security Council. So also has Australia. Juridically the Dutch position cannot be challenged, but the "inherent rights of Asiatics" will be very loudly and forcibly proclaimed as never before in a world forum.

Shadowplay in Italy

An apparently inexplicable and meaningless debate has now occupied the Italian Assembly for nearly a week. Count Sforza, supported by the Christian Democrats and the Centre, wishes to ratify the Peace Treaty. The extreme Left, led by the Communists and the Socialist followers of Nenni, have joined hands with Monarchists and Qualunquists to prevent ratification, and day after day, the debate continues. Count Sforza's argument is simply that, once the treaty is signed, Italy can take its place officially among the nations. The Communists have protested that nothing can be done until Russia has ratified the Treaty. The Right reject ratification on the obvious grounds of wounded nationalism. Both the alliance of Left and Right and the arguments seem unreal and now a further note of confusion has been added by Russia's decision not to ratify the treaty until Italy has done so.

But, as is the case in most apparently unaccountable political incidents today, behind the shadowplay lurks the universal issue—the division of Europe between East and West. The ratification of the Italian Treaty sets into motion a series of arrangements concerning the evacuation of troops. After the ratification of the Italian Treaty the Russians are pledged to reduce certain of their garrisons in Eastern Europe, but at the moment they clearly find the international outlook too uncertain for any reduction in their military guarantees. A postponement of the ratification of the

Italian Treaty leaves the military *status quo* unchanged and this for the time being is apparently what the Russians seek. To those who protest that it cannot be either in the Russian or the Italian Communist interest to prolong a situation in which British and American troops remain in Italy, the answer unhappily is that the "Anglo-Saxon garrisons" in Italy are all unwittingly among Russia's best propagandists and friends.

* * *

Stevenage in the Lords

The judgment of the House of Lords on the appeal of the Stevenage objectors to the original designatory order made by the Minister of Town and Country Planning is likely to bring to an end such hopes as objectors to any new town may still be cherishing; and the terms of the judgment, delivered by Lord Thankerton, would seem to destroy a great many of the illusions within which landowners threatened by compulsory purchase under the New Towns Act have been sheltering. The substance of the objections from Stevenage was, first, that the Minister in his speeches had betrayed such enthusiasm, or partisanship, for the idea of Stevenage as a new town that he had shown himself incapable of discharging the quasi-judicial functions imposed upon him by the Act; and, second, that he had not effectively dealt with the difficulties over water supply, which, in the view of the objectors, made the whole scheme impracticable. The first objection is obviously the one with the wider implications. The House of Lords took the view that the Act imposed no judicial or quasi-judicial obligation on the Minister. His duty was purely administrative; that is, he had the duty of holding a public inquiry and of reading the resulting report, and, provided his mind was not completely closed to the considerations presented to him in this way, his duty to the objectors ended there.

In one sense the result of these legal proceedings is satisfactory. It presents the issue now before the public with clarity. The question of whether there shall be new towns was settled by Parliament when it passed the original Act. The question of whether there shall be a new town at X or Y is now still a matter for Parliament, as it is wholly an administrative decision, made by a Minister, for which that Minister is answerable to Parliament. On the whole, it is not satisfactory if a Minister is in part answerable to Parliament and in part answerable to whomsoever is the High Court judge before whom any proceedings based on an objection happen to come. In the long run the balance between private ownership and public interest is more likely to be fairly held if Parliament is strengthened in its duty, and its determination, to scrutinise the action of Ministers, and if MPs are not left with the vague feeling that after all the High Court can be left to look after the fair operation of all subsequent details. But certain unsatisfactory features remain, including particularly the lack of any obligation on the Minister, under either the New Towns Act or the Town and Country Planning Bill, to justify his own views before public—and particularly local—opinion. Justice must appear to be done in addition to being done; and the Stevenage objectors have done good service, though at heavy expense to themselves, in forcing this issue on the general public's attention.

* * *

Poles in Suspense

The categorical refusal of the Amalgamated Engineering Union to allow the employment of Poles in engineering provides an example of the wide gap between precept and practice in the trade union movement. The TUC, as a whole, has agreed to the employment of Poles, subject to certain conditions, one of which is that the individual local trade union concerned should be consulted. There have, however, been great difficulties about the absorption of Poles in civil employment. In certain coalfields, particularly Scotland and Yorkshire, in spite of appeals from the miners' leaders, local lodges have refused to accept Polish workers in the pits. In all, by the middle of July, 3,316 Poles had been placed in mining, and 1,668 had actually started work. It is reported, however, that 700 trained Poles are without jobs and that, each week, the 300 who are leaving training centres are finding it increasingly difficult to find work. This state of affairs is quite unforgivable. The blame, however, does not rest with the miners' leaders, who, after their long delay in agreeing to the Poles, have done their best to persuade local lodges to accept them.

In the case of the engineers, local opposition has been supported

by union headquarters and the Minister of Labour has been obliged to intervene. The opposition is in part economic and in part political. The argument is that, unlike mining, agriculture and iron founding, engineering is not an "undermanned" industry, and the fear that Polish labour will deprive British workers of their jobs is a real one, in spite of the Government's assurances that Poles will only be used where there is a shortage of British workers and that they will be the first to be discharged if there should be any unemployment. The political hostility, both among the rank and file and shop stewards, who are very Left, and the AEU leadership, some of whom are also very Left, is strong. The Government should take steps to override political prejudice. There are still some 70,000 Poles in the Resettlement Corps. It is true that the contribution they can make to the manpower shortage is not large, but what sort of an impression is created at the present time, when every pair of hands is needed, by this stupid restrictionism on the part of the AEU?

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The Care of Old People

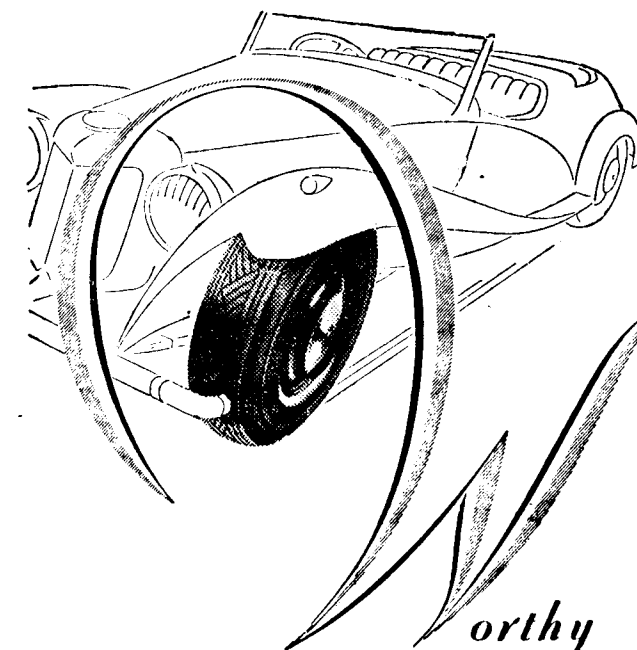
Is there a place for charity in a Socialist state? The second report of the Nuffield Foundation, the largest charitable trust in Great Britain, should finally dispose of this question. Its three objects—the advancement of health and the prevention and relief of sickness; the advancement of social well-being; and the care and comfort of the aged poor—are in theory provided for by the state. Yet not one of the many and varied projects described in the report can be called superfluous. If charity is to be of real use now and in the future, it must be dispensed with forethought. This criterion the Nuffield Foundation fulfils.

Where charity has in the main become superfluous is in the provision of income. The state system of insurance together with assistance will from next year provide an income sufficient for the reasonable needs of a person who, for reasons of health, unemployment or old age, cannot provide for himself. In the non-monetary field, too, the state is always assuming new functions; but state provision always tends to be behind the times, to come into being only after charity has pointed the way. Nowhere, perhaps, is all this more clearly seen than in the provision, charitable and national, made for old age. As the Foundation's survey committee (the Rowntree Committee) pointed out in its report on charitable trusts providing for old people, the state system of pensions and assistance for old people has made charitable income in many cases superfluous; an old person receives a smaller payment from the Assistance Board to the extent that the income he receives from charity exceeds 7s. 6d. a week, and the charity, to that extent, relieves the taxpayer instead of the old person. Similarly, as the Assistance Board makes an allowance for rent in its assistance scales, the rent-free almshouse accommodation provided by many charities has become superfluous. The Rowntree Committee also found that a great deal of pioneer work had already been done in providing for the non-monetary needs of the old—in establishing special dwellings, hostels and Homes, and welfare services. What is now needed is to make this provision adequate in quantity and up to standard in quality, and this, the Foundation has decided, can best be achieved by the establishment, announced this week, of a National Corporation for the Care of Old People, which will make grants and loans to the cost of schemes for the welfare of old people. This central allocation of funds should help to ensure that such schemes are properly integrated, do not overlap and are up to standard. It is to be hoped that persons wishing to make charitable gifts for the welfare of old people will do so through the Corporation, which will ensure that their charity is wisely directed.

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Gall from Paris

The whole affair of the *President Warfield* and its pitiful cargo of 4,500 Jewish men, women and children is deplorable. It shows how unpredictable can be the effects of bursts of official bad temper. But there is as little doubt about the right of the British to send the ship back to its French port of departure as there was about the duty of the French to prevent it sailing once they had been warned about it. It had been anchored at Villefranche since April, and everyone knew what it was there for. Nevertheless, this lake steamer of 1,700 tons, with papers authorising her to sail only in fine weather and without passengers and cargo, was allowed to leave for Palestine crammed to the hatches. That was the beginning of the inhumanity which the Paris press is now



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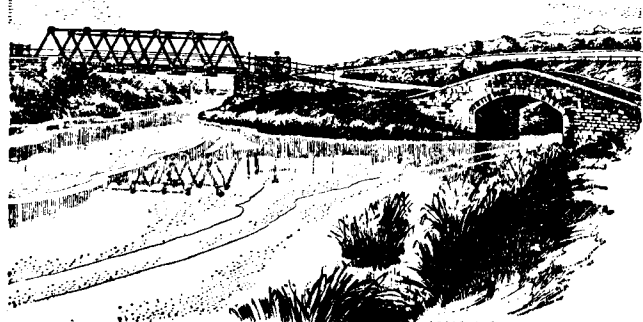
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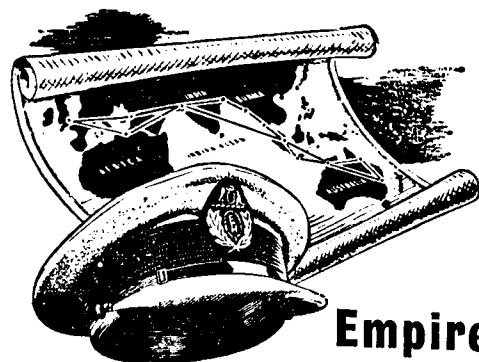
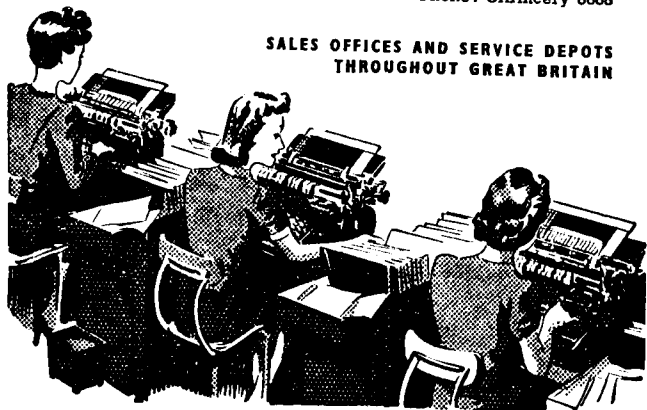
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portraying in its most scurrilous manner, ignoring the fact that conditions in the three troopers which returned them were incomparably better than those in the *President Warfield*.

Englishmen working in Paris can recall nothing since the liberation comparable to the abuse now being hurled at the British by French journalists. It can hardly be mere chance that the campaign coincides with a division within the French Government and a manifest desire to revive memories of friction over Syria. The French Socialists are openly sympathetic to Zionist claims in Palestine, and have taken partisanship to the point that the Ministry of the Interior has entrusted the handling of the ugly situation in Port-de-Bouc, near Marseilles, to an official of Zionist sympathies. Such behaviour is incomprehensible at a time when there is sitting in Paris a conference on the future of western Europe, the success of which depends on full Anglo-French co-operation.

None the less the British authorities in Palestine should have thought twice before sending back the Jews from the *President Warfield* in circumstances which, observed by French journalists from boats, might be described as "inhuman." Ships suitable for the passage from Haifa to Cyprus are not suitable for a trip the length of the Mediterranean, and it should have been foreseen that the French might regard the incident as a serious slight to their prestige.

*

Meanwhile, in Geneva, the United Nations commission of inquiry is drawing up its report. From what has been observed of the attitudes and interests shown during their presence in Palestine it would be rash to hope for a unanimous report. Should the delegates disagree, the Security Council will certainly also disagree about what is to be done in Palestine. It would therefore be wise for the British Cabinet to assume that it will have this intractable problem before it for months to come. And that calculation must decisively influence the cuts in military commitments which are now being discussed.

* * *

A Fresh Start in Malaya

It is not often that a Government Department admits itself to have been wrong with such refreshing frankness as in the scrapping of last year's scheme for a Malayan Union. The Colonial Office in a fine frenzy of ill-considered planning produced a project for a Malayan Union which had every merit except that of recognising the existence of the Malay people. Sir Harold MacMichael was sent out to get the assent of the Malay rulers and notables by a sign-on-the-dotted-line tour which hardly did credit to the British reputation for fair play. The Colonial Office probably did not suppose that the Malay rulers would like the scheme, if they had time to think about it, but seems to have been genuinely astonished at the manifestations of popular Malay hostility which followed. However, having got over its astonishment, it very wisely decided not to suppress the opposition, but to revise the scheme.

The Malays' dislike of the scheme was primarily due to their fear of being overwhelmed politically by non-Malay, that is, mainly Chinese, elements, if all traditional institutions were swept away in favour of a unified Malaya with a common citizenship. The Malay, Chinese and Indian communities in Malaya have a common interest in good order and economic well-being, but they cannot be fused into one people simply by calling them Malaysians any more than Arabs and Jews are fused together simply by calling them both Palestinians. Once the Malays had sufficiently emphasised this point by their agitation, an attempt was made to meet their point of view and work out a new solution in concert with their representatives. A Working Committee was set up and arrived at a formula which preserved the Government's principle of a common citizenship for "all those who regard Malaya as their real home and as the object of their loyalty," but also asserted that the Malays "occupy a special position and possess rights which must be safeguarded." From these discussions have now emerged new proposals which provide for a Federation of Malaya (instead of a Union), for the preservation of the nine states as political units with their own Sultans and State Councils and for a strong Federal authority with a British High Commissioner presiding over an Executive Council. The new proposals appear to meet the not unfounded fears of the Malays while at the same time affording more political scope for the immigrant communities than they formerly possessed and an administrative unity which the country clearly needs.

Confusion at Frankfurt

At best, the bi-zonal German authority set up some weeks ago was a clumsy machine. It was based on three levels of responsibility—a general Economic Council roughly corresponding to a parliament, yet representing not the mass of voters but the *Länder*, an Executive Committee which would bear to the Council the relationship of a Cabinet, and five bi-zonal offices, each headed by a Director, who might be classed as a permanent civil servant save that he was responsible not to the Executive Committee but to the Council and was a completely political nominee. Each level was to be supervised by an appropriate Anglo-American team and for the government of a rump state in Germany, the whole hierarchy seemed dangerously complicated and top-heavy. The one hope of making it function lay in discovering among the German politicians an animating spirit of unity strong enough to drive legislation and administration through the choked and tortuous channels of government.

The first days at Frankfurt, where the new authorities are established, have dispelled any such hope. In the Council, the Christian Democrats have the majority, in the Executive Committee the Left have the decisive voice. Now, however, all Social Democrats have been excluded from the Directorships and Socialist Ministers in the Committee will have Christian Democrat chiefs-of-staff. Even this inconvenience might be surmountable, were it not for the complete inability of Socialists and Christians to find a common ground. With their country in ruins around them, they can compromise on no single point. This is the background that makes nonsense of certain American proposals that the West German coal industry should be immediately handed over to a board of management representing German experts from both zones. They would hardly speak the same language. The Allies have "federalised" better than they knew.

Shorter Notes

The Minister of Food has announced that entry into the retail side of the greengrocery trade is now to be practically unrestricted, while entry on the wholesale side will be as free as is consistent with maintaining necessary controls over imported fruit and vegetables. Mr Strachey deserves every credit for his decision. Housewives will watch with interest to see whether Co-operative and other retailers can now show sufficient new enterprise to bring prices down significantly. The Minister has done his share; it is now for private enterprise to show what it can do.

*

Wednesday's debate in the Lords on the newsprint cuts provided as inadequate a reply from the Government as did the earlier debate in the Commons. Lord Hall raised the old cry of food before newsprint—although the saving of £2 million of dollars obviously makes not a ha'porth of difference to the security of food supplies—and his statement on future supplies of newsprint and pulp were vague and unsatisfactory. Nor did he go into the longer-term question of how North American supplies will be safeguarded in the future if the contracts with the Canadian manufacturers are dishonoured.

*

According to a parliamentary answer, applications for foreign currency for holidays abroad during the first six months of this year amounted to £11,500,000 in respect of 250,000 people.

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Letters to the Editor

Prices and Exchange Rates

SIR,—In your article in your issue of July 12th, "How Big is The Gap?", it is pointed out that the rise in prices in overseas markets, notably in the United States, accounts for the increased deficit in our external balance of payments; yet this increased deficit does not represent any significant change in the bulk of goods imported over that of last year. This rise in prices, particularly in the American field, in fact indicates that the terms of trade are becoming adverse to Britain: prior to the last war the international method of redress was that of alteration of the exchange rate, a process which proved in the 1930s highly dangerous if indulged in without due restriction. One of the chief American aims at Bretton Woods was to obviate this menace to international economic equilibrium by placing obstacles in the way of arbitrary alteration of exchange rates; but the Charter of Bretton Woods allowed for an alteration of exchange rates *in extremis*: under present conditions, which are well known, Britain's economic position approaches such a crisis, when the rise in American prices has reduced the value of her loan to this country by 28 per cent. Would we not, therefore, be justified in claiming a readjustment of exchange rates to correspond with this damaging rise in prices?

It is realised that great enough difficulties are already experienced in exporting to America and the hard currency areas, without a relative rise in prices of British goods, but at present British costs of production in the lines of goods exported to America, particularly textiles, are considerably cheaper than those in America, and such adjustment of exchange rate is therefore not likely to alter materially the market for our goods, which would appear to be inelastic.—Yours faithfully,

DEREK E. HILL-SMITH

British European Airways, Northolt Airport

Wages of Hospital Workers

SIR,—In the Notes of the Week on page 147 of *The Economist* of July 26, 1947, reference is made to the Hetherington scales for domestic workers in hospitals and institutions. Since April, 1946, however, there has been a National Joint Council for Staffs in Hospitals and Allied Institutions, whose wage scales are much higher than those recommended by the Hetherington committee, and have been generally adopted.

Examples of these rates are: £4 11s. for a 48-hour week for a non-resident female head cook in a hospital with less than 500 beds; £4 5s. for an assistant cook in a similar hospital; £3 11s. for a senior maid and £3 7s. for a domestic assistant. Men generally receive £1 3s. a week more.

These figures should therefore be substituted for those shown for a fair comparison to be made with the wage rates in the catering industry.—Yours faithfully,

T. RIPPINGTON

Parkdene, Sylvan Terrace, St. Austell

[The purpose of the reference to the Hetherington scales was to compare the *minimum* wage rates they lay down with the *minimum* rates proposed by the Catering Wage Commission. It was not intended to compare actual earnings of hospital workers with those of domestic workers in catering establishments.—EDITOR.]

British Liberty

SIR,—I am an Italian journalist, correspondent of the *Corriere della Sera* in Milan. As a correspondent of this newspaper I was supposed to leave for Tripoli a few days ago aboard the ship *Campidoglio*, which took back to Tripolitania a certain number of Italians. Accordingly, I asked the British authorities in due time for a permit for disembarking and staying in Tripoli for a couple of days; but, in spite of its recent declarations of hospitality to the Italian Press, the authorities in Tripoli objected firmly to my request. No explanation was given for this, and, in fact, there is no sensible explanation, for the prestige and the objectivity of a newspaper such as the *Corriere della Sera* are too well known to be stressed. This attitude is very discouraging. It means that the iron curtain is hanging not only on the eastern frontiers.

The British came to our country in the name of freedom of speech and freedom from fear. For the sake of those words we appeal to the principles of British liberalism and the gallant tradition of the British Press, so that we may still believe in what we were once taught.—Yours faithfully,

CLARA FALCONE.

Palestine's International Balance

SIR,—One of the publications recently issued by the Government of Palestine, primarily for the information of the United Nations Special Committee on Palestine, contains detailed statistics of Palestine's trade and economy during the last two years. Some of the data may be of interest to your readers—in supplementation and emendation of the information contained in the column on Palestine in the issue of *The Economist* dated April 5, 1947.

Figures of Palestine's international balance of payments for 1945 and 1946 are provisionally given as follows (in thousands £Ps):—

Item	1945		1946	
	Debit	Credit	Debit	Credit
VISIBLE ITEMS.				
1. Retained imports involving payment by Palestine, i.e., less imports for which Palestine is not debited (e.g., crude oil imported by the oil companies)...	31,975*	...	56,506*	...
2. Recorded import of bullion and specie	191	...	756	...
3. Exports involving payment to Palestine, i.e., less exports for which Palestine is not credited (e.g., refined petroleum products exported by the oil companies)	...	14,034	...	14,645
INVISIBLE ITEMS				
4. Military expenditure	...	24,300	...	23,500
5. Transfers to Jewish National Institution and all religious and charitable institutions	...	7,000	...	9,500
6. Transfer of private capital (net)	...	2,000	...	4,500
7. Amounts received by foreign residents, diplomatic corps, etc.	...	3,500	...	6,500
8. Immigrant and emigrant remittances (net)	...	1,000	...	1,500
9. Interest, profits and dividends	...	1,500	...	2,000
10. Government Finances:—				
Grants-in-aid	...	120	...	50
Other Government Finances (net)	4,000	...	4,000	...
11. Insurance, commission and brokerage	1,000	...	1,000	...
12. Tourist expenditure (including passage)	1,500	...	1,500	...
13. Changes in bank assets abroad	5,500	...	1,000	...
14. Changes in currency in circulation	6,920	...	...	5,020
15. Miscellaneous (including film royalties; payment for use of patents, copyright; unrecorded import of merchandise and gold)	2,500	...	2,500	...
TOTAL	53,586	53,454	67,262	67,215

* These figures include £P.2,999,000 (1945) and £P.3,567,000 (1946) to cover purchase within Palestine of refined petroleum products from the oil companies.

Yours faithfully,

N. DEVONS

31 Gaza Road, Jerusalem.

Distribution of Manpower

SIR,—If the compulsory direction of labour is to be ruled out as impracticable, the Government will have to think out other plans to attract workers from unessential to essential industries.

A high proportion of the young men called up for service in the Forces is rejected on medical grounds. But, though they may not be up to the Services standard of physical fitness, most of those rejected are fit enough for some kind of productive employment. On the principle of equality of sacrifice it would not be unfair to call upon them to put in a year's service in under-manned essential industries for which they are suitable. Another possible idea is a national appeal to persons employed in unproductive or unessential work to volunteer for transfer to productive industries on a statutory guarantee of reinstatement in their jobs if and when they wished to go back. The vacancies thus created could be filled up by a reversion to the wartime expedient of substituting women for men, "clippies" for men bus conductors, for example, and the re-engagement of retired employees, especially in the distributive trades.—Yours faithfully,

Larchfield, Churt, Surrey

GEOFFREY BRACKEN

Books and Publications

An Indictment of Stalin

"I Chose Freedom." By Victor Kravchenko. Robert Hale. 496 pages. 15s. net.

THE Russian language has a special word (*nevozvrashchenets*) to describe an official or just a Soviet citizen who, like the author of this book, refuses to return to his country from a mission abroad. The character has been so frequent that he has well merited a place in the vocabulary. The *nevozvrashchentsy* fall roughly into two categories: the disgruntled dignitaries and the disillusioned idealists. The reliability of their inside reports on Russia varies greatly from category to category. If some stories of such eye-witnesses were to be taken at their face value it would be very difficult indeed to explain why the Soviet regime did not collapse in the first days of the war. Mr Kravchenko's place seems to be somewhere between the two categories. The serious reader of his book will be struck by its stylistical over-dramatisation which has made it a "best seller" in the United States. The direct responsibility for that over-dramatisation rests not with the author but with the American "re-writer" of his book.

Nevertheless, Mr Kravchenko's report on Russia is essentially truthful, at least in its three major topics: the purges of the 'thirties, the cost, in terms of human suffering, of Russia's industrialisation, and Russia's narrow escape from defeat in the war. This picture of the great purges has a truly nightmarish quality, but nobody who has studied the problem with an unbiased mind will deny its basic accuracy. What Mr Kravchenko reveals is the mass scale of those purges and the inexorable monotony with which they were carried out not only among the top political leaders but amid the middle and lower strata of administrators, engineers and party-men. Equally shocking, though not new, is his report on the use of forced labour in Soviet industry, although the author himself takes off some of the sting of his criticism when he claims that without the use of such labour Russia's war economy would not have been able to cope with its task. Finally, the account which he gives of the poor state of Russia's economic and technical preparations for war in 1941 tends to dispel at one stroke two myths: the myth of the wise and far-seeing Stalin who allegedly concluded his truce with Hitler in 1939 only in order to destroy him the better later on; and the other myth of Stalin, the sinister plotter scheming since 1939 for the conquest of an exhausted and prostrate Europe.

Mr Kravchenko's book is a passionate indictment of Stalin's regime. The author undoubtedly bases his charges on facts; but he fails to explain—he does not even pose the question—how and why these facts have occurred. He offers, that is, no conception or analysis of recent Russian history, unless one were to regard the rather naïve suggestion that Stalin's satanic personality is the first cause of all evil in Russia as an adequate substitute for sociological or political theory. Like most Russians of his generation, Russians that have been brought up on the official Stalinist text-books, Mr Kravchenko is not even aware of many a salient chapter in the history of the Soviets; and this accounts for his inability to present a coherent view on the social and political evolution of his own country.

Nor does Mr Kravchenko try to suggest what may be, for the mass of the Russian people, the way out of the impasse of totalitarianism. He "chose freedom" and attained it by the simple refusal to return to Russia. But in what way can the young Russian generation, which is not in a position to choose voluntary exile, "choose freedom"? Mr Kravchenko's book is very depressing because of both the things which it says and the things which it omits to say or even to imply.

Second-rate Thought

"The Economic Mind in American Civilisation." By Joseph Dorfman. 2 Vols. Harrap and Co. 36s.

ALL but the stoutest hearts must admit to a certain sinking feeling when confronted with the thousand closely printed pages of Professor Dorfman's industry. So much about so many who were worth so little. These volumes are a monument to the card-index technique of *Kulturgeschichte*. Everyone is here, from the Reverend Laurens Perseus Hickok, whose "Rational Psychology" sought to slay the Gorgon of Kantian idealism, to Samuel B. Ruggles, who almost opened a Red Gap in the 1830s by arguing that perhaps railroad construction should not be left to private enterprise. It is hard to believe that a single book, or a single

chapter from a book, bearing on political economy and creeping into the immortality of American print between 1607 and 1865 can have been omitted from this compilation. Unfortunately Professor Dorfman's researches do not overthrow one's conviction that America's contribution to economic thought began with Henry George, and "Progress and Poverty" did not appear until twenty-five years after the conclusion of Professor Dorfman's second volume. The overwhelming mass of the procession which winds its dim way through his pages consists of second-rate pedlars of second-hand thoughts. And true though it is that the movement of history in the United States as elsewhere is for much of its length little more than the accumulated expression of second-hand thoughts, it does not follow that the way to capture it is to pin down these dead drab moths, indistinguishable members of a few simple species, who ought by rights long ago to have found a natural scorched oblivion in the flames of time.

Unfortunately, it is much easier to collect specimens than to formulate the laws which govern the origin and development of species, and it is no crime of the author's that he is a kind of cultural Cruden rather than a historical Darwin. His book has the usefulness which attaches to any thorough compilation. He has digested a great many books without partiality or prejudice. But to conclude, as the title suggests, that the result is a history either of American economic thought, or of economic attitudes below the level of philosophic reasoning, would be a grave error. For such an enterprise Professor Dorfman has provided the raw materials, but scarcely more. He seems himself to lack the historical perspective (witness his chapters on the seventeenth century) and the inductive breadth and power requisite for such an enterprise. But what he has done—and it would be churlish not to acknowledge it—is to make the task incomparably easier for anyone possessed of those qualities who may tackle it after him.

Headache in Ulster

"Rural Life in Northern Ireland." By J. M. Moge. Geoffrey Cumberlege. 240 pages. 15s.

IN 1940 the Northern Ireland Council of Social Service set on foot an inquiry into the way of life of the Ulster countryman, designed particularly to measure the drift from the land and estimate the influences behind it. Five typical areas were chosen, one in County Fermanagh and two each in County Down and County Antrim, and Mr Moge was appointed as Survey Officer. His book is a straightforward account, area by area, of the survey's

From *The Economist* of 1847

July 31, 1847

Sir Robert Peel did the country excellent service in office. He gave up his own opinions to the necessities of the times, and carried into effect the principles of free trade. But he seems destined, from the great authority he bears, to be as useful to free trade in opposition as he was in office. . . . The opposition and censure of Lord George Bentinck and his friends seem only to have piqued Sir Robert into additional boldness; and on Wednesday, at Tamworth, he gave utterance to these truly humane, Christian, and free trade sentiments:—

. . . I am not seeking a return to office or resumption of party power; but to Parliament, should you so decide it, I shall return honoured by the possession of your confidence upon public grounds, and not perhaps altogether without power. (Loud cheers.) I will support that which I believe to be right, and I will support those principles of free trade which I believe to be founded on justice. . . . should some military tyrant again try a false appeal to military glory, and thus to disturb the peace of the world to satisfy his own corrupt ambition, I hope that an enlightened people, enjoying the advantages of a flourishing interchange of their productions with other countries, will look at such war with disgust, as calculated to destroy the kindly feelings that ought to prevail between nations, and that a great intelligent people will rebuke that military tyrant, and refuse to see wives made widows and fathers left without children, and children without fathers, not in defence of a nation against aggression, but to satisfy the corrupt feelings engendered by military ambition, and will show him that public opinion prefers the maintenance of friendly intercourse, and the interchange of commercial commodities, as the best means of obtaining political good, and increasing as well as of securing the unquestionable blessings of peace. (Great cheering.) These principles, gentlemen, I will maintain during my future course; and, standing as an isolated individual—if I should so stand—I shall have perfect confidence in the ultimate triumph of those principles.

findings. The sum total is a disturbing picture of economic backwardness and social decay. The flight from the land has indeed proceeded fast, but not fast enough to relieve the pressure on the means of subsistence or allow Ulster smallholdings to become an economic proposition; and, though there are signs of progress, new institutions have not yet grown up to fill the social gap left by the collapse of the old co-operative way of life.

Mr Mooney drives home his economic lessons with solid facts—diagrams of farm layouts, descriptions of soils and farming methods, and finally a mass of income data to show that, even with war-time prosperity, Ulster farmers and their relatives working with them were often earning distinctly less than even the low county minima for labourers. What he does not do is to answer the questions he raises. One would have wished for a review of possible changes in the structure of Ulster farming and society such as Dr Orwin and his collaborators provided for North Oxfordshire in "Country Planning"; but it would hardly be fair to blame the author for what after all was a defect in his terms of reference. In the same way, it would have been well worth while to follow up the Survey's comments on the need for leadership in building up new social institutions with an investigation of what is actually happening to the rural middle class—the clergy, teachers, doctors, and the like. But the ancient and regrettable tradition that the poor are survey material while the rich are entitled to privacy appears to have won the day. All in all, this is hardly a classic of sociology; but, within the field laid down, it is a very competent and interesting introduction to one of the worst economic and social headaches in the British Isles.

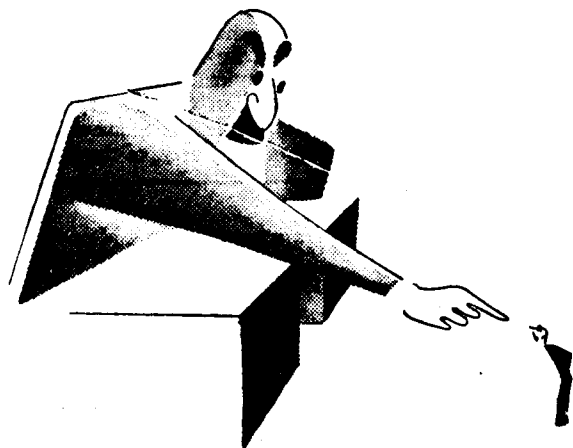
The Human Habitat

"City, Region and Regionalism." By R. E. Dickinson. International Library of Sociology and Social Reconstruction. London: Kegan Paul French. 327 pages. 25s.

BOOKS have their own fates, and the fate of books about human ecology is to be dull. For the dulllest stage of any inquiry lies in assembling the data from which the well-digested meditations of innumerable minds will eventually distil the artful simplicity of the classic textbook; and there can be few fields in which it is harder than in this to pass to the general from the particular.

Human ecology covers, broadly speaking, everything to do with economic, social, geographical, and political characteristics of the places where people live, the reasons why they live or, given the habits of the modern potential parent, cease to live there, and the relations between the different types of neighbourhood, district, town, country, and metropolitan unit. To establish general guiding principles in this vast field is bound to be difficult; and, into the bargain, as Mr Dickinson points out, the study of these things is a good deal newer to this country than it should be.

In the circumstances it is very much to his credit that he does at least avoid the depths of dreary burrowing after facts only too common among the longer-practised Americans. "City, Region and Regionalism" is a very solid and useful introduction to the literature, theories, and case-histories of a subject whose importance in these days scarcely needs to be stressed. Town planning and the structure of local government are in the melting-pot; more and more services are being decentralised from Whitehall or reorganised in larger units locally; and only the type of study here analysed can provide a solid basis for reform. Though a great deal has in fact been done in recent years by official or semi-official agencies—in the Middlesbrough Survey, for instance, or the West Midland Group reports, or the various projects of the Ministry of Town and Country Planning—a vast amount of further work still lies ahead. And a vast amount of preliminary education will have to be undertaken if the new town and country planning authorities, in particular, are to deal as they should with their statutory duty to carry out planning surveys. Town planners themselves are sometimes, not unreasonably, a little cynical about the value for their purposes of the wilder extravagances of the civic diagnosticians. But that only makes it more important that the advantages for other purposes, such as health or educational or housing policy, of the type of survey which Mr Dickinson recommends, should not be overlooked because of exaggerated claims for its usefulness in one limited field. And a special prayer may be directed to Whitehall to heed his recommendation that a series of new institutes, linked to the Universities, should be set up to handle this work; for without such institutes it is unlikely that Government departments or local authorities will be served with the research which they need. The student who ploughs through this book will indeed find that his road winds uphill all the way; and he will find no easy answers at the end. But, in retrospect, he should find the achievement worth the trouble.



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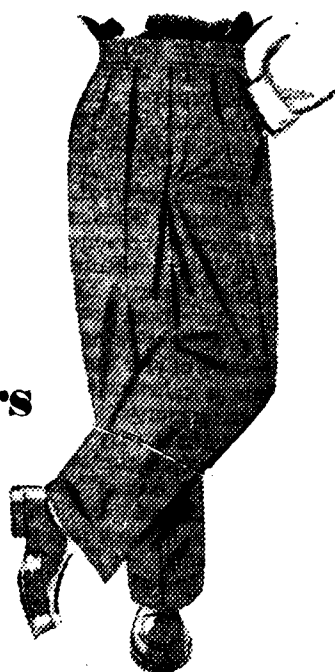
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AMERICAN SURVEY

The State of the Economy

(From Our US Editorial Staff)

EXTENSIVE readjustments continue within the American economy, but they are not apparent in the overall figures, being concealed by what President Truman called "temporary props" in his midyear Economic Report to Congress. The transition from wartime influences to peacetime operation has yet to be completed. The adjoining table of figures taken from the President's Report show the significant indicators for the past year and a half.

The volume of industrial production rose gradually to a high of 190 in March, and by midsummer was back to about the level of the last four months of 1946. The volume of agricultural output for this year is in question: extensive floods in recent weeks have damaged the corn crop and the weather during the balance of the season may either do further harm or, alternatively, remedy some of the harm already done to corn as well as to other crops. The number in civilian employment reached a new peak of slightly over 60 million in June.

While industrial output thus seems on a plateau and agricultural output is not likely to be above last year, if as large, commodity prices and costs of production have been pushed to new high levels. The Index of all wholesale prices made a new high record of 150.3 in the week of July 19th; the recent rise is almost entirely due to advances in the prices of foods and farm products. The average gross weekly earnings of manufacturing employees also reached a peak of \$48.91 in June, and average hourly earnings of the same group reached \$1.22. The coal settlement extracted by Mr Lewis has already set off price advances in coal and steel, which may spread outwards despite Mr Truman's plea that such a course be avoided.

Largely as a consequence of the price rise—since the volume of output has remained fairly stable—dollar figures have mounted to new highs. Gross national product, national income, consumer expenditures, profits and similar statistical measurements showed hitherto unequalled totals in midsummer.

The most significant of the factors causing the price rise—of the President's "temporary props"—was the huge rise in exports not covered by imports. The table shows "net foreign investment" in the first half at a rate almost double that of the last quarter of 1946, and the President remarked that "This increase in the annual rate of the net foreign balance constituted about three-fourths of the increase in the annual rate of the total gross national product from the last quarter of 1946 to the first half of 1947." The sharply reduced prospect for the corn crop and perhaps other agricultural output gave a stimulus to many prices, and so did the coal settlement. The accumulation of inventories is still occurring, though at a slower pace than last year. The expansion of credit, both to consumers and to business and agriculture, is playing a part. Some consumers,

particularly in the lower income groups, are reducing their accumulated liquid savings. And the proportion of individual incomes being saved is still declining—though this may be the establishment of a new post-war pattern instead of a non-recurring condition.

Psychology, too, has become more hopeful. The stock market rose by some 15 per cent after the recent low price in May; this was both a resultant of and a contributor to more encouraged sentiment. *Fortune* has just published the first of its Forecasts of Business Prospects by polling business executives, which shows 74 per cent expecting declining business. But the poll was taken in May, and the figure in all probability would not be so high today.

But the basic problems of unbalance remain. Indeed, in at least some respects, they have been aggravated by these recent developments. The price rises affect the entire population, while the rises in income accrue only to a part. The real per

capita individual income left after taxes ("disposable") has been steadily declining for many months. The recent price rises and the effects of the partial de-control of rents are adding further to the squeeze between costs and dollar incomes. This is a major factor in the decline in savings and in the recent fairly sizeable decline in sales of life insurance.

Continuation of the present level of exports seems wholly impossible. Unless imports can have a fantastic increase, which seems out of the question in view of present foreign capacity to export, the means of payment will shortly be exhausted—indeed, this is already occurring. And by no possible stretch of the imagination can it be conceived that aid under the Marshall plan will be of such magnitude as to make possible continuation

of an excess of exports of anything like \$1 billion a month.

The accumulation of inventories by business firms, already slowing up, cannot remain indefinitely a sizeable factor of demand. Construction, after a dull spring, has shown a little improvement recently, but is still so beset by inordinately (outrageously would not be too strong a word) high costs that it cannot approach need and can hardly rise to compensate for declines in demand from exports, inventories and the reduced consumption of those consumers who have been "priced out of the market." Productivity is reported to be improving in not a few individual cases, but generally remains low; though the measure is very rough, it may be noted that industrial production, as measured by the Federal Reserve Board, rose by 1.7 per cent from September to June, while non-agricultural employment rose by 2.7 per cent.

The question remains what it has been for many months: can the American economy move from its present abnormal and unbalanced state to a more stable and balanced condition with-

	1946 by Quarters				1947 First Half
	I	II	III	IV	
<i>Billions of Dollars</i>	Seasonally Adjusted Annual Rates				
Gross National Product	192	197	208	219	225
Personal Consumption	134	138	147	155	158
Gross Private Domestic Investment	19	22	27	30	30
Net Foreign Investment	3.3	6.1	4.5	5.2	10
Government Purchases	35	30	29	28	28
National Income	168	174	180	191	199
Corporate Profits after taxes, excluding Inventory revaluation	9.1	11.5	13.5	16.1	17.4
Dividends	5.1	5.4	5.6	5.9	6.2
Personal Savings	16.6	15.5	13.1	13.1	11.6
<i>Dollars</i>					
Per capita disposable personal income—1944 dollars	1,038	1,037	990	979	956
<i>Billions of Dollars</i>	End of Period				
Consumer Credit	7.0	7.9	8.6	10.1	10.7(May)
Commercial, Industrial and Agricultural Bank Loans	...	11.7	...	15.4	15.95
<i>Money Supply</i>	Last Month in Period				
...	...	157.8	...	164.0	162.8(May)
<i>Unit Indicated</i>					
Gross Weekly Earnings, Manufacturing\$	42.15	43.31	45.39	46.96	48.91
Hourly Earnings, Manufacturing\$	1.035	1.084	1.126	1.148	1.220
Consumer Price Index ('35-'39) ..	130.2	133.3	145.9	153.3	157.0
Wholesale Price Index ('26)' ..	108.9	112.9	124.0	140.9	147.7
Industrial Production ('35-'39) ..	168	170	180	182	183
Civilian Employment (millions) ..	52.5	56.4	57.1	56.3	60.1

out at least some recession? The President and his Council of Economic Advisers avoid a conclusion: "As they (the temporary props) weaken, we shall need to make many basic readjustments to complete the transition to a permanently stable and maximum-level economy. . . . They must be made before the lack of them produces serious unemployment and business decline. . . . Thus far we have avoided the economic misfortunes which followed World War I and then culminated in a disastrous depression in 1929. Today we are wiser, more experienced, infinitely more blessed with material riches, more united as a people, stronger as a nation. If, calmly and

realistically, we assess our strong points and our weaknesses and boldly take necessary steps in time, we can place the high production and the high employment that we have today on a firm foundation of enduring prosperity and peace."

Consideration of the structure of the American economy does not provide grounds for confidence that the transition will be made without some fall in income and output, and some rise in unemployment. The longer the present unbalances prevail, the more difficult the adjustment may be. However, even among the more cautious there are few indeed who think that a large or long enduring decline will be experienced.

Holiday Patterns

(From our US Editorial Staff)

WHEN Secretary Marshall was summoned back from a fishing holiday to deal with a new Greek crisis the country sighed in sympathy. Fishing holidays or their equivalent are what everyone would like. It was understood that the Secretary of State should feel he needed one after telling the assembled Governors what a mess the world was in. It was also understood that he did not feel he could take one when a new crisis intervened.

For most Americans the summer holds a series of new crises, new clients, new break-downs. This is not like last summer, when the populace devoted itself to sprawling in the sun and letting the bread and soda pop bought by "separation pay" drop into its collective mouth. The United States may be prosperous, but they are no longer idle. Business is business this year, and the holiday must be fitted to the demands of the job. Sixty million men were at work during June, two million more would have taken a job had it reached out to claim them; school boys toil on Western ranches, school girls are busy "baby-sitting," and even adjourned Congressmen make hay.

Nor is this picture vitiated by the fact that a sizeable proportion of the summer's industry centres on the vast and disjointed series of businesses known as recreation. Figures brought together recently by the Twentieth Century Fund indicate that 4.6 per cent of the consumer's dollar went in 1941 for recreational "goods and services," which means, among others, baseball bats, bathing suits, tennis racquets, bicycles, fees for dance hall and bowling alleys, money spent on pet dogs, and cinema tickets. An equivalent proportion was spent on vacation travel, and the 1947 total is estimated at somewhere in the neighbourhood of seven billion dollars. To this might be added some two hundred million spent by the Government on such recreational facilities as would have enabled Mr Marshall to have been photographed while catching a fish, had he so desired, and the Greeks not intervened.

The pattern of holiday varies with the age, occupation, economic status and geographic location of the holiday maker. It used to vary more with sex than it does now. The great common denominator is the pull of the elsewhere, for a holiday at home is a contradiction in terms abhorred by every right-thinking American. In wartime they endured it because patriotism and necessity persuaded them, but they did not endure it happily. Now that the trains are free to offer civilians such luxuries as a trip from coast to coast without change of cars, the automobile industry is struggling to catch up with demand, the petrol supply is unrationed, Americans have shaken off their wartime sense of claustrophobia. Plane travel is recovering from a series of bad accidents. Boats, buses and trains for almost anywhere are crowded past capacity. Those who have cars are on the highway and those who have not may rent them and drive themselves wherever they want to go.

The highway meanwhile, has changed in length, direction and hospitality. No longer are Americans limited to the 3.25 million miles (more than half of it surfaced) within the borders

of continental United States. For several years they have been able to penetrate deep into Mexico on a highway which is destined ultimately to string petrol stations the length of the hemisphere. For the first time they may drive direct to Alaska if car, equipment and finances meet the requirements of the Canadian Royal Mounted who are charged with policing the much discussed new road. The Alcan highway, built at great expense as a war necessity, is open for three summer months to civilian traffic. With time out for fishing, the journey would take five weeks from Chicago to Fairbanks and back again, and would cost, for two in a car, an estimated \$914 including depreciation—of car if not of passengers. Petrol stations and inns are still scarce (a two-hundred mile stretch has neither) but adequate for the hardy.

On more familiar roads the problem is not too little population but too much. The American highway system, undermined during the war, burdened with a shoe-string rash of coloured hoardings and small traps for spare cash, is showing a new set of wide places in the road where passers-by may eat and sleep and buy such necessities as bubble gum and dolls that imitate nature all too well. In some sections these excrescences spring up to light a wilderness, in others they dribble out of towns like spaghetti, achieving such a linear decentralisation as town planners never dreamed. Creatures of the motor age, they supply man's basic necessities and challenge old ways of satisfying them. Called auto camps, auto courts, or "motels" (a portmanteau word compounded of motor and hotel) they give shelter to man and his hundred mechanical horses as coach inns and post houses offered food to man and beast a century ago. They are now bidding for the plane patrons set down at airports, which are also on the town's edge.

The difference between the three types is sometimes measured in gradations of plumbing, beds and food, and sometimes in terms of semantics. All of them started in the west, where spaces are wider than in the east, hotels less various, and the frontier tradition that says a man sleeps best beside his horse is of more recent memory. All three stem from the familiar arc of one-room cabins swung off the highway with space beside each for the car of the man who rents for a night. This combination of room plus garage space, roofed or not, is the basic constant, and an invention which now threatens the monopoly hitherto enjoyed by the vertical hotel in a crowded town where parking is at a premium and noise is constant.

The auto camp is still primitive, though housing shortages have in some places forced its patrons to stay longer than the single night for which its drab facilities were designed. The auto court has, in Southern California and Florida, become an established pattern of bungalow villages in or out of cities. The "motel" originated with a Californian entrepreneur. Starting in 1930 with twenty-six cabins connected by an arcade, \$4,000 in cash and a petrol pump, he soon found that more people were hungry than sleepy, and that he could

hold them for more than a single night if he added food and drink to clean beds. He has since widened his web and increased his income by adding glamour in the form of swimming pools and dance halls. He now takes in as much in a single day as he put originally into the business.

In essence, the "motel" is a horizontal hotel composed of individual units that can be re-shuffled as fashion dictates, built on cheap land at the edge of a town for a third of what a vertical hotel in the centre of the same town would cost. It thrives best in the easy climate of the west and south, and has yet to try its luck in northern regions where the touring season is short and rooms must be heated eight months in the year. Its customers come easily and go easily, leaving no address behind. Under those circumstances it is perhaps not surprising that the trade's eighteen thousand proprietors have not yet agreed on codes or ratings whereby travellers may know what kind of a "motel" they are stopping at. Whether their neon lights are the lamps of their consciences, or lanterns luring travellers to profane disaster, is still a matter of individual choice.

Some Americans travel for the fun of travelling, others for the purpose of getting somewhere else. That "somewhere" may be a national park where a neat presidential candidate can be photographed while photographing bears and geysers; it may be lakes and mountains opened up to summer campers by the Tennessee Valley Authority; it may be Jones Beach on the fringe of New York City, where a hundred thousand people can enjoy sand and sea at one time; it may be the summer theatres which play in barns or the summer schools which work in universities; or it may be racetracks.

Recreation, like vacation which is the American equivalent of holiday, is a word which has surrounded itself with a highly moral atmosphere, but lists recently compiled show changes in the manner in which Americans amuse themselves hardly support that pattern. The most spectacular gains in popularity during the past two decades were made by racetracks and gambling machines. Indoor pastimes, not necessarily hearty,

healthy, or wholesome, were nearly three times as well patronised in 1941 as in 1929, while outdoor sports failed during the same period to hold their own. Consumers spent 60 per cent more on spectator sports in 1941 than in 1929, and the most fantastic gains were made by horse and dog racing. Of all the recreation devices and services showing increased popularity, the cinema gained the least.

What all these changes mean is anybody's guess; the figures of 1941 are assuredly not the figures of 1947. Uneasy commentators note that the nation is older and less active, that gambling is an adult sport which blooms best when money is easy, that the nation's leisure is increasing, the two-week vacation has reached even the United Nations, the five-day week is spreading. Predictions for 1950 are that 10 per cent of the consumer's dollar will go to travel and recreation. The popular thing to do may then be preaching or pinochle; prediction is difficult.

American Notes

Both Sides of The Record

The Eightieth Congress adjourned not many days ago after a session which began with mutual pleasantries and pledges of co-operation and closed with a determined struggle between the President and the Republican majority for campaign issues in anticipation of 1948. Though an influential section of the press is already demanding a special autumn session, the general impression in Washington still seems to be that Congress will not meet again before January.

The Congressional record for 1947 is not particularly impressive, despite the commanding lead of the Republican Party majority in both House and Senate. In this respect, Congress no doubt deserves some sympathy, since a period of frustration is more or less inevitable with so direct a clash between the executive and legislative branches. But the majority party has suffered from other defects, perhaps more damaging than its inability to control the executive branch. Personal and inter-House rivalries (again in anticipation of 1948) have contributed to obstruction and delays.

JULY 1947

A Study of Readership of Newspaper and Magazines

The recently published Hulton Readership Survey is the first comprehensive study of the post-war reading habits of the British people. It shows which people, of what age, sex, class and locality, read which newspapers and magazines—and throws into relief certain functional groups, such as motorists, mothers of young children, cinema-goers, gardeners and others.

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A considerable time was taken to settle routine and procedure under the Legislative Reorganisation Act, and it now seems to be apparent that whatever ground has been gained by the heavy cut in Standing Committees has been lost again by the pressure of work now demanded in sub-committees. Next year may be better; but next year will also reveal the full scramble for Presidential honours.

It is, therefore, scarcely surprising that influential Republicans now stress the value of "preparatory work" rather than the record. On one major issue only have they succeeded in their work against the outright opposition of President Truman—the Taft-Hartley Labour Act. Here Mr Truman was forced first to declare the measure unworkable, and then to declare his intention of using every method possible to ensure smooth working. But the new law is regarded, even by many militant employers, as something less than an unmixed blessing; it has failed to stay the continuing success of Mr John L. Lewis, against whom it was primarily designed, and it may yet prove to be vulnerable in the courts.

On the issue of tax reduction, Congress failed twice, within a few weeks, to override Presidential vetoes. And failure in this respect was matched by an entire inability to make adjustments in the appropriation lists on a scale that would have given support to the repeated Republican charges of administrative waste and extravagance. The Representatives fastened with a whoop of joy on the Presidential budget estimates of \$37.5 billion for expenditures, a level which they quickly replaced with a new "ceiling" of \$31 billion. But as the weeks dragged by in committee it became more and more apparent that the cuts imposed with such haste and ferocity were quite haphazard and would impair governmental efficiency at home and abroad. Much more important for the forthcoming electoral tests, they threatened a widespread loss of prestige in many States. The more sober Senate disagreed, and while it is difficult to determine precisely what emerged from the Congressional mill in the pre-adjournment scramble, a budgetary list of about \$35 billion remains far in excess of all earlier levels supported by the Republican Party.

* * *

Presidential Programme

On the other side of the record, the President has been obliged to watch one more session in which a substantial number of his own supporters joined with the Republican majority to oppose, or to bury in committee, a number of useful measures. Prominent among these may be numbered the Taft-Wagner-Eilender Bill for the promotion of low-cost housing projects, sponsored by Senator Taft and supported by Congressmen of both parties. The Congress also refused to support Senator Taft's proposals for Federal aid to state educational programmes, and no action was taken on Bills for military training (to replace the end of selective service), for the admission of displaced persons on the relatively modest lines laid down by the Stratton Bill, for the general expansion of health insurance and social security benefits, or for the establishment of a Fair Employment Practices Committee, banning discrimination in employment on the grounds of race, religion, or colour. The Republican attempt to enforce action on the annual Bill to ban poll-taxes met with the usual blockade by Democratic Senators. Late in the session the President had the doubtful blessing of full support by many Republicans for a new "minimum wage ceiling" of 65 or 70 cents an hour, against the now generally ineffective level of 40 cents established by the Fair Labour Standards Act. But the Republicans took care to ensure that this support did not entail action in 1947, and thus prevent a useful campaign call next year.

One decided victory for the President was establishment of the Atomic Energy Commission, and the appointment of Mr David Lilienthal to supervise development work, with the transfer of authority from military to civil hands. Elsewhere, the President retained export control powers which will assist foreign economic policy to no small degree, and persuaded Congress to go all the way on foreign relief programmes. The foreign programme, indeed, embracing ratification of the peace treaties with former Axis satellites, the Greek and Turkish Aid Bills, and relief and administration grants totalling about \$1.5 billion, ranks as a major

accomplishment of the session, though most of it was put through on the basis of an emergency response to Soviet intransigence, and actual appropriations were delayed until near the close of the session, when Mr Marshall, the Secretary of State, seems to have thoroughly scared the exponents of economy in terms of foreign affairs. The major test on the bipartisan programme, however, has yet to come.

Altogether, however, it may be said that the President and his Cabinet have emerged from the session in decidedly better shape than seemed possible a year ago. Even the most determined opponents of the President concede that he has gained in authority and confidence, and it is worth noting that a quite recent Gallup Poll indicated that the Democrats might now command an electoral response that would bring a useful majority in Congress. A great deal may happen between now and November, 1948, but the poll does indicate a remarkable revival of fortune since the low point touched by the Truman Administration in October, 1946. Party leaders, therefore, are not unduly concerned by the present liveliness of the "Wallace for President" campaign in California. They point out that Mr Truman has a strong following both with organised labour and the farmers, and that a majority of voters express approval with his policy. A notable development has been the complete reversal of policy by Mr A. F. Whitney, head of the railroad workers, whose organisation last year voted a fund of \$2.5 millions for defeat of the President in 1948. Mr Whitney now declares that a third party movement would be suicidal to labour, and that all organisations should support Truman-Democrats next year.

* * *

Black Weeks for Reds

The drive against communist activities has now reached a point where Congress is apparently willing to take irrevocable action on the flimsiest of evidence and against any Federal employee with the vaguest tinge of pink. In March last, President Truman, who may be described as being fully aware of communist dangers, proposed a general investigation into the political loyalties of all Federal employees, and the establishment of loyalty boards covering separate departments. These proposals secured a fairly general approval following from the realisation that government has now to contend with parties and movements far more dangerous than in the days when Federal employees were specifically safeguarded from inquiries into their political beliefs.

The President, however, sought to make provision both for defence and appeal and his proposals were designed to give "equal protection from unfounded accusations of disloyalty." Shortly before adjournment, however, the mood of Congress was far removed from all considerations of safeguards for loyalty. A House Bill, sponsored by Edward Rees, Republican, proposed the establishment of a five-man board of review, acting as prosecutor, judge and jury, before which accused employees could not appear, and against which (if deemed guilty) they would possess no right of appeal or review. The Board, moreover, was instructed not to reveal the source of charges, and summary discharge might follow from "reasonable grounds" for the belief that any accused person had "sympathetic association" with a subversive organisation. Despite the pleas of many influential witnesses who declared that the Bill demolished civil liberties to a degree never before tolerated in peace or war, the House went on to pass the measure by an overwhelming majority. The Bill was then blocked in the Senate.

During the past year, very nearly 800 Federal employees have been discharged for disloyalty, and the Civil Service Commission expects an eventual list of more than 3,000—from a payroll covering more than two millions. Additionally, there is a growing list of persons sentenced by the courts for their refusal to give evidence on oath before the House un-American Activities Committee.

* * *

Steel is the Key

The battle over steel capacity—which began last year—has reached a decidedly interesting phase in recent weeks following prolonged hearings by a special Senate Committee on Small Business, headed by Senator Martin, Republican, of Pennsylvania. As recently noted, output of steel ingots over the first half of 1947 reached a new high point for peacetime operation at 42,267,000 net tons. Almost throughout this period, the operating rate was held at well above 90 per cent of rated capacity, and in Pittsburgh it has recently gone above theoretical capacity.

But the famine in steel continues at home and abroad. The oil industry demands steel for casing new wells, for refineries and pipe-lines; there is a drastic hold-up in steel for freight cars, in

heavy grades for construction, and in sheet and strip for automobiles, containers, and an extensive list of consumer goods. Most of the evidence given before the Senate Committee seems to have centred on the alleged abuses covering steel distribution, and the latest suggestion seems to be that this particular quarrel can be settled by round-table talks between the industry's leaders and the Senators concerned.

This procedure, however, can only ease immediate pressure at the expense of some favoured customers. The issue of long-term capacity has yet to be settled and Senator Murray, the father of the Full Employment Act, has drafted a Bill to enforce a measure of expansion through federal grants for small steel producers. He maintains that present shortages follow naturally from the grip of the "steel monopoly," and that only small producers should be given assistance, and permission to expand.

Backing Senator Murray are the expansionists in the Federal agencies. Their argument is reinforced by a recent report from the Bureau of Labour Statistics estimating long-term demand for steel ingots at between 100 million and 120 million tons, under conditions of full employment. Official evidence is a little conflicting, but in general, the argument is that only a very serious short-fall in national income and employment can bring demand down well below that range; in any event, it is alleged, the industry itself declares that plant with an annual capacity of 10 million tons is registered as uneconomic, and obsolete, except at times of abnormal demand.

To these demands, the steel industry returns the answer that present demands are based largely on back-logs and inventory deficiencies. For very many years before the war, it says, steel capacity was far in excess of normal demand. This plea, however, neglects the very substantial rise in population over the last decade, and presumes continuance of the very low rate of construction and equipment in the decade before the war. It neglects too, the probability of a much higher export tonnage for some years ahead. Fortunately, the steel battle looks like being taken

out of the Congressional arena by the Council of Economic Advisers, which has for some time planned a special survey of US plant and equipment, and will make a particular study of steel. Although plans were made for this survey some time ago, it will now assume a special importance in its relation to the overall survey of national resources which will form the background to Congressional debate on the Marshall offer.

Shorter Notes

Washington reports suggest that the "farm bloc" in Congress is worried by a Geneva decision on export subsidies. The sub-committee working on the subsidy definitions in the charter of the International Trade Organisation is understood to have put a definitive limit of two years on all export subsidies operating without approval of the ITO, and to have rejected the American plea that member countries should decide for themselves whether or not particular products are in "burdensome supply."

*

Mr Wallace's appeal to labour and small farmers to wipe out the "reactionary feudal leadership" of the Democratic party in the South as the "one course to save the Democratic Party" suggests that Mr Wallace is seeing political flying saucers. The South is the base on which the Democratic Party relies; it is up to liberal Democrats in the North to elect the Congressmen who will pivot the direction of party policy. Mr Roosevelt, it is true, might have won the last election without the solid South; but neither Mr Truman nor Mr Wallace have the same political magnetism, and even Mr Roosevelt failed miserably when he tried to purge the party. Mr Wallace is seeing the red corpuscles in his own rather starry eyes.

THE WORLD OVERSEAS

The French Economic Crisis—II

A Question of Confidence

(From Our Special Correspondent)

It is on the financial front that the main threat to economic stability and industrial rehabilitation is to be found. The Monnet Plan was based on the assumption that "as from 1947 the equilibrium of the current budget is established without any equivocation." That assumption, unfortunately, has not been realised. There were some attempts to establish a balance of the budget for the current year and, though the original estimates showed expenditure of 660 milliard francs and revenue of 550 milliard francs, giving a deficit of 110 milliard francs, by compression of the expenditure and substantial projected increases in taxation, these figures were later adjusted to 610 and 590 milliard francs respectively. These latest estimates have, however, been thrown into the melting pot again partly as a result of the new social security programme and partly through rises in civil servants' pay that have been conceded while the budget was in course of discussion before the assembly. The effect of these cannot yet be measured with accuracy. It will, however, be surprising if the gap between revenue and expenditure in the ordinary budget can be narrowed to less than 100 milliard francs for the current year.

This deficit and its impact on confidence in the currency have created a vicious circle of inflation. There have been substantial debt maturities in recent months which the public have not been prepared to renew and which, therefore, have had to be taken up in large part by the Central Bank. The ceiling of temporary advances from the Bank of France to the State was recently raised from 100 milliard to 200 milliard francs, and by July 3rd this particular item had already risen 17½ milliard francs above the previous ceiling. The course of inflation and its impact on prices and wages can be measured by the table which follows.

The observer cannot help remarking how much of the excellent

work which is being achieved in France is being constantly eroded and undermined by monetary inflation, the most pernicious of all economic enemies. It distorts production, it puts people in the wrong and unproductive jobs, it destroys the desire to save. When added to an artificially held rate of exchange, it plays havoc with import and export trade and must nullify any planning of the balance of payments.

	Average, 1938	Average, 1946 (in milliard francs)	1947
Bank of France—			
Note Circulation ...	101.7	605.1	(July) 816.4
Advances to State ..	46.7	450.4	652.1
Prices—			
Wholesale	100	648	(Apr.) 847
Retail	100	645	837
Salaries	100	375	(Jan.) 480
Ordinary Shares	100	875	(Feb.) 1,028

The deterioration in this balance of payments has gone appreciably beyond the estimates of the Monnet plan, partly because of the impact of higher import prices but also because of the short-fall in the export programme. The original estimates for 1947 showed a deficit of 188 milliard francs, or 1,555 million dollars. The later estimates show a prospective deficit of over 1,800 million dollars; the main items of which are given in a table on the next page.

The main sources from which this deficit is being covered are the mobilisation of private investments, which is expected to yield about 400 million dollars, external loans of 640 million dollars, mainly from the United States and Canada, the restitution of gold by Germany to the value of 95 million dollars, and the balance of about 660 million dollars mainly out of the gold reserves of the

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Bank of France. These have been dwindling fast and are now at the equivalent of 540 million dollars, which begins to appear very close to the irreducible minimum. France, in other words, is in a graver balance of payments crisis than even Britain. And it was admitted in the course of last week's debate on the budget that at the present rate of drawing France will have come to the

	Original Estimates (in million dollars)	Revised Estimates
Payments—		
Imports.....	2,785	3,158
Exports and tourists	1,230	1,500
Current Deficit.....	1,555	1,658
Contribution to Monetary Fund	...	147
Total Deficit.....	1,555	1,805

end of her gold reserve in two months. In viewing the inflationary situation this factor should not be lost to sight. If the flow of imported articles which is now coming in on the basis of credits is arrested or even seriously curtailed, without a corresponding expansion in domestic production, all the forces making for increased prices are bound to gain added momentum.

What hope is there of remedying this unsatisfactory situation? The budget problem is fundamental. Any scope for further retrenchment is far more than neutralised by the increasing scale of expenditure that rises almost inevitably in the wake of mounting prices. Rates of taxes are high. If only they applied to the whole of the taxable income France's budget problem would be solved. Unfortunately they do not. The cynic's remark still applies: "La France est un pays de fiscalité excessive heureusement tempérée par la fraude." Large sections of the population, farmers, shopkeepers, doctors, dentists, all those who do a cash business, are by and large defrauding the revenue. The need is not for higher taxation but for the enforcement of existing taxes.

The position might have been different had the government on the morrow of liberation introduced a drastic currency purge but it is useless to cry over this lost opportunity now. The damage has been done, and the task ahead is to break this vicious circle of lack of confidence in the government's credit and in the stability of the currency. The solution must obviously be provided not merely in terms of financial technique involving ultimately a further devaluation of the franc but in terms of political action which will restore confidence in the stability of the regime. The prospect would seem dismal were it not for the natural wealth of the country and for the fundamental qualities which the French still possess: a capacity for hard work and a thrift, which has miraculously survived all the inflationary discouragements against which it has had to contend.

Germany's Growing Proletariat

[BY A CORRESPONDENT]

THE distribution of manpower among occupations in Germany has been fixed in its main features for some time ahead, by the general economic situation of Germany and by social regrouping. Today more than three-quarters of the population, as against —?— per cent before the war (1938), must be considered, because of the occupations they follow and their incomes, to belong to the lower classes.

The country and industrial proletariat, propertyless and exposed to crises, comprises one half of the population. The middle class has been reduced from its former percentage of 38-39 per cent (including 1-2 per cent upper class) by almost a half and is continually losing members to the lower social grades.

Factors responsible for this trend are the continual wastage of capital, insufficient employment opportunities for the maintenance of previous standards of life, and the partial exclusion of men from their former occupation groups by denazification.

The number of men workers has fallen, absolutely as well as relatively. In 1939 there were 22 million male workers, of whom 12 million were labourers. In October, 1946, the day appointed for the census of population and occupations ordered by the Control Council, there were 17 million male workers including 9,000,000 labourers. On the other hand, as a result of the loss of men in the war and post-war years, the census shows 140 women against every hundred men.

The industrial worker, overwhelmingly represented by unskilled labour, seldom now works more than a 40-hour week, on an average. In the French zone the working week in the metal-working and high-grade machine industry is seldom more than three working days. Raw materials, power, and often the financial resources to employ workers on unproductive clearance work or repairs, are all lacking in the factories. Wages and salaries have been rising, but the prices for essential goods have on the average risen, although the price stop is being maintained by military governments. The earnings of the industrial worker are no longer sufficient to satisfy essential needs and to feed a family.

Access to Grey Markets

The industrial worker in the country, for example, in south and south-west Germany, is far better off than the worker in the large cities of the north and west. This is not the consequence of differences in earnings—although there are a few differences in favour of the city dwellers—but of the easier access to the grey market. This access is a vital necessity for every German who is not employed in agriculture, and its absence produces the severest physical and psychological consequences. Already many are no longer able to buy in this market, either because their incomes are too low or because of their lack of personal possessions. A method of alleviating their plight which is being increasingly adopted, is the attempt of managements to give their workers each week or month, in addition to their pay—or to sell them at cost price—materials and finished products up to a certain proportion of their industrial output. These regularly accruing goods, in the form of textiles, bicycle tyres, metal goods, and so on, relieve the workers' modest budget, and so far as they exceed his own personal needs, serve him as welcome objects for barter on the grey market or for sale at black market prices.

The skilled worker is also in a better position because he is himself a factor "in short supply." There are far too few skilled workers, partly because of the heavy losses of the war and partly because many years' training were missed by the young. Businesses do their best to keep their skilled workers and carry them as a fixed charge even when work is short and labour is cut down. The skilled worker is generally sure of his income, even when unskilled workers are being turned on to the street.

Artisans without Tools

In Germany to-day the artisan is undoubtedly the prince of all manual labourers who are not employed on the land. For it is to him that tens of thousands turn each day to prolong their middle-class existence with repairs to their houses, clothing, shoes and cars. His work puts him at the centre of the primitive barter economy which now prevails. But he has kept up his income amid the chaos of the German currency only by appearing as a supplier in the black market—in many cases as a monopolist in his particular sphere. There is no doubt that this has often occurred, for few could resist for long the opportunities that now exist. Three key shortages affect the artisans: Firstly, there are too few of them to meet the much increased demands for repairs and new goods. Secondly, there are not enough workshops in the bombed cities, where the demand for their work is most urgent. Thirdly, there are not enough tools, instruments and raw materials. Nails, wood, dyes, glue, paintbrushes, studs, saws, planes, screws, and a thousand other articles are short. So are spare parts for cars, machinery, and equipment. Distribution of those available cannot be changed to meet the different degrees of urgency, which are continually changing. Moreover, the farmer appears, directly or indirectly, almost everywhere in the same market as the one strong competitor with the artisan.

The great gaps which the war has torn in the ranks of artisans have not been filled from the stream of refugees. The greater part of these consists of women, children, old men and the sick. Many artisans and skilled workers have been retained in those countries of Eastern Europe which are turning Germans out—for example, in Poland—generally as useful work-slaves, partly to provide makeshifts and often with some assurance of a long stay being rewarded with the grant of citizenship. The conditions among refugees who have been received into Bavaria are typical for almost all districts of the British and US Zones. To-day 20 per cent of the Bavarian population are refugees. A quarter are engaged on totally new jobs. Half of them are workless, and this half represents three-quarters of the unemployed in Bavaria.

The problem of recruitment to handicraft occupations is difficult to solve. Young people are not favourably disposed to handicraft as a life work. And it is also significant of the general trend that a larger part of the recruits than in normal times comes from the ranks of the middle-class, seeking immunity from crises.

A further source of recruitment may be the retraining of clerks, former officers and soldiers and the politically tainted, who have left their occupations.

The number of retail and wholesale businesses has continuously declined since 1939. The smaller volume of goods, the enrolment of shopkeepers for war service, the closing of undertakings not important for the war, the destruction of business premises, warehouses and delivery firms by bombing has reduced the number of middlemen's offices. Half the pre-war wholesale trade has disappeared. The concerns which still exist are working at a loss. The circulation of goods has fallen to about a quarter of the pre-war figures. The disappearance of the middlemen's trade is undoubtedly a cause of the reduction in the middle classes. On the other hand the business of the middlemen in Germany has not broken down. It still exists to carry out its distributive function, even if transactions are not profitable.

Hungry Civil Servants

In most countries the number of clerks and officials in the public service has grown appreciably in the last few years, but in Germany the growth has been quite disproportionate. Today the proportion of employed persons in public service in Germany is 17-20 per cent. This growth cannot be explained merely by the extension of the State's functions. The chief reason is that goods available for circulation are so scarce that priorities and correct distribution must be most closely examined. The grotesque result is that to distribute some goods requires more men than to produce them.

Another reason for the growth in the number of officials is that there are four different zonal authorities. In the British and US Zones alone there are eight different governments with fully-staffed ministries, including the denazification authorities with their investigating staffs and camp personnel. In addition there are the bi-zonal offices, whose staffs are estimated at several thousand.

The social and economic position of the public employees in Germany is unique in that this group stands outside the circle of barter, receives no earnings in kind and is generally compelled to act in an upright and non-party manner. Undoubtedly this standard is maintained by the overwhelming majority, but it is also a fact that civil servants and their families are among the worst nourished people in Germany. They are deprived of every opportunity to make extra provision for themselves by the rigidity of their incomes and temporary overwork. It was not surprising to find the head of the bi-zonal economic department in Minden, Dr Agartz, temporarily unable to continue his duties owing to "hunger-sickness." There are, of course, exceptions; some public employees or officials have acquired so much power that compensation comes to them either indirectly or by quiet bribery. But this can develop only in a limited provincial, or still smaller framework, and broadly speaking has no significance for the general situation.

A Country of Clerks

Germany has for a long time been a country of clerks—the white-collar proletariat with a bourgeois and middle class outlook. Unemployment is greatest among clerks; for example, in Bavaria out of 430,000 clerks, 171,000 are unemployed—i.e., 36 per cent of the total in Bavaria. In Hesse the proportion is 40 per cent and in Hamburg and Lower Saxony (Hannover) almost 60 per cent. Among refugees are many unemployed clerks. In the Russian zone there is not the same degree of chronic unemployment, since the ruthless enforcement of the obligation to work and the worse material conditions led earlier to a change of occupation, partly into agricultural employment. The position of clerks is particularly difficult in areas which were centres of trade, such as Hamburg, which before the war conducted the major part of Germany's foreign trade. Here there was a concentration of clerks which could only be broken up by their moving to other occupations, retraining or setting up on their own.

Among intellectual workers the present situation is marked by two fundamental facts. Firstly, they are—with few exceptions—outside the barter economy, and dispose of no goods to supplement their earnings. But, unlike some officials, they do not have functions which alter the chance of earnings in kind. This applies to the many artists, scientists and writers who work directly for the public. They receive no extra rations of any kind for long or heavy work. Secondly, the intellectual with private means of the pre-war years has for the most part given place to the "working intellectual." The intellectual worker is therefore dependent almost entirely on the direct fruits of his work. To

acquire a steady income of capital from intellectual activity is impossible; so he has to rely on his earnings from job to job. With these he has to meet his expenses in the grey and black markets either by money or by sale of valuables which he still possesses.

Corruption of the Intellectuals

Yet it is to this class that the task of developing the ideals and practice of a new German democracy is entrusted. Taking the line of least resistance, he is seeking to meet his basic needs in three ways: by entering an occupation which provides food, even if only temporarily; by spending part of the day doing business in food and stimulants on the black market; or by revising his philosophical and political attitude to seek a place in the social organisation of eastern Europe. One thing is certain: the present situation does place many of those with creative intelligence before decisions which lead straight to intellectual corruption. Above all, there is still a shortage of intellectuals. Denazification has removed some of them. But a main cause of the shortage is the recognition that intellectual activity requires effort of a high order, in which production is not limited to the eight hour day of other occupations. One consequence is that the new German press is not getting the editors or staffs needed to fulfil its function.

How will it be with the coming generation? The universities are filled to over-flowing. The desire to study which was repressed in the war years and the loss of such centres as the great universities of Königsberg and Breslau have caused accommodation crises. The future prospects of employment for students may seem quite fair because denazification has torn large gaps in the professional ranks. But it must not be forgotten that court proceedings and amnesties (in the western zones the average waiting period is five years) will rehabilitate many persons who will be able to return to their former professions. On the other hand the living difficulties of many students and their despair about German recovery is leading many of them either to take up practical work or to join the growing intellectual proletariat.

A Trade Policy for Scandinavia?

[FROM OUR STOCKHOLM CORRESPONDENT]

THE presence of Scandinavian delegates at the Paris conference to consider the Marshall offer has stimulated discussion, even at official levels, of the extent to which their countries can collaborate and frame a joint economic policy. The debate on economic collaboration has of course been going on for more than three quarters of a century. But up to now it has not produced any concrete results, being mainly conducted on an ideological or even sentimental level by interested private organisations. This article records some of the lines along which discussion is being conducted in Sweden.

The main reason for examining the possibilities of wider Scandinavian economic collaboration is the present evidence of strong autarkic tendencies in the international field. Against this background there is an urgent interest in breaking down the walls between the northern countries and in trying to establish some sort of co-ordination of economic and commercial policy. To make this possible it is, however, necessary to weed out from the debate all sentimental arguments that have been obstacles in the past. In the first place this collaboration must not be a goal in itself; each

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individual country has to get some concrete gain out of it. In the second place all plans in this field must be worked out with the proviso that it is impossible to lock at the Scandinavian countries as an isolated unity. This is evident if one analyses their foreign trade figures. During the last pre-war year, 1938, only 12 per cent of the Scandinavian states, total foreign trade was in Scandinavian products. Even if it were possible by various measures to increase this percentage, it is clear that the states with their 17 million inhabitants can never avoid being dependent on such markets as Great Britain, the USA or South America.

This last reminder is of special importance when discussing the possibilities of increasing inter-Scandinavian trade. Here the question used to be how these countries could redistribute their foreign trade to embrace more Scandinavian and less "foreign" goods. This is obviously not a very fertile basis for discussion. The object instead should be to evolve a better division of labour between the countries and thus create means for increased productivity in their economies.

Resources in Common

A cursory survey shows the similarities in the economic structures of the four nations. All have a labour force of the highest quality with old handicraft traditions. For Sweden, Finland and Norway the forests are one of the most important sources of raw materials, providing the basis for a considerable percentage of domestic and export industry. These same countries, especially Norway, have big reserves of water power. Except possibly in Sweden, manufacturing industry is by no means predominant, agriculture still being considered the "mother trade." Both in Sweden and Norway, and partly in Denmark, fishing plays a considerable rôle. Sweden has special advantages in her big iron ore deposits and her traditions in the iron and steel and engineering industry. It is significant that more than 40 per cent of Sweden's industrial workers are employed in heavy industry. Sweden's higher degree of industrialisation is the main reason why more than half of inter-Scandinavian trade in 1938 concerned Swedish goods.

An expansion of inter-Scandinavian trade cannot be built on their traditional export products. Before the war Denmark's exports consisted of 80 per cent of agricultural products, and this item will no doubt dominate her trade balance in the future. The capacity of the four countries to absorb more of these commodities is very limited, as they are more or less self-supporting in agricultural products. The pre-war exports of Finland were based to the extent of 80 per cent on forest products. As the corresponding figures for Norway and Sweden were respectively 25 and 37 per cent, the result also here is in the main negative.

Expanding Home Markets

Another approach to this problem may be attempted. Efforts to expand trade between these countries might instead be made with commodities that have so far not been included in their export statistics or perhaps not been produced there at all. In other words, attempt might be made to create for these commodities a more stable and extensive "home market"—embracing the four states—than each individual country alone can offer. Experience—especially from the USA—shows that a primary condition for developing a mass production industry is a big domestic market, which makes it possible for firms to produce in long series without paying much attention to export prospects. By this means the Swedish cheap-furniture industry or the Finnish

glassware industry might become world exporting industries, the production of certain household appliances in Scandinavia would no longer be uneconomic, and so on.

Norway has two big potential export articles which could be directed towards this northern market. Norway has big unused water-power resources, while Sweden is beginning to run short of easily accessible waterfalls, and Denmark has to rely on coal for her electricity output. The problem here—besides the technical one of transferring electric power over big distances—is primarily to find a method of financing the necessary new construction. The shortage of capital, labour and building materials in Norway will remain for many years ahead. It should not be impossible, however, to work out some sort of solution whereby Danish and Swedish capital, raw materials and technical assistance are supplied, while in return Norway delivers over a number of years a certain percentage of the output of the new water power stations. The other latent export commodity is provided by Norway's tourist attractions. With rising standards of living the Danes, Finns and Swedes will more and more go abroad on their holidays. Norway could probably attract a great part of this tourist traffic to its fiords and mountains.

Tariffs and Autarky

To carry through a programme for establishing a Scandinavian "home market" pre-supposes among other things agreement that one country will not start subsidising production of something which another member of the group is already producing in substantial quantities. Another condition is the reduction—and finally abolition—of tariff walls between the four states. That such a scheme is not just day-dreaming is evident from the recently published treaty between Belgium and Holland, which has the same object. One should not, however, close one's eyes to the fact that autarkic tendencies have since the war made themselves strongly felt in Scandinavia. Norway seems intent on building up a heavy industry in imitation of the Swedish iron and steel industry. Finland is working in the same direction under the compulsion of its reparations obligations to Soviet Russia; and the disappearance of Germany as a supplier has had a similar effect on the Swedish economy. But if present bilateral tendencies in the international field continue, they should act as a stimulant to the Scandinavian countries to start multilateralism at least in their part of Europe.

Speaking as One State

Future economic collaboration should not be limited to the expansion of trade between the four nations. Prospects for arranging co-operation seem favourable in other fields as well. One is reminded of the close collaboration in the export markets that existed even before the war between the timber industries of Sweden, Finland and Norway. If such measures are not considered as infringements of the international trade charter, this form of collaboration might be extended to other commodities and markets, and perhaps in the future might embrace a common policy on international commerce. These small countries would gain greatly if they were able to speak as one state. And in this connection stress can be laid on the exceptionally successful example of collaboration that exists in the recently established inter-continental airlines company, the Scandinavian Airlines, which is owned and operated jointly by Denmark, Norway and Sweden. By pooling their resources these three countries have managed to create a highly competitive and efficient organisation.

Internal problems, too, could be solved through co-operation

between the four countries. A few examples of a technical and organisational nature may be mentioned. Research is not only becoming essential in industry but is demanding more and more money and elaborate laboratories. The individual country is generally too small to afford what is necessary. It should not be impossible to create joint research institutes, not for production problems, but for work of a basic nature, preferably attached to the universities. The Scandinavian states might also plan the standardisation of commodities in order to limit the number of types produced in each field.

Two things should be emphasised in conclusion. Firstly, that for obvious reasons Finland's chances of taking part in a scheme of collaboration are very limited so long as it is making reparations payments. And account must be taken of the fact that Russia has discouraged Scandinavian co-operation in the field of military and foreign policy. Economic collaboration might be less frowned on. Secondly, it must be borne in mind that to build up Scandinavian co-operation would be a slow process, during which many national differences and vested interests would show up. But the idea should never be considered impracticable. What is needed is that it should be taken up on a more formal basis.

Another Purge in Rumania

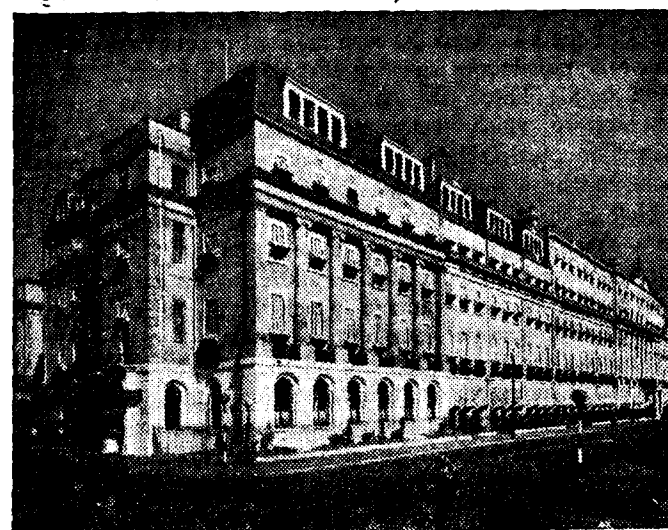
[BY A CORRESPONDENT]

THE arrest of Mr Maniu, leader of the Rumanian National Peasant Party, and several of his chief lieutenants, marks a new stage in the consolidation of the dictatorship. A group of prominent members of the party were arrested by the police as they were about to set off in an aeroplane for Turkey. The group included Mr Mihalache, who may be described as the co-founder of the party, and has in the eyes of many of its supporters a prestige equal to that of Maniu. It seems incredible that Mihalache would have left the country without informing Maniu. To that extent therefore the Rumania authorities are probably entitled to accuse him of "complicity." Certainly none of these men would have been given exit visas if they had applied legally for them. Moreover the present regime has allowed them no opportunity of peaceful and overt political activity.

That these men should have felt helpless and should have wanted to leave the country is understandable, though to many of their followers it might look like desertion. It is less easy to see what they hoped to achieve abroad. Here inspired comment in Bucharest has offered the usual explanations. The "American imperialists" are to blame. A few weeks ago a committee was set up in the United States of exiled Balkan peasant party politicians, which has the blessing of Dr Macek (Croatian Peasant Party), Milan Gavrilovic (Serbian Agrarian Party), Ferenc Nagy (Hungarian Small Farmers' Party—ex-Premier) and Dr G. M. Dimitrov (Bulgarian Agrarian Union). The American *Time* recently stated that Rumanian representatives were shortly expected, and this is asserted by the Rumanian Communists to be "proof" of the "guilt" of Maniu. Rash would be the man who would exclude *a priori* the possibility that official or unofficial Americans may have made suggestions to Maniu and his friends. Another possibility is that the whole affair was a trap set by the authorities.

Whatever the true explanation, it may be safely assumed that the opportunity will now be taken to liquidate the opposition. Hitherto Rumania has been some way behind Yugoslavia, and even behind Bulgaria, in her "evolution" towards "the only true democracy." Though organised opposition activity was prevented by local police terror—conducted of course on instructions from the government—the opposition leaders remained at liberty and there were at least two opposition newspapers in the capital. This was a result of the Three Power Conference in Moscow at the end of 1945, at which further undertakings were given by the Rumanian Government to maintain political freedom—in virtue of which it was recognised in February, 1946, by Britain and the United States. The existence of even this slight opposition activity, coupled with the knowledge of the Government's unpopularity in the country—especially among the peasants—gave some support to non-Communists inside the Government, above all to the Social Democrats and to the Liberal group of Tatarescu. Now the screw has been given several turns, the opposition will be driven underground, and any non-Communist politicians who do not come to heel can expect swift treatment. A further bastion will have been created against "international reaction" and "Marshall dollar diplomacy."

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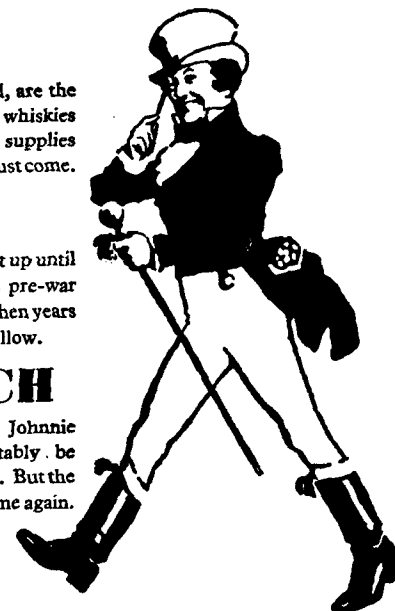
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THE BUSINESS WORLD

Portents for Investors

THIS has been a bleak week on the Stock Exchange. In terms of falling prices, it compares with the slump of May, 1940, or with the fuel crisis losses of late January and early February. And the atmosphere, moreover, has reflected bewilderment and a sense of crisis. Investors are rightly perturbed when they find stocks like Alexanders Discount and Distillers marked down 6s. 3d. in a single day. In the gilt-edged market, all the theoretical resistance points have been pushed aside with each successive fall in prices. By an ironical change of fortune, Mr Dalton now finds himself indeed confronted by "the solid phalanx of the 3 per cents." But the Chancellor appears to have abandoned his role of the Galahad of cheap money, and assumed instead that of Ferdinand the Bull. His part during the last week or two has been entirely passive; he has not even taunted the dealers in gilt-edged for "loss of nerve"—nervous they undoubtedly are, but he appears to have forgotten their existence. And the "patriots" whom he applauded for their part in the 2½ per cent Treasury Stock issue last winter are now wondering if patriotism is enough to compensate for a capital loss, in the space of six months, equivalent to ten years' net interest.

Deserted by their inflationary champion, fearful of the impending economic crisis, and yet disturbed by the possibility of political changes, gilt-edged and equity markets alike have become increasingly confused and disjointed. The gilt-edged market, in particular, felt the need for some symptoms of recovery last Monday, and when recovery did not come, the volume of selling quickly increased. The market put out distress signals, but the authorities did not, apparently, think it expedient to launch the lifeboat. Investors have been quick to draw the obvious inference—that the authorities think that conditions are too rough to make rescue operations worth while, perhaps because the lifeboat itself is loaded to the gunwales with Treasury 2½'s and other issues which the general investor has not taken aboard. The 2½ per cent cheap money target has been implicitly abandoned, and the reality of 3 per cent, it would seem, already conceded. Treasury 3 per cents, 1966 or after, have fallen to 99½, including 19s. 1d. of gross interest, to yield £3 2s. 0d. per cent on the possibly optimistic assumption of repayment in 19 years. Savings 2½'s, 1964-67, fought for their resistance point around par, and lost; they now stand at 96½ to yield £2 15s. 4d. per cent over 20 years. As for the undated stocks, they were out of line with the 20-year issues and with the shorts. For who could defend the logic of £2 17s. 11d. per cent on 2½ per cent Consols and £2 18s. 4d. per cent on "Daltons" when the 20-year issues and the nearer-dated Savings 3's now stand on, or close to, a 3 per cent yield basis, and when even on a 5-year stock like 3½ per cent War Loan the gross redemption yield is as much as £3 1s. 6d. per cent? On such comparison the falls in Old Consols and Treasury 2½s to 83½ on Thursday are wholly justified.

These adjustments illustrate the reappearance of selective support in the market. Already, as the detailed analysis of the yield structure on page 208 suggests, they are giving professional investors plenty of scope for switching operations, and there will

be greater opportunities when the market has grounded. It might be argued that investors are in danger of over-estimating the gravity of the British economic problem, just as three weeks ago they were guilty of discounting it too lightly; that the Chancellor has lost face, but not the whole of his power; that enough American aid, in time, will transform the situation; and that one-way markets like these always exaggerate the effects of bad news. But the counter-arguments to these points leave little room for encouragement. The investor may be justified in his fears about the economic prospect precisely because he sees that the Government has decided so late to do something about it. He may admit Mr Dalton's residue of power to intervene, but he is also aware that within the next five months the ground may have to be prepared for the issue of compensation stock to railway stockholders on the best terms the Treasury can secure. Even the authorities cannot do everything, and they may have to choose between support now or support later. Timely American aid is in the lap of Congress. As for the technical position of the market, it has not been strengthened by the ready-made opportunities which the bears have enjoyed during the last ten days to cover their positions, and some observers think that a partial recovery might bring out more selling from disappointed camp followers of the cheap money policy, and also from industrial holders of gilt-edged.

The fact that the authorities have been forced into acquiescent retreat with the market throws some doubt on the chances of stabilising the gilt-edged list even on a 3 per cent basis, but the balance of possibilities suggests that this will become the new datum level. Three per cent is widely accepted as a reasonable limit to which cheap money should be driven. The Chancellor over-reached himself with 2½ per cent Treasury Stock, and he is now reaping the consequences. An element of bluff is an essential ingredient in all forms of promotion, and a cheap money promoter, no less than any other, cannot afford to have his bluff called. Failure in this respect invites a sacrifice of all the advantages which the cheap money policy has yielded in cheaper long-term borrowing—but the sacrifice falls, not on the Exchequer, but on the investor who took the Chancellor's intentions at their face value, and was not opportunist enough to secure a ready-made capital profit as the cheap money drive progressed. It also falls on holders of a very wide range of investments outside the gilt-edged list. Shares of banks and insurance offices have been particularly affected this week, not merely because these institutions are large holders of gilt-edged securities and might have to make special provisions against investment depreciation, but also because their relatively stable dividends make them sensitive to change in the market rate on gilt-edged stocks.

Where do equities stand after this week's events? The *Financial Times* industrial ordinary share index, which touched 140.6 on January 17th, stood at 131.8 on July 23rd when the storm was gathering. A week later, the index had fallen to 122.5, well below the earlier low point of 124.4 during the February crisis. During a period in which 2½ per cent Treasury Stock has depreciated by 14 per cent, leading industrial equities

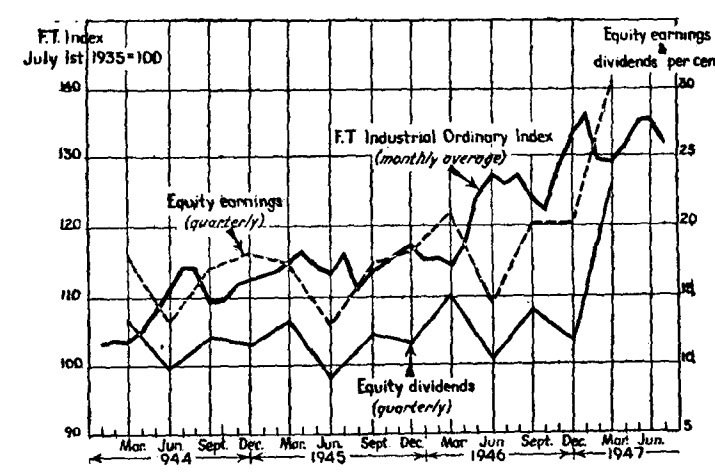
have fallen 13 per cent from the January peak—though this was admittedly something of a false peak. The loss of market confidence and the rise in interest rates have together exerted a powerful pull on ordinary shares and the sceptics may be wondering wherein lies the vaunted value of equities as a hedge against inflation. Yet the equity element has been at work. It is illustrated in the accompanying chart, which compares the course of ordinary share prices with ordinary dividends and earnings computed from *The Economist's* records of company profits. During the first quarter of this year, company reports showed an increase in ordinary share earnings to 30.4 per cent (compared with 21.0 per cent for companies whose reports appeared in the first quarter of 1946), while the average rate of ordinary dividend rose from 15.1 per cent to 22.9 per cent. The reduction in EPT to 60 per cent clearly had a significant effect on these figures, and its total removal in 1947 would, in the ordinary course, produce even more spectacular results. But the course is not ordinary. Investors have received ample warning that the effects of the February fuel crisis will not be fully visible in company profits until next year. To guess whether they will be outweighed by the disappearance of 60 per cent EPT (minus the extra 7½ per cent distributed profits tax) is quite fruitless, for the incidence of the crisis, like the incidence of EPT itself, varies with every company and with every industry.

In any event, the market has long since exhausted its search for the so-called EPT beneficiaries. Its business now is to attempt to discount the possibility of a fuel and power breakdown next winter, unless industry gets sufficient stocks of coal and the staggering of the industrial power load proves effective. And it is rightly paying close attention to the rising trend of costs, to the growing evidence of concealed unemployment in many industries which cannot secure a regular flow of raw materials, to falling productivity resulting in part from the five-day week, and to the decline of the seller's market, not only in export markets, but also in some sectors of the home market. If the Government takes serious measures to reduce the external deficit, production is bound to suffer in many industries which have hitherto enjoyed some degree of priority, but which would be pushed below the line under conditions of ultra-austerity. Producers of consumers' durable goods, for example, would rank below producers of capital goods. The profit-earning capacity of many of the smaller concerns in the metal fabricating industries, which have done well, within their quotas of raw materials, during the past year or two, would be radically changed. And even the basic industries, with their superior standing in the priority lists, might well find it difficult, in such circumstances, to secure enough coal, steel, non-ferrous metals, timber and other scarce materials to maintain a regular flow of production. One of the painful lessons of the February crisis was the renewed discovery that industrial profits are a small residuum, after meeting all costs of production—and the costs of non-production. And ordinary share earnings represent only a part of this residuum, and are, consequently, the more vulnerable to any interruption of industrial activity.

Whether the British economic problem is solved by a positive policy of disinflation, or whether it solves itself by a further bout of inflation, rising prices and scarcities, is still an open question. But investors should beware of accepting too automatically the doctrine that equities provide a safe refuge against inflation. There is no evidence at present which points to a fall in industrial profits as a whole—indeed, all the signs suggest that a further increase in profits is to be expected during the next year or two. But there are several reasons why this

broad expectation of a further expansion in earnings should not be interpreted as a general sign for indiscriminate buying of equities, merely because they are equities. First, if a serious policy of disinflation is undertaken by the Government, it is bound to affect the level of output and profits of particular industries, by reducing their supplies of raw materials and perhaps their labour. Alternatively, if there is no attempt to compress the exigent force of demand, these industries will be further forced to scramble for scarce raw materials, their stocks will be run down still lower, and they will find it increasingly difficult to sustain a regular flow of output. For these industries, the expectation of a further rise in profits is far less assured than for the basic industries, like steel, engineering and textiles. Rising profits, however, are not the only component in rising ordinary share prices, for an advance in equities also depends on the rate at which expectations of future profits are discounted. That rate is rising partly because the prospective course of earnings during the next year or two

ORDINARY SHARES, EARNINGS AND DIVIDENDS



has become more uncertain. To take only one illustration of this point, the investor may recall the events of last February, when many industries were prepared to ride the crisis, to retain their labour forces and pay them for standing still. The effect of this policy on costs and profits has yet to be seen, but industry as a whole calculated that it was worth paying the price to be ready to resume production at the earliest moment, in order to satisfy the high pressure of demand. But next time the costs may be greater than some industries can afford, because the demand for their products is already falling.

The conclusion seems to be that, although profits as a whole may increase further, the expansion will not be uniformly spread throughout the various sectors producing capital goods, consumers' durable goods and articles for direct use. And even those industries with full priority for materials may be affected by any recurrence of last February's difficulties. Meanwhile, the capitalisation of prospective earnings should be much more cautious than it has been during the past two years, partly because the rate of interest is rising, and partly because the industrial risk factor is greater. The post-war boom in equities has always been based on the assumption that industrial earning power would expand to keep pace with the fall in the value of money. The doctrine still holds good, but its application to particular industrial share groups must now become far more selective. Investors will delude themselves if they base their policy on the possibility of a general upswing in industrial earning power, or if they accept any group of equity shares as an automatic hedge against inflation.

Is Copper Too Dear?

WHEN the Ministry of Supply reduced the price of copper a fortnight ago, from £137 to £132 a ton, it was welcomed as a belated step in the right direction. But it also stirred up the old controversy whether the price policy of the non-ferrous metals directorate of the Ministry was sufficiently flexible, and its purchasing programme sufficiently far-sighted, to give the British consumer a fair share of the world's copper supplies at reasonable prices. It is no secret that the Ministry of Supply would gladly be rid of its responsibilities for bulk purchase of non-ferrous metals. It is shedding the load of control, in a tentative way, by enabling consumers to buy their supplies forward, and Mr Wilmot's speech last Thursday week almost looked forward with favour to the day when supplies of non-ferrous metals would be sufficient to support an active metal market.

This is a great change in the Government's thinking on bulk purchase and official prices. But it emerges from a very different set of conditions compared with those of a year or two ago. During the war, when copper played an important role in munitions production, its price was pegged at £62 10s. per ton in the United Kingdom and 11.775 cents a lb. in the United States. Demand for munitions purposes fell later in the war, and the recovery of consumption during the early stages of reconstruction was underestimated. Hence, between April, 1946, and March this year the price jumped from £62 10s. to £137 a ton and the New York spot quotation reached 23.75 cents a lb. But since May the market has perceptibly eased; new orders by American fabricating plants have slackened; and in New York three distinct copper prices became discernible. The highest was 23½ cents for foreign purchasers; the lowest was approximately 19½ cents paid by certain American fabricators who are financially interested in American copper mines; and the third was an intermediate competitive price of 21½ to 21¾ cents a lb. At the beginning of July this confusing position was clarified and the New York spot price settled down at 21½ cents a lb.* The reduced price now quoted by the Ministry of Supply is supposedly in conformity with the "world trend," but £132 a ton is still high compared with New York. As the Ministry is required to cover its trading costs, the new price reflects the level at which supplies have been purchased and the modesty of the reduction must presumably mean that the Ministry still has to dispose of copper bought higher up. A further reduction, however, must be expected sooner rather than later, for quotations on the recently reopened New York markets are tending to fall. Some metal is being sold at 17.75 cents a lb. for delivery next March, whereas some days earlier the quotation was 19.30 cents for May.

TABLE I.—ESTIMATED WORLD CONSUMPTION OF COPPER ('000 long tons)

Principal Countries	1929	1932	1937	1938	1946
United States.....	907	272	712	423	1,132
Canada.....	18	21	50	43	68
United Kingdom.....	134	118	271	231	325
Germany.....	193	123	204	303	33
France.....	123	85	107	98	105
Italy.....	49	47	69	72	23
Sweden.....	24	18	45	56	67
Belgium.....	22	18	29	27	43
Russia.....	46	39	140	147	(a)
Japan.....	64	66	163	180	(a)
TOTAL WORLD.....	1,683	879	1,951	1,764	1,947

(a) Not available and excluded from world total.

The problem of the proper price for copper is complicated by the history of the metal during the past five years. The highest wartime rate of consumption was concentrated in the early war years, when production of armaments and ammunition was being increased to meet prospective strategic requirements. In the last two years of the war, however, demand declined. Similarly, civilian demand in the first eighteen months or so of the post-war period was high; pipe-lines had to be filled and stocks built up. When this process is completed, consumption is bound to settle down at a lower and a more stable level. And there are already indications, at least in the United States, that this period is now approaching, although in Britain it is undoubtedly some way off. In this situation there is some relevance in examining the prospects of normal supply and demand, and in discounting some of the extreme consequences of scarcity during the past year or two.

The chief user of copper is the electrical industry; in the United Kingdom about 50 per cent of total consumption is so used and in the United States 40 per cent. In this field copper is meeting competition from aluminium, but future prospects of expansion are clearly favourable. The electronic age is in a stage of early development and the demand for copper will expand with it. Shipbuilding is the second largest consumer of copper in Britain, and accounts for about 20 per cent of the total used. In America, this proportion before the war was much smaller, and an expansion of demand depends upon the prospects for shipbuilding which at present are not very favourable in the United States. With the increasing use of electrical equipment in marine engineering, however, the quantity of copper per ship is increasing, and this trend will be encouraged by the use of radar and similar equipment for marine navigation. The motor-car industry is another important copper user; in Britain it accounts for only 5 per cent of the total amount, owing to the relatively small output of vehicles, but in the United States the automobile industry ranks as the second largest consumer. So far no satisfactory substitute for the copper radiator has been developed; this requires 20 lb. of copper in a representative 10-h.p. car, out of a total of 40-45 lb. for a complete car. Copper is still largely used, either in a pure or alloyed form, for gaskets, petrol feeds, hydraulic brake lines and bearings; in locomotives copper fire-boxes, boiler-tubes and valves are generally fitted. The demand for new locomotives and vehicles to meet present requirements will ensure a correspondingly active demand for copper.

The building trade may offer an opportunity for increased copper consumption in this country. In America the building trades accounted for 10 per cent of the average annual pre-war

TABLE II.—ESTIMATED WORLD COPPER PRODUCTION ON MINE BASIS ('000 long tons)

Principal Producers	1937	1938	1939	1940	1941	1942	1943	1944	1945	1946
United States.....	745	497	656	797	878	980	995	898	719	539
Canada.....	234	259	277	293	287	270	257	244	213	166
Mexico.....	46	41	48	40	51	51	45	43	61	58
Peru.....	35	37	35	43	36	35	33	32	30	23
Chile.....	407	346	334	357	461	477	489	490	463	356
Germany.....	29	30	30	23	22	22	23	21	...	15
Spain and Portugal.....	31	34	25	13	10	12	12	12	9	(b)
Jugoslavia.....	39	41	41	42	(a)	(a)	(a)	(a)	(a)	(a)
Russia.....	91	96	105	(a)	(a)	(a)	(a)	(a)	(a)	(a)
Japan.....	75	76	(a)	(a)	(a)	(a)	(a)	(a)	(a)	(a)
Belgian Congo.....	148	122	121	147	160	163	154	163	158	141
Rhodesia.....	209	212	213	260	231	250	247	220	193	183
South Africa.....	(b)	11	10	14	19	21	23	22	23	26
TOTAL WORLD.....	2,231	1,353	2,130	1,999	2,166	2,295	2,292	2,162	1,898	1,621

(a) Not available and excluded from world total.

(b) Not available but estimates included in world total.

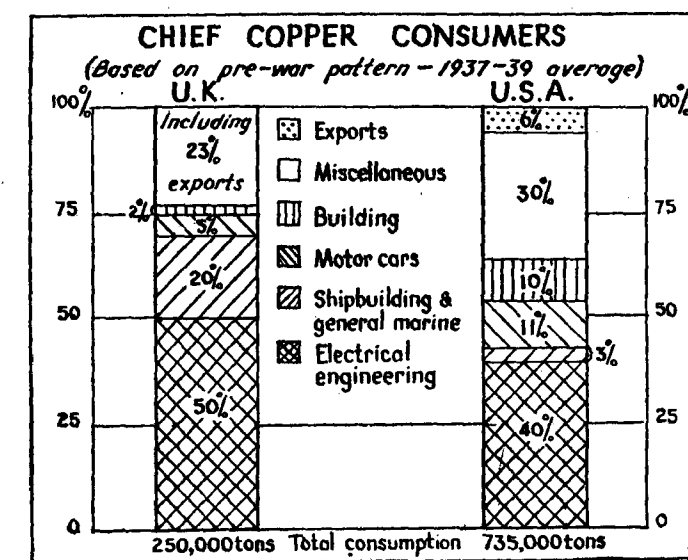
copper consumption. It may be that the tenacious preference of the British plumber for lead will be broken down by the acute shortage of that metal, but the change will hardly occur without re-educating the building trades in favour of copper. In other uses, particularly in decoration, brass and other copper alloys have given place to newer materials, like plastics. Brass door-knobs and electric fittings, like brass bedsteads, are relics of a past age and although part of this market may be retained by the development of new and improved copper alloys, the competitive effects of plastics and light metals in this field cannot be ignored.

The demand for copper can be broadly divided into two groups. The first group consists of users who require copper for its technical properties—its high conductivity and resistance to heat and corrosion—and in the short period their demand will be relatively inelastic; hence a rise or fall in copper prices is unlikely to induce any significant reaction in consumption. Copper will be used for marine cables, and aluminium, because of its lightness, for overhead cables, without much regard to the present price differential of £52 a ton between the two metals. The second group consists of those users for whom technical considerations are of smaller importance; the demand of such industries will be more elastic, and it depends not only on the price of copper but also on the relative prices of possible substitutes. This group covers a large number of industries, although it represents a smaller proportion of the total demand.

The trend in world consumption is given in Table I, which covers the two peak years of 1929 and 1937, the depression year 1932, 1938, and the post-war demand of 1946. Since in many cases secondary metal (that is, scrap copper recovered and remelted) is included, the figures must be treated with caution. Nevertheless, they show that the general trend in pre-war years was upwards and that last year's consumption (even with Russia and Japan excluded) almost equalled the high level of 1937. World consumption is naturally dominated by the United States, with Britain as a poor second—and that only because of the eclipse of the German copper fabricating industry. Significant increases in consumption have occurred among smaller European countries, including Sweden, Belgium, Switzerland, Spain and the Netherlands, but these do not compensate for the loss of Germany, and total European consumption is therefore still below the pre-war peak. In the short period, world consumption of copper will depend directly on the level of prosperity in the United States and any serious setback there would be quickly reflected in the price of copper. But there is every reason to believe that the secular rise in consumption which was evident before the war will be continued in the post-war period, even if it is occasionally disturbed by short-term fluctuations.

World production of copper reached a war-time peak in 1942 and since then has declined each year. The trend over the past decade is shown in Table II. Low output last year resulted from a complex of factors, the chief of which perhaps was labour difficulties. Strikes in the United States in the first half of the year led to a sharp reduction in the output of mines and refineries, and the shipping strike caused further complications. Chilean output was also reduced through labour troubles, while Northern Rhodesia suffered from a lack of coal. A further consideration was possibly timidity on the part of producers. Memories of over-production in 1937 and the consequent introduction of a partial restriction scheme had by no means disappeared, and the industry was reluctant to expand production fully during the uncertain period of post-war transition. This miscalculation has had unfortunate consequences upon supplies. Nevertheless, it has been estimated that, in the absence of strikes last year, world production would have been some 400,000 tons higher, reaching the 2,000,000 ton mark, compared with 2,300,000 tons in 1942.

The future trend of output will depend on the relation between copper prices and the costs of the least efficient producers. American output has been aided during the war years by a system of premiums paid to high-cost producers but even after the lapse of these subventions, it is probable that output will decline by no more than 5 per cent. Nevertheless, American deposits are becoming more difficult to mine and many of them are unlikely to be competitive if an appreciable fall in copper prices should occur. Chile also has certain mines which would have difficulty in maintaining present output at lower prices. In Northern Rhodesia and the Belgian Congo, on the other hand, a fall in world copper prices would be unlikely to cause any restriction in production, for although costs in these producing areas have risen fairly sharply, they rank among the cheapest producers in the world. In Canada, copper output is governed largely by nickel, as it is mined as a joint product.



The overriding problem of all producers is undoubtedly that of labour costs. Wages have been forced up with the price of copper; it is much less certain whether they can be reduced if copper prices fall. This situation will confront Chilean producers with political difficulties, as the copper mines are foreign-owned. A substantial fall in the price of copper, however, would have a significant effect on world output, and particularly upon production in the United States and South America. A certain amount of development work is proceeding, but this is largely confined to the low-cost producing areas such as Rhodesia and the Belgian Congo. These two areas may well account for a larger proportion of world supplies in future.

The long-term expansion of copper consumption depends in the main on the increased demand for electrical, electronic and transportation equipment, which seems fairly well assured. The only risk that copper runs in these fields is the exploitation of substitutes, particularly if copper prices remain high relatively to other metals. Production in the first five months of 1947, however, has expanded; in the United States it is running 55 per cent above last year's level, in Chile 22 per cent, in Northern Rhodesia 11 per cent and in Canada 6 per cent. On this basis world output in 1947 may total 2,160,000 tons, which would not be far out of relation with normal world consumption. In the short-term, however, the demand for copper may be restricted by the slowness of industrial recovery in Europe owing to lack of fuel and perhaps by lack of dollars to purchase American manufactures, but normally world demand should tend to be above rather than below 2,000,000 tons a year. Copper, therefore, may be one of the first metals to reach a rough post-war equilibrium between demand and supply; if so, the prospects would favour a further fall in copper prices.

Business Notes

Gilt-edged Yield Disparities

During the steady erosion of gilt-edged prices in May and June, the yield structure managed to preserve some consistency; after the precipitate falls of the past ten days, it is not surprising that so many disparities are now to be found between short and long-dated stocks. For example, 3½ per cent War Loan, if valued on what has hitherto been accepted as a certain basis, namely, redemption on December 1, 1952—the first optional date—is now yielding £3 1s. 7d. per cent. For a 4½-year stock, this return is clearly out of line with, say, the yield on 2½ per cent National War Bonds, 1954-56, which yield no more than £2 10s. 8d. per cent to final redemption. At the other end of the scale, Treasury 3 per cent, which is redeemable from April 5, 1966, has fallen to 99½, including practically a whole point of interest in the price, to yield £3 2s. 1d. on the now possible optimistic assumption of a 19-year life, whereas 2½ per cent Treasury Stock on Wednesday was giving a flat return of £2 18s. 4d. per cent at 86½, though the yield on Thursday rose to 3 per cent clear.

The steadier conditions among the dated stocks which were evident from the middle of the week, coupled with the continued fall of the "irredeemables," shows that some of these anomalies are in course of correction. But evidently the date has to be a firm, and not an optional, date. If, as some sections of City opinion are now disposed to think, the market finds a new resistance point now that the "irredeemables" are on a 3 per cent level, there will still be an unusually narrow margin between the yields on many of the middles (of which 3 per cent War Loan, 1955-59, is a good example) and the 20-year issues.

Compression of the yield structure has been a familiar consequence of the cheaper money phase, and it is at first sight surprising to find it associated with the return of higher interest rates. Perhaps this paradox can be explained by the fear that, in the short-term, rates might be stabilised at a higher level, while in the longer-term it may be possible to restore the cheaper money trend. Crudely summarised, this might be put as the doctrine of 3 per cent until the early 'fifties and 2½ per cent by the middle 'sixties. But this is a very tenuous basis for justifying the present yield structure after the rough-and-tumble in gilt-edged during the past fortnight. Before it can be accepted as more than a possible interpretation of the present relations between the "shorts" and "longs," there is room for further adjustment among the "longs" themselves.

Equities Revalued

Dow and Hatch operators alike have made much of the fall in the *Financial Times* index of industrial ordinary shares to the critical level of 122.5 on Wednesday. The only consolation which the market could draw from that day's dealings was the slightly less severe character of the fall in prices, compared with that on earlier days. Indeed, but for the alarming disclosure of a further draft of \$300 million on the American credit, it is possible that share prices might even have staged a partial improvement. Events, however, are pushing Ordinary equity shares hard, and the preparation of public opinion for the Government's measures to meet the dollar crisis has prompted a further re-assessment of their prospects. The main pros and cons for ordinary shares in the crisis conditions of the coming winter are examined in a leading article on page 204; the table accompanying this note shows how far investors have already moved from the cheerful acceptance of a level of prices and yields based on the continuance of an inflationary boom and an uninterrupted expansion of profits.

As in the gilt-edged market, however, the present level of prices is a symptom of dealing conditions, as well as a rational calculation of the outlook. Dealers are not ready to take stock, though on the other hand, stock is not being relentlessly pressed for sale. It is arguable whether, on the immediate outlook, a new datum level for gilt-edged securities would help the equity markets to find some degree of stability. In the money stocks, like insurance and bank shares, evidence of greater resistance is already noticeable. And the relation between gilt-edged and ordinary share yields, which has widened from an exiguous one per cent at the end of last year to nearly 1½ per cent this week, is a factor which, within limits, should strengthen the position of equities. The question remains whether these limits are yet wide enough—whether with a 3 per cent yield basis for gilt-edged, coupled with the manifold uncertainties of the industrial outlook, a more radical revision of the equity yield basis will not eventually be required.

Whether this revision will come through a further fall in prices, or whether there is still a sufficient expansionist element in prospective industrial earnings to justify present prices, may become clearer after the revelation of the Government's economic plans next week. Meanwhile, the course of equities is bound to be hesitant. But it may be that a belated realism by the Government will be a better pointer for equities in the long run than a negative policy of drift. If so, some ordinary shares in the essential industries might not have much further to fall.

The Fleeting Dollars

The acceleration in the rate of drawings on the US line of credit has reached a point at which the exhaustion of these facilities now appears to be in sight well before the end of the year—in October if the pace maintained in July is kept up. The biggest single drawing, one for \$300 million, was made at the end of last week. It brought total drawings for July up to \$700 million, and this left unutilised exactly \$1,000 million. The steady acceleration in the rate of drawings on the US loan is shown in the following table:—

	U.S. Credit Amount Drawn* £ mn.	Approx. Weekly Average £ mn.
1946		
July 15 to Dec. 31	150	6.3
1947		
January 11	50	
February 22	25	
March 15	50	
First quarter	125	9.6
April 5	50	
April 26	62½	
May 17	50	
June 7	50	
June 21	25	
Second quarter	237½	18.3
July 5	37½	
July 12	25	
July 19	37	
July 25	75	
Month of July	175	44
Total drawings to July 25	687½	
Unutilised portion	250	

* In Revenue Return weeks ended on dates shown.

The recent rate of drawing is well in excess of any conceivable figure of the current balance of payments deficit, whether in the aggregate or with hard currency countries. There is little doubt that the anticipation and immediate after effects of July 15th have brought additional pressure on the dollar reserves. Mr Dalton stated in the House this week that the drain on dollar reserves had not "substantially" changed during the two weeks since July 15th compared with "the immediate preceding period"—a statement into which it is possible to read almost anything. The latest drawing may, in fact, be assumed to anticipate considerable dollar expenditure on the part of countries to which releases of accumulated sterling balances have been granted in connection with recently negotiated agreements. It had been assumed that a good deal of the sterling released to such countries as Egypt would be used gradually. The effect of the oncoming dollar crisis has been to encourage most countries with free sterling to use it as rapidly as possible while the going is good.

It is, therefore, permissible to hope that the peak of the exceptional pressure on the dollar and gold reserves caused by the completion of the convertibility arrangements is within sight. It is even possible that the anticipated expenditures which are reflected in the latest heavy drawings will not take place and that a considerable diminution in the rate of drawing on the US loan may become apparent in future. This, however, will merely make a difference of a few weeks to the exact moment when the credits are exhausted. Whether it will be October or early in 1948, the drawing of the final dollar in the line of credit is now in sight and the date for drastic remedial measures, long overdue in any case, can no longer be postponed.

Rigid Short Term Rates

The appreciable rise which has recently taken place in the yield on Government securities has so far had no reaction whatever on short-term rates for loans, bills and Treasury deposit receipts. The artificiality of the present short-term rate structure is such that the increasing margin between these rates and those of securities in which there is anything like a free market has not raised the slightest ripple of doubt or question in Lombard Street. The tacit assumption is made that short loan and discount rates will remain at the level dictated by the Government. And yet some astonishing discrepancies are beginning to occur in the interest rates structure seen as a whole. Quite apart from the disparities in the yields between comparable securities (which can be explained by the length of time needed for the necessary

adjustments after a decline in prices such as has recently occurred), there is considerable abnormality in the margin which now separates rates for securities having lives up to six months from those of longer date. Yields of £1 19s. 0d. per cent on 2½ per cent National War Bonds, 1949-51, and of £1 13s. 11d. per cent on Exchequer Bonds, 1950, compare a little oddly with ½ per cent on Treasury bills, ½ per cent for short loans to finance these bonds, and even more with the six months TDR rate of ½ per cent.

The rigid resistance of short-term rates shows a marked contrast with the recent rise in the bill rate in New York. Following the unfreezing of the three months Treasury bill rate from the figure of ½ per cent, at which it has been held since 1942 by the readiness of the Federal Reserve Bank to buy the bills at this figure, the rate has now jumped to ¾-1½ per cent. In former days a gap of this size between the three months bill rates in London and New York would have been quite inconceivable. Today the two levels can be reconciled by the restrictions on free movement of funds between the two centres. Nonetheless, with current sterling restored to the rank of a convertible currency, the reconciliation of disparities of this kind must create increasing difficulty as time goes on, and it is surprising that so little interest should have been displayed up to now in the complete resistance of London money and discount rates to influences of both domestic and external provenance, which in former times would have had immediate and drastic effect on Lombard Street.

"Switching" in Foreign Securities

The notices sent out by the Bank of England at the end of last week which govern future dealings in foreign securities do not make simple reading, but their upshot can be briefly summarised. Residents in the United Kingdom will be able to "switch" in dollar and other foreign currency securities so long as no change in the currency is involved. But in the case of Canadian securities there is to be no relaxation of the present restrictions and Canadian dollars realised from sales of such securities must be surrendered and may not be used to make new purchases of Canadian dollar issues. The new arrangements (which will come into force on a date to be appointed by order under the Exchange Control Act) will allow a resident in the United Kingdom to sell dollar securities not merely to other residents in this country, but also to, say, the New York market and to reinvest the proceeds within two months in recognised securities in the same currency which must then be deposited in the usual way.

To give the necessary flexibility for such "switching" transactions, the authorised depositaries will be allowed to release securities to "temporary recipients," such as brokers, discount houses and others, provided that securities so withdrawn are re-deposited within one month. By this means, securities will be able to circulate in the market with some degree of freedom. A gradual improvement in dealing facilities should therefore be possible in foreign currency securities in London, and requisitioning of dollar securities is to be formally terminated. Inevitably the floating supplies of dollar stocks will not be generous, for the bulk of the British holdings was vested during the war, and dealing difficulties will remain, even with this new improvement in the machinery. By limiting "switching" to securities of the same currency, no leakage of scarce currencies should occur; but the new facilities should enable British holders of dollar stocks to improve the average quality—though not to increase the quantity—of their portfolios, and they will in due course iron out some of the anomalous differences in prices in certain dollar stocks in London and New York.

IMF and Sterling

Mr Dalton failed sadly in answering a question on convertibility of sterling planted this week through Col. Crosthwaite-Eyre. The question asked whether sterling purchased by member countries from the International Monetary Fund was to be regarded as convertible sterling. The questioner presumably intended to obtain from the Chancellor an admission that the pressure on Britain's dollar reserves might be increased by the operations of the IMF. Mr Dalton played admirably into the hands of the attackers. His answer was that no arrangement with members of the IMF regarding the convertibility of sterling was necessary "since sterling received from the Fund is not distinguished from other sterling currently accruing." On the basis of that answer and of others to supplementaries, horrifying prospects are now being conjured up of sterling being taken from the IMF in order

GILT-EDGED—GROSS REDEMPTION YIELDS PER CENT

Note: All yields to earliest date, except Middles, Medium Longs and Longs for July 30 which are to latest date.

Stock and Redemption	1945 Yields Earliest Date	1946 Yields Lowest Yields	Highest Yields Fuel Crisis	1947 Yields Lowest Yields Fuel Crisis	July 5th	July 30th
	(Sept. 7)	(Nov. 14)	(Mar. 24)	(May 8)		
Shorts						
1½% Exch. Bils. 1945-51	1 13 6	1 5 6	1 8 10	1 6 3	1 10 2	1 13 11
2½% Nat. War Bils. 49-51	2 0 8	1 7 9	1 13 9	1 8 3	1 14 5	1 19 0
3½% War Loan from 1942	2 19 0	2 1 0	2 14 7	2 4 11	2 12 8	3 1 7
3½% Conversion, 48-53	2 13 0	1 7 8	1 13 1	1 3 0	1 8 5	1 1 3
Middles						
2½% Nat. War Bils. 54-56	2 10 0	1 19 10	2 7 5	2 2 6	2 6 7	2 10 8
3½% Nat. Defence, 54-56	2 16 0	2 5 1	2 12 9	2 8 0	2 11 2	2 15 9
3½% War Loan, 55-59	2 15 5	2 5 2	2 11 11	2 7 7	2 12 0	2 17 1
Medium Longs						
3½% Conversion, from '51	3 0 6	3 5 8	2 15 10	2 10 1	2 14 4	3 0 2
2½% Funding, 58-61	2 12 9	2 1 9	2 9 4	2 4 10	2 9 6	2 13 6
3½% Savings Bonds, 55-65	2 18 9	2 9 9	2 15 3	2 11 9	2 15 6	2 18 11
Longs						
3½% Savings Bonds, 60-70	2 19 6	2 9 11	2 15 10	2 12 6	2 16 3	2 19 3
2½% Savings Bils. 64-67	2 12 9	2 4 6	2 11 7	2 7 4	2 11 0	2 15 4
3½% Savings Bonds, 65-75	3 0 2	2 9 7	2 16 0	2 12 6	2 16 3	2 19 4
3½% Treasury Stock, 66 or after	...	2 7 6	2 15 9	2 10 10	2 16 1	3 2 1
Undated						
2½% Consols	2 16 10	2 10 6	2 14 0	2 12 1	2 15 5	2 17 11
2½% Treas. Stk. from 75½	...	2 10 0	2 13 6	2 11 6	2 15 10	2 18 4

† Flat yields. ‡ Date of lowest yield on 2½ per cent Consols. § Date of highest yield on 2½ per cent Consols.

INDUSTRIAL SHARES—GROSS YIELDS

Share and Denomination	1946		1947		July 22nd	July 30th	Yield on Latest Price per cent.
	High	Low	High	Low			
Alexanders Discount (£2, £1 pd.)	112/-	86/6	121/3	90/-	107/6xd	95/-	£ s. d. 3 11 7
Midland Bank (£1)	107/6	85/-	111/6	91/9	100/-xd	93/9	3 8 2
Westminster Bank (£4, £1 pd.)	111/3	90/6	113/9	97/6	103/9xd	98/9	3 12 0
Alliance (£1)	38	30½	39½	31½	33½	31½	3 3 5
Phoenix (£1)	23½	17½	23½	17	20	17	4 3 5
Royal Exchange (£1)	16½	10½	16½	14½	16½	14½	2 8 2
John Brown (10/-)	30/9	24/10	30/3	26/3	26/9	26/9	8 6 10
Tube Investments (£1)	141/3	111/3	147/6	118/9	145/-	136/9	3 13 1
Courtaulds (£1)	58/9	50/6	58/7	47/9	51/3	48/-	3 3 5
J. & P. Coats (£1)	70/3	51/4	78/7½	63/10	73/9	67/6	3 14 2
General Electric (£1)	111/3	92/6	103/6	90/-	95/7½	90/-	3 17 7
Austin "A" (5/-)	42/9	34/4	42/6	36/4	40/-	37/6	5 6 10
Cunard Steam Ship (£1)	44/9	25/9	57/3	42/6	55/6	49/6	4 4 10
British Oxygen (£1)	105/-	82/9	115/-	88/9	105/-	97/6	4 2 0
Turner and Newall (£1)	95/-	79/-	96/9	81/3	88/6	82/6	3 6 0
Imperial Tobacco (£1)	165/7½	143/9	163/9	118/9	128/9	118/9	5 18 0
Mark & Spencer "A" (5/-)	85/9	70/-	93/9	72/6	80/9	72/6	4 2 10
Dunlop Rubber (£1)	78/7	51/-	81/-	68/6	77/-	72/-	4 3 5
Lever Bros. & Unilever (£1)	59/-	46/6	57/4½	47/6	56/7½	52/6	3 19 5
Anglo-Italian (£1)	121/3	87/6	232/6	118/1½	221/10½xd	198/9	3 0 2
"Shell" Transport (£1)	98/8	75/-	108/9	91/7	108/1½	100/-	2 14 7
Anglo-Amer. Corp. (£1)	141/10½	102/6	143/-	120/-	122/6	121/3	4 2 10
Rhokana (£1)	223/9	134/4½	229/4½	215/-	225/-	215/-	6 10 9
Financial Times Ind. Ord. Share Index 7/7.35=100	135.3	113.2	140.6	122.5	131.8	122.5	4.52

to finance purchases in the dollar area. Mr Dalton might have quoted the text of the relevant clauses of the articles of agreement of the IMF which reads as follows:

Article 5, section 3, subsection (a), a member shall be entitled to buy the currency of another member from the Fund in exchange for its own currency, subject to the following conditions:—

(i) the member desiring to purchase the currency represents that it is presently needed for making in that currency payments which are consistent with the provisions of this agreement.

This puts on the Fund the onus of seeing to it that sterling is not sold by it for conversion into another currency. Once the sterling in question has been sold there is clearly no possibility of segregating it from other currently accruing sterling. But if the Fund does its job properly the dangers envisaged by the question cannot arise. Mr Dalton need only have stated this fact to set these fears—real or simulated—at rest. Instead he merely gave them further encouragement.

* * *

Gold Dealings Ban

The Bank of England informed London banks and bullion brokers towards the end of last week that all dealings in foreign gold at a price higher than the official quotation would be banned. This step was taken following a similar intimation to the New York market by the New York Federal Reserve Bank. Both followed the earlier request from the International Monetary Fund that members should prohibit dealings in gold at prices other than those indicated by the official parities, where these dealings were of international character and therefore involved exchange transactions at rates other than the indicated parities.

The operations so banned in the London market are those which banks and brokers have handled as agents for non-residents. All gold held in this country on resident account has been compulsorily sold to the authorities at the official price. But the free markets for gold in the Middle and Far East and the readiness of certain sellers to satisfy the demand for gold at the high premiums which have been quoted in those markets, provided opportunities for profitable agency business in gold which never passed through this country. This business involved no net loss of hard currencies and brought in appreciable earnings in commissions. At the same time it should be pointed out that these sales of gold were in certain cases made against sterling payments which ultimately served to put additional pressure on Britain's gold resources.

The initiative taken by the IMF in this matter had been encouraged by the British representatives on that institution. Britain stands to benefit from the effective banning of all gold transactions at other than official rates. The issue which last week's ban raises is whether Britain stands to gain from a ban which is imperfectly and only partially operated. If the ban means that London houses are now forbidden to transact business which is merely diverted to another market, then Britain gets the worst of both worlds: the traffic in gold continues, but no longer brings London any of the profits which it yields. It is precisely this position which may arise. Although the New York Federal Reserve Bank has requested the New York market to abstain from such operations and although the reputable banks in the United States will abide by this request, it has already become evident that the appropriate departments in Washington are prepared to grant export licences for gold and certain American financial interests have declared themselves unwilling to abide by a request which has no sanction of law behind it.

* * *

Transport Bill Tug-of-War

The only product of the all-night session on the Transport Bill in the House of Commons on Wednesday last week—apart from physical exhaustion and noisy demonstrations—was the total rejection of the amendments which had been inserted at the insistence of the Opposition during the Committee Stage in the House of Lords. The constitutional aspects of this struggle, which were referred to by the Marquess of Salisbury when the Bill was returned for reconsideration by the House of Lords on Tuesday this week, are considered on an earlier page of this issue. The Opposition majority in the Upper House has not insisted on retaining its original amendments which were rejected a week earlier in the Commons. Instead, alternative amendments were passed by vote against the Government, save in one case where sweet reasonableness prevailed; the Government agreed to accept an amendment requiring the Minister first to consult with the Transport Commission before appointing members of the various

Executives. But this sensible compromise cannot be regarded as a major step forward, for it merely restores the method of appointment to the Executives which was laid down in the Bill when it was first introduced last November.

The amendments voted against the Government include an extension from 25 miles to 40 miles of the radius within which a vehicle will be able to operate independently of the Commission, and a similar amendment to Clause 52 increasing the radius of operation of long distance road haulage. Whether 50 miles (which the Opposition Peers originally demanded) or 40 or 25 miles is the right radius is not open to proof; but it is unlikely, at any rate, that the efficient co-ordination of road and rail transport which the Bill seeks would be assisted by any significant extension in the radius of operation, and it seems improbable that the Minister, having already refused to accept 50 miles, will be any readier to accept 40 miles.

* * *

The Revenue Surplus

"Amid the encircling gloom" one bright shaft of light comes from the Exchequer Returns. Week after week they reveal a robust strength of revenue and a succession of surpluses which are almost unseemly at this period of the financial year. The latest return for the week to July 26th shows ordinary revenue of £57,099,000—a figure which exceeded ordinary expenditure for the same period by £4,774,000. For the financial year to date revenue totals £1,081,783,000, and the surplus over ordinary expenditure, £284,070,000. At the comparable date of the previous financial year there was an accumulated deficit of £277,450,000. The main sources of this transformation are first the size of miscellaneous receipts (£155,620,000 against £5,504,000 at this time last year) and secondly the sale of surplus war stores (£63,828,000 against £14,445,000 a year ago) thirdly, surpluses from certain trading services (£25 million against nil), and fourthly the drop from £985,389,000 to £655,414,000 in supply services expenditure. The current surplus is being used steadily to repay floating debt—mainly ways and means advances which since the beginning of the financial year have come down from £613,500,000 to £270,940,000. But debt in the hands of the market is not being reduced. The Treasury bills to be taken up this week were cut from the previous week's total of £170 million to £160 million but this last figure equalled maturities. This also holds true of Treasury Deposit Receipts for which there were this week neither new payments nor maturities.

* * *

Companies Bill Final Stages

Early on Tuesday morning the House of Commons completed the Committee stages and Third Reading of the Companies Bill. It is substantially the same measure which began its course through the House of Lords last February, and provides a rare and refreshing example of non-contentious legislation. The efforts of Government and Opposition benches in both Houses have been directed to improving in minor detail a Bill which was already acceptable in principle because it was fashioned so closely upon the recommendations of the Cohen Committee.

Indeed, the only manifestations of disagreement came, not from the Opposition, but from a dissident group of Labour back benchers who were not prepared to accept the declarations of the Lord Chancellor and of Sir Stafford Cripps that the original provisions about nominee holdings in the Bill, requiring the disclosure of the names of beneficial owners, would be unworkable. This group succeeded at one stage in securing the reinsertion of the nominee clauses into the Bill, but after discussions with Sir Stafford Cripps they were later pacified by his assurance that the Board of Trade would take strengthened powers to investigate the affairs of a company, including the ownership of its shares, on a case being put forward by owners of one-tenth of the shares, or 200 shareholders. Unless there is some good reason for keeping the report of the Board of Trade investigation secret, its contents will be divulged. The new clause which strengthens the powers of the Board of Trade is perhaps the most satisfactory compromise that can be reached to deal with this complicated question of disclosure. The original provisions were laborious and probably open to evasion, though they might have been made more workable if the Bill had been content with the disclosure of beneficial owners of nominee holdings representing 5 per cent or more of the issued capital, instead of the 1 per cent which was originally required. There are, unfortunately, many cases where it is desirable in the public interest to have such information without



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many fears and distastes:
and adversity is not with-
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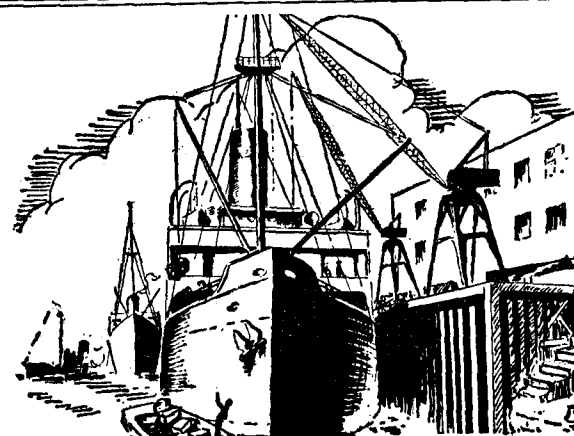
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undertaking the burdensome and invidious job of a formal application to the Board of Trade—which immediately takes the issue to a high official plane and may in some circumstances be interpreted as campaign levelled at the company itself instead of being a purely fact-finding investigation into its owners.

These difficult and contentious questions apart, the Bill is undoubtedly a major improvement in company legislation. It is an example of wise law-making based upon expert technical investigation and it will lay, as Sir Stafford Cripps claimed, a firmer and better foundation for the good reputation of British companies.

* * *

Argentine Rail Schemes Approved

Throughout this week meetings of the Argentine Railway stockholders have continued. The voting has shown overwhelming support for the directors' schemes for the distribution of the £150 million which the Argentine Government is to pay for the British-owned systems. There has been no sign of any determined opposition to the share-out, though some resistance was led by Mr A. B. Kavanagh at the Buenos Ayres Great Southern meeting last Thursday week, who declared that the interests of the preference stockholders in that company had been sacrificed for the benefit of the ordinary stockholders; the preference stockholders for whom he spoke would carry their submissions before the Court when the scheme came up for confirmation there. A similar declaration was made by a stockholder who argued for the repayment of Buenos Ayres Western 4½ per cent preference stock at 110, to which it is entitled on liquidation. This amendment was heavily defeated, though the preference shareholders present must have pondered very deeply on the chairman's observation that the scheme was not a liquidation but "a scheme of arrangement to get everybody satisfied."

If the schemes are confirmed by the Court, it is hoped that the Argentine Government may be prepared to ratify the Agreement by the end of September. After ratification, the purchase price is payable within 30 days, and repayment of the debenture holders would follow almost immediately. If this timetable is kept, it should be possible to make interim payments to preference and ordinary stockholders before the end of the year.

World Bank Operations

The International Bank for Reconstruction and Development is now flexing its muscles for the big tasks ahead. It is expected to have a major role to play in financing whatever specific projects may emerge from the Marshall offer discussions. The Bank has been encouraged by the reception of its recent \$250 million bond issue in the New York market. The bonds were quickly oversubscribed, the demand coming mainly from institutional investors and in particular from insurance companies. The short term 2½ per cent bonds rose to a premium of 2 points and the longer term 3 per cent to a premium of 3½ over the issue prices which in each case were par. Mr John McCloy, President of the Bank, has stated in Washington that after this test of the market the Bank has plans for making issues of up to \$3,000 million but that there is no intention of making another issue this year.

Meanwhile it has become known that the Bank has been studying the request of a loan from the Netherlands. The project has now run into rather heavy political seas with criticism in the United States that even though the loan is linked to specific reconstruction work in the Netherlands it will release resources that might be used to finance military operations in Indonesia. Until the situation created by this renewal of hostilities is clarified, it seems probable that the negotiations on the loan will mark time.

* * *

Small Dissavings

The continued decline in British Government securities is coinciding with a period of particularly disappointing savings figures. It would be pushing the argument too far to suggest that there is any strong mutual relationship between the two phenomena, but at least they fit logically into the same picture. Small savings have recently made an extremely poor showing, and last week new savings of this kind—Savings Certificates, Defence Bonds and new deposits with the Post Office and Trustee Savings Banks—fell short of encashments by £882,000. This net dissaving may be explained in terms of special holiday spending. But this excuse has been used by the National Savings Movement for the past two months and is beginning to wear somewhat thin. The total net savings for the first 16 weeks of the National Savings year is £51,567,000, and is now farther from the target of £366 million for the year than it was in mid-May. The savings

trend should improve after the holiday season; indeed, it must do so if the Government take appropriate measures to cut down domestic consumption and to achieve a better balance in the country's international payments.

* * *

Chemicals from Oil

The Anglo-Iranian Oil Company and the Distillers Company have announced this week an agreement in principle to undertake the joint manufacture of chemicals from petroleum in this country. This is the second large group this year to announce development plans for manufacturing chemicals from oil (following the pioneer work of Manchester Oil Refineries), for in March the Shell Petroleum Company announced a scheme to erect a new plant in Cheshire and the expansion of oil refining capacity to produce chemicals.

Anglo-Iranian and Distillers propose to form a new joint company, and the capital of some £5,000,000 which will be required, at any rate for the earlier stages of development, will be found equally by each company. Since Distillers is a Scottish company and Anglo-Iranian carries on refinery operations at Grangemouth on the Forth it seems a fair inference that the new plant will be established in Scotland. The Distillers Company has long been active in the manufacture of plastic materials and industrial alcohol, and the plant will concentrate particularly on those types of chemicals, though other chemical synthetics will also be produced.

The venture will be supported by the financial resources and organisation of two large concerns—an important consideration in a new industry involving heavy initial capital expenditure. Further, the use of Middle East crude oil from the Anglo-Iranian concessions will provide ample raw material without drawing upon slender dollar resources. The scheme should be as widely welcomed as its predecessors, for it promises a further expansion of an industry which, although requiring heavy initial capital outlay, is economical in its demands on manpower. The significance of these new projects lies in the increased supplies of high-grade solvents which they will provide for a range of industrial processes. The use of chemical solvents has made rapid progress in the United States, and hitherto this country has lagged behind. Perhaps the dwindling supplies and rising prices of molasses, on which the Distillers Company has hitherto based its distillation processes, may have increased the attractiveness to that company of using chemical solvents. Once these can be manufactured economically and on a sufficient scale a wide range of applications can be developed, of which the paint industry, now so seriously affected by the shortage of vegetable oils, is only one example. The speed at which the new project can be brought to the production stage is largely dependent upon obtaining supplies of steel and other building materials, but the possibilities of new chemicals for British industry and for export should ensure some priority for these materials.

* * *

Finance Corporation for Industry

The second annual accounts of the Finance Corporation for Industry were struck on March 31st before the corporation launched into the deeper waters of industrial finance for which it was specifically established. The total loans shown in the latest balance-sheet amounted to £1,862,051 against £254,500 a year earlier. Included in the latest total is an item of £210,600 in respect of advances to a company to which the FCI has since appointed a receiver and to which it has extended still further accommodation. But this past performance is trifling in comparison with the promise of commitments shouldered by FCI since the close of its last financial year. The total commitments to date, including £35 million for the Steel Company of Wales, amount to £40,733,451. Furthermore, negotiations have been completed, subject to contract, for loans amounting to £4,738,000. Given the measured pace at which it has extended its activities, the FCI was still operating "in the red" last year. The loss it suffered in that period was £9,142, which added to the loss of £16,086 carried forward from the previous accounting period makes a total debit of £25,228—a figure that should be rapidly overtaken when the corporation really gets into its stride. The new chairman, Lord Bruce, has decided not to attach a printed statement to the report, but to leave his explanatory remarks to the address he will make to shareholders at the annual meeting on August 13th.

New Cotton Export Scheme

Just before the fuel crisis occurred, a scheme was announced to remove the restrictions on the export of cotton textiles to hard currency areas which were inevitably associated with the system of allocation on a "country by country" basis. Unfortunately, the severity of the fuel shortage necessitated the complete suspension of export quotas for the first two periods of 1947, and since May deliveries for export have only been made against allocations outstanding from earlier periods.

This week, however, an open export scheme for the third period of this year (that is, from July to September) has been announced which revives the proposals made in February. Except for certain small colonies, there will be no direction of cotton textiles to specific countries. But the need to export to hard currency areas and to meet the requirements of countries within the British Commonwealth will set a limit to the yardage permitted for export to markets outside these three groups. Separate export allocations will not be made to home industries using textiles, such as garment-makers.

The control machinery in the cotton textile industry has now been adjusted to stimulate an export drive to hard currency areas. But the resulting hard currency earnings will depend, first, on the maintenance of the sellers' market; secondly, on the extent to which the urgently needed requirements of large colonial markets, such as West Africa and the Far East, can be cut without affecting their production of essential commodities for export; adversely and, thirdly, on the chances of increased production in Lancashire or more severe rationing of the home consumer. The difficulties are plain; but the need for increased hard currency exports is urgent.

* * *

Debate on Grantham

The debate on the Grantham Productions case on Wednesday was arranged when last week's issue of *The Economist*, commenting on the affair, was going through the press. But the discussion, though it ranged widely, was more remarkable for veiled suggestions than hard new facts, and it took the matter little further than earlier debates had done. The broad facts, which were summarised on page 170 of last week's issue were reiterated. In addition, charges were made by Mr Kendall, the Independent Member for Grantham, who has been connected with Grantham Productions, that pressure had been put upon certain firms supplying materials to Grantham Productions to withhold deliveries. For this reason, Mr Kendall demanded a "full-blooded inquiry."

The attempt of the Parliamentary Secretary to the Board of Trade to excuse an error of judgment on the part of the Board of Trade, on the ground that the bank which was consulted for its opinion on the financial resources of the Cotton group made a mistake, is not entirely convincing. Mr Cotton was a client of the bank and it was presumably in a position to pass an opinion only upon the conduct of his account there.

The motion for the appointment of a Select Committee to examine the case was defeated, but the Government departments concerned hardly come out of the affair completely free from a charge of administrative miscalculation. Certainly nothing transpired in the debate to weaken the case of those who called for an inquiry. New applications have now been invited for the allocation of the factory space; after this series of mishaps, the Board of Trade will be wise to ensure that the new allocation is more fortunate than earlier ones.

* * *

Building Incentives

At last, the way is open for the adoption of payment by results in the building industry. The Government has now amended the Defence Regulation (56AB) which in effect prevented the payment of bonus incentives on building sites. The executives of the seventeen trade unions included in the National Federation of Building Trade Operatives have agreed to recommend their members to accept Mr Isaacs' proposal for an increase of 3d. an hour in the minimum wage and for an incentive scheme to provide an increase in earnings to a level 20 per cent higher than the time rate. The building employers have not yet reached any formal decision, but they have expressed their desire to meet the unions for informal talks on incentives, and many of them are known to support the principle of payment by results. The proposed increase in minimum rates, however, may be something

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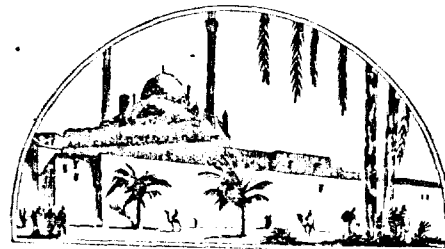
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of a shock for the employers, whose rejection of the unions' original claim for a 6d. increase in hourly rates had been upheld by the National Arbitration Tribunal.

There are still a number of technicalities to be completed. A ballot vote of the trade unions will be needed, and there still have to be negotiations between the two sides. These delays suggest that any national scheme can hardly be in operation before the autumn, and it is probable that it will be forestalled in many localities by *ad hoc* arrangements, which will have a greater flexibility. In any event, the removal at long last of what has hitherto been an insuperable obstacle—the adamant opposition of the union leaders—is very satisfactory.

No precise estimate has been made of what the increased wages will mean in terms of housing costs. An increase of 3d. an hour alone would add about £35 million to the annual wages bill, while provision for a 20 per cent incentive bonus would add a further unpredictable amount, dependent on the extra output which the men achieve. In conjunction with the rise in the price of building materials—the index now stands at 205.2 (1930=100) compared with 177.7 a year ago—the prospect of cheaper housing seems very far away. But if incentive payments do lead to higher productivity and an increased tempo in building, they will be worth while. Higher time wages for the building industry in the past have not been associated with higher output—despite union assurances that they would be. A great responsibility now rests with the building trade operatives and their leaders to justify wage concessions by improving their output.

* * *

Mr Wilmot on Bulk Purchase

It was surprising, and welcome, to hear the Minister of Supply declare ten days ago that he "had hoped before this to revert to normal trading" in non-ferrous metals. And later in the debate he gave at least an implied promise that when stringency of supplies and currency restrictions no longer exist, the London Metal Exchange would be reopened. If stringency of supplies were the only reason for the maintenance of bulk purchase, the resumption of private trading in metals might not be too far distant. A leading article on page 206 shows that the prospective production of copper in 1947 should cover world requirements. The world output of slab zinc in the first quarter of the current year was 9 per cent above the annual rate of 1,400,000 tons in 1946 and the output of refined lead appears to be running at 25 per cent or more above last year's figure. Although the quantities themselves are not yet adequate to satisfy all requirements, the upward trend in output of these metals at least suggests an approach towards the eventual equation of supply and demand.

But the case for government trading at the moment rests more

directly on the existence of currency difficulties and the need for purchasing supplies as far as possible from soft currency areas. The Ministry of Supply has no long-term contracts with other governments. All its trading agreements are made with producers or producer organisations and its contracts are on a commercial basis. In this type of bulk purchase policy, no question arises of developing new sources of supply. For their foresight in arranging the toll refining of rough copper and scrap brass in the United States, Canada and Belgium, however, the Ministry certainly deserves a compliment. The refined copper is already coming back to this country in moderate quantities to augment current supplies. Such an operation could be only effectively carried out by a government department, but it is a non-recurring operation and affords in itself no justification for governmental purchasing.

Given the need to continue state trading under existing currency conditions, however, it is still incumbent on the Government to assure flexibility in its purchases and prices, so that British industry should not be at any competitive disadvantage compared with foreign manufacturers. This principle is particularly important in a period of falling prices, when the controls, having operated so profitably on the bull rack, may be reluctant to pass on the fruits of falling prices immediately, because they want to avoid any trading losses. Moreover, sufficient information must be available to the trade, so that it can make reasonably accurate forecasts of future price movements. Under private trading, a firm which wrongly estimates future developments suffers alone; if the Ministry of Supply makes any misjudgments—as it has done in the past—the burden falls upon industrial consumers.

Shorter Notes

The consolidated net profit after taxation of Lever Brothers and Unilever, Limited, for 1946 was £1,548,541 higher at £6,187,647 and that of the Dutch associate "N.V." increased by Fl. 11,949,171 to Fl. 27,402,722. The ordinary dividend of "Limited" has been doubled at 10 per cent, and under the terms of the equalisation agreement a corresponding dividend will be paid to ordinary shareholders of "N.V." A fuller note on the preliminary announcement is given in this week's *Records and Statistics Supplement*.

*

Shareholders of OSN Realisation have accepted the offer of 40s. a share made by Cunard Steamship for the 1,274,216 Cunard White Star shares held by them. Votes representing 60 per cent of those eligible were cast in favour of the deal, which was discussed in last week's issue of *The Economist*.

SECURITY PRICES AND YIELDS

A fuller list containing 370 securities appears weekly in the *Records and Statistics Supplement*. Notes on the following company reports also appear in the Supplement: Richardson, Westgarth; Lever Brothers and Unilever; Thomas de la Rue.

Prices Jan. 1-July 30 1947		Name of Security	Price, July 25, 1947	Price, July 30, 1947	Net Yield, July 30, 1947	Gross Yield, July 30, 1947	Prices, Jan. 1-July 30 1947		Last Two Dividends	Name of Security	Price, July 25, 1947	Price, July 30, 1947	Yield, July 30, 1947			
High	Low						High	Low						(a)	(b)	(c)
Other Securities																
103½	100½	Conversion 3% March 1, 1948-53...	102½	100½	£ s. d.	£ s. d.	115½	102½	(d)	(d)	Australia 3½% 1963-69...	105½	103½	£ s. d.		
103½	100½	War Bonds 2½% August 1, 1949-53	101½	101½	0 16 9	1 19 0	105½	94	(d)	(d)	Birmingham 2½% 1968-71...	99	94	2 16 4		
102½	99½	Exchequer Bonds 1½% Feb. 15, 1950	100½	100½	0 18 6	1 13 11	102½	100½	(d)	(d)	Argentine 3½% 1968-71...	101½	101	3 9 4		
105½	100	War Bonds 2½% March 1, 1951-53	102½	100½	1 3 3	2 5 2	102½	100½	(d)	(d)	Anglo American Corp. 10s...	122½	121½	4 2 6		
105½	99	War Bonds 2½% March 1, 1952-54	101½	99½	1 7 4	2 9 8	80½	60½	(d)	(d)	Assoc. Port. Cem. Ord. Stk. £1	212½	188½	4 0 5		
108½	102	War Loan 3½% (after Dec. 1, 1952)	104	102½	1 6 3	3 1 7	42½	36½	(d)	(d)	Austrian Motor 'A' Ord. Stk. £1	78½	73½	4 1 4		
106	93	War Bonds 2½% Aug. 15, 1954-56	100½	99½	1 6 3	2 13 2	79½	79½	(d)	(d)	Barclays Bank Ord. 'B' £1	40½	37½	5 6 8		
106	100½	Funding 2½% June 15, 1952-57...	102½	101½	1 6 3	2 13 2	245½	156½	(d)	(d)	Best Ratchiff Ord. £1	85½	79½	5 10 5		
108½	101½	National Def. 3% July 15, 1954-58	103½	102½	1 8 11	2 15 9	114½	88½	(d)	(d)	British Oxygen Ord. £1	218½	197½	5 10 5		
109½	101½	War Loan 3½% Oct. 15, 1955-59...	104½	102½	1 9 7	2 17 11	58½	47½	(d)	(d)	Courtaulds Ord. £1	105½	97½	4 2 1		
108½	100	Savings Bonds 3% Aug. 15, 1955-65	102½	102½	1 12 1	2 18 11	29½	24½	(d)	(d)	Dorman Long Ord. £1	51½	47½	4 3 6		
105½	98	Funding 2½% April 15, 1956-61...	100	98½	1 10 2	2 13 6	81½	68½	(d)	(d)	Dunlop Rubber Ord. £1	27½	25½	6 4 3		
102½	101½	Funding 3% April 15, 1959-69...	103½	101½	1 11 9	2 19 11	53½	41½	(d)	(d)	Imp. Chem. Ind. Ord. £1	77½	72½	4 3 4		
122½	112½	Funding 4% May 1, 1960-90...	115½	113½	1 15 3	3 8 8	49½	40½	(d)	(d)	Lancs. Cotton Ord. Stk. £1	51½	48½	4 2 1		
110½	99½	Savings Bonds 3% Sept. 1, 1960-70	103½	100½	1 12 6	2 19 3	57½	47½	(d)	(d)	Lever & Unilever Ord. £1	45½	42½	4 14 1		
104½	95½	Savings Bonds 2½% May 1, 1964-67	98½	96½	1 12 9	2 15 4	62½	50½	(d)	(d)	London Brick Ord. Stk. £1	55½	52½	3 18 2		
123½	113½	Victory Bonds 4% Sept. 1, 1920-761	119	114½	1 4 9	2 17 21	84	78	(d)	(d)	L.M.S. 4% 1st Pref. Stk.	67½	65½	3 18 11		
111½	99½	Savings Bonds 3% Aug. 15, 1965-75	103½	100½	1 12 6	2 19 3	36½	24½	(d)	(d)	N. Eastn. Elec. Ord. Stk. £1	78½	77½	8 3 3		
117½	107½	Consols 4% (after Feb. 1, 1957)...	110½	108½	1 4 5	2 18 9	68½	47½	(d)	(d)	Pekin Yarn Ord. Stk. £1	34½	33½	4 3 7		
115½	106	Conversion 4% (after Apr. 1, 1961)	109	106½	1 8 9	3 0 2	39	30½	(d)	(d)	Prudential 'A' £1	64½	63½	3 19 4		
100½	86½	Treas. Stk. 2½% (after Apr. 1, 1975)	90½	86½	1 12 0	2 18 4	65½	50½	(d)	(d)	Stewarts & Lloyds Ltd. £1	35½	32	2 6 4		
110½	98½	Treas. Stk. 3% (after Apr. 1, 1966)	102	99½	1 14 4	3 2 1	108½	91½	(d)	(d)	"Shell" Transp. Ord. Stk. £1	51½	51½	4 17 1		
117½	101½	Redemp. Stk. 3% Oct. 1, 1986-96...	106½	102	1 12 2	2 19 3	147½	118½	(d)	(d)	Tube Invest. Ord. Stk. £1	106½	100½	4 10 0		
99	86½	Consols 2½% 1957-...	90	86½	1 11 10	2 17 11	96½	81½	(d)	(d)	Turner & Newall Ord. Stk. £1	88½	82½	3 9 7		
							101½	91½	(d)	(d)	Woolworth (F. W.) Ord. 5s.	99½	92½	3 18 1		

(a) To earliest redemption. (b) Flat yield. (c) Assumed average life 17 years 6 months. Net yields after allowing for tax at 5s. 10d. (d) To latest redemption.

(a) Interim. (b) Final. (c) Whole year. (d) Int. paid half-yearly. (e) Also a capital bonus of 2½ per cent. free of income tax: yield worked on 15 per cent. basis. (f) Fifteen months to March 31, 1947 (yield basis 7-6 per cent). (g) Free of Tax.



IN Flintshire, North Wales, Courtaulds have four factories. Three (Aber, Castle and Deeside) are in the Borough of Flint; the fourth (Greenfield) is in Holywell.

To meet the increasing demand for viscose rayon yarn, the Company purchased Aber works in 1916 and built Castle Works in 1920-1922. Then in 1927 Deeside Mill was purchased for rayon crêpe processing—that is, preparing and crêping yarn for use by textile manufacturers.

This new and vigorous industry helped to revive employment on the Dee estuary—a district amply supplied with water and coal, and near the great rayon weaving mills of Lancashire, Yorkshire and Cheshire. Today it contributes substantially to the national output of continuous filament rayon.

Between 1928 and 1933 units were set up in these factories to investigate the production and spinning properties of "Fibro"—Courtaulds' name for their viscose rayon staple. First made in 1918, this revolutionary product could be spun and woven on existing textile machinery into an unlimited range of fabrics.

Large-scale production of "Fibro" was essential, so in 1934 Courtaulds decided to build Greenfield Works—their fourth in the county—in which to concentrate an output of 20 million lb. a year.

One of the largest of its kind in the world, this factory started production in 1936 and today turns out 75 million lb. a year. Further large extensions are being made to it. "Fibro," a basic textile material, is now an important factor in the national economy.

Of over 21,000 people employed by the Company in the United Kingdom, more than 6,000 are hard at work in these four factories in the smallest county in Wales. *Rhydd hyn i'w hymdrech! — Ymlaen, Gymry!*

This is one of a series of statements to inform the public of some part of the contribution made by Courtaulds' industrial enterprise to economic well-being in various districts of the United Kingdom.

Issued by Courtaulds Ltd., 16 St Martins-le-Grand, London, E.C.1.

**How knowledgeable
are YOU about
British film
production?**

A survey has recently been carried out by Research Services Ltd. among top-ranking professional and business people, to discover how much they know about the J. Arthur Rank Organisation and its associations with the British film industry. These informants—they are for the most part readers of such papers as *The Times*, *The Observer*, *The Economist*, *The New Statesman and Nation*, *The Spectator* and *Tribune*—have shown that their general knowledge about British film production is by no means comprehensive.

For instance, although nearly all informants were able to name correctly 2 or 3 recent British films, 76% of them had no idea which producing company had made them.

Here are some of the principal films made in recent years by producing companies associated with the Rank Organisation.

HENRY V (*Two Cities*)
BRIEF ENCOUNTER (*Cineguild*)
CÆSAR AND CLEOPATRA (*Gabriel Pascal*)
THE CAPTIVE HEART (*Ealing*)
THE LIFE AND DEATH OF COLONEL BLIMP (*The Archers*)
GREAT EXPECTATIONS (*Cineguild*)
MEN OF TWO WORLDS (*Two Cities*)
ODD MAN OUT (*Two Cities*)
THE OVERLANDERS (*Ealing*)
SCHOOL FOR SECRETS (*Two Cities*)
THE SEVENTH VEIL (*Sydney Box—Ormus*)
A MATTER OF LIFE AND DEATH (*The Archers*)
I SEE A DARK STRANGER (*Individual*)
THE WICKED LADY (*Gainsborough*)
IN WHICH WE SERVE (*Two Cities—Noel Coward*)
THE WAY TO THE STARS (*Two Cities*)
THE RAKE'S PROGRESS (*Individual*)
I KNOW WHERE I'M GOING (*The Archers*)
THE WAY AHEAD (*Two Cities*)
HUE AND CRY (*Ealing*)

J. ARTHUR RANK ORGANISATION LIMITED

COMPANY MEETINGS

BRITISH TIMKEN, LIMITED

MR MICHAEL DEWAR'S REVIEW

At the twenty-seventh ordinary general meeting of British Timken, Limited, Mr. MICHAEL DEWAR, the chairman, said:

Our accounts have been before you for some time and I would comment that the increase of stock and work in progress gives an indication of our increased turnover. At present it is running at the highest rate ever shown in the company's history.

Your company's balance sheet and the consolidated balance sheet show very clearly the large amounts of profits which have been ploughed back into this business which ploughing back will doubtless be as pleasing to the Chancellor of the Exchequer as his latest budget provisions, in which we find neither rhyme, reason or justice, are distasteful to us.

We, in company with all British industry, are bound to suffer unless the output of coal is increased; not only to take care of the British requirements but also to aid the recovery of European industry, and to help provide for imports of food from abroad.

We look ahead to months of increasing difficulty. There is no doubt that there will be many power cuts when the colder weather arrives and indeed, there seems every possibility of another shut-down through lack of power.

I cannot emphasise too strongly that, in a highly mechanised industry like our own, reduction in working hours is bound to cause proportional reduction in output. Automatic machines can only produce a certain number of pieces per hour. Greater output in shorter hours can only happen in industries where greater effort by the operative can increase the output.

On the other hand, there is no place for posters calling for greater effort in your factories. Our output per man hour compares favourably with pre-war standards, even allowing for improved manufacturing methods, and we gratefully acknowledge that your employees are doing a good day's work with a good day's pay.

That the economic position of this country is extremely serious must by now be obvious to everybody. The gradual strangulation of industry and individual initiative by bureaucracy is clear to see all over the country, and the extra effort involved in trying, in spite of restrictions, to maintain and increase production is very great. The following is one small example:

Steel is in short supply and we fancied we might help the bearing industry if we could import special alloy steels from the United States. Our associated company in America agreed to make some steel available. Under a system of private enterprise, this order could have been placed in two to three days; under the system of bureaucracy prevailing today, it took two to three months, thereby losing one month's supply; and even then some little "Jack-in-Office" took it upon himself to alter the specification of the steel without any reference to us, and it was only through direct communication with our American Associates and private enterprise that we discovered it in time.

Despite everything production per man-hour in this company is undoubtedly increasing. We are not behind any country or any of our competitors in productive efficiency and the use of the most up-to-date machines and processes—provided we can obtain raw material and power at competitive prices. The report and accounts were adopted.

BRITISH GLUES & CHEMICALS, LTD.

PROFIT DOUBLED

MR. ROGER DUNCALFE'S REVIEW

The twenty-seventh ordinary general meeting of British Glues and Chemicals, Limited, was held, in London, on the 30th ultimo, Mr. Roger Duncalfe, the chairman, presiding. The following is an extract from his review, circulated with the report and accounts for the year ended April 30, 1947:—

I am profoundly convinced that our most valuable asset is one which does not appear in the balance sheet; it consists of all those men and women who serve this company throughout the whole of our group. Under the brilliant leadership of our managing director, there has been forged a team which, in my view, is unsurpassed.

After providing for compensation payable under the voluntary scheme of concentration, depreciation, deferred repairs, and excess profits tax, and after provision of £75,000 against fall in value of raw materials purchased under forward contracts, the resulting profit of £217,827 is approximately double that similarly shown for the preceding year. The aggregate profits of our subsidiaries again far exceeded that of the parent company—indeed, they were more than double.

WORKS DEVELOPMENT

Owing to difficulties in securing labour and raw materials, progress in our restoration and development programme, though substantial, has not been as rapid as we had hoped. Orders placed on capital account for the above purposes at our works in the United Kingdom amounted at the end of the year to approximately £225,000, and our plans involve a further expenditure of some £75,000, making a total of £300,000, in addition to the £60,000 for deferred repairs for which provision is shown in the accounts.

Profits amount with the carry forward from last year to a total of £256,893. £70,000 additional to the tax deductible from dividends is needed for income tax and profits tax, dividends absorb £96,250 gross and £50,000 is allocated to our pension scheme, leaving a carry forward to next year of £40,643, against £39,066 brought in. As regards dividends, the proposed final dividend of 20 per cent. on the ordinary stock makes, with the 5 per cent. interim payable on February 28th last, 25 per cent. for the year, as against 15 per cent. a year ago, and the preference stock receives its full participation of 2 per cent., making, with the fixed cumulative dividend, 10 per cent. in all.

The story of the year, in spite of many difficulties, is one of achievement and of promise for the future. The progress of the Parent Company continues, however, to be hampered by the Fabon, Ltd., war-time concentration scheme. Inaugurated in October, 1942, this war-time scheme has now been extended by a bare majority vote of the trade to March, 1948, so that it covers nearly three years of war and three years of peace. Your Directors regard continuance as against the real interests of the industry in that adaptation to new conditions and the adoption of new techniques are delayed. A progressive industry should lift its sights, not fix its backward gaze on October, 1942, and on raw material conditions which may not return for some years. Your Directors will therefore continue to press for an early but equitable deconcentration scheme.

CANADIAN SUBSIDIARY

Our interests have been extended to Canada, where a wholly-owned subsidiary, Canadian Organic Developments, Ltd. (incorporated in December, 1946), owns a controlling interest in the glue manufacturing business carried on for many years in Toronto by Mr. Joseph H. Harris, M.P., and his associates. With our advice and encouragement both companies are organising and equipping themselves to meet the future.

I have already referred to the notable contribution which our United Kingdom Subsidiaries have made to the profit of the year. B. Young & Co., Ltd., has made a further outstanding advance in technique, turnover and profit; its output of "Spa" Brand Low Melting Point Pure Food Gelatine has been greatly increased, but the public demand still far exceeds the supply. Flavoursings have been added to the "Spa" range during the year. Croid, Ltd., has had a good year with great expansion in turnover. Our Soap Companies have more than held their own in a difficult year and substantial progress has been made at Ashby-de-la-Zouch in the factory development programme outlined in last year's statement. Murray's, of Mark Lane, has made a further notable advance. Calfos, Ltd., has made progress both at home and in the export trade.

All our products are in keen demand; licensing and allocation of some of the principal ones continue. Even with increased production, many of our old and valued customers, especially those abroad, remain unsatisfied. Our renewed thanks go to them for their patient consideration, and as our expanded manufacturing programme moves ahead we hope to meet their needs both at home and overseas.

THE FUTURE

The international outlook is still obscure, and industry will be profoundly affected by the outcome of the efforts now being made at Geneva to open the gates to freer world trade, and also by the prompt seizing of the recent generous gesture of the United States of America. At home everything will depend on the harnessing of all our actions to one common purpose—increased production—and for this the supply of fuel and power is of paramount importance. Your Company was fortunate in escaping the worst effects of the recent fuel crisis, partly owing to the essential nature of our products and partly by forethought and prompt executive action. Nevertheless, the effects are still with us; deliveries of structural work and plant and machinery have been slowed up noticeably and this is a matter for deep concern in view of the urgency of our production plan and of the shortage which exists both at home and abroad in the essential products we manufacture. The market is still a sellers' market but this will pass and the buyers' market will arrive.

Our main objective is, by improvements in our processes and by increased mechanisation, to reduce our costs and to improve our qualities and thus maintain the lead we have achieved. Our important reconstruction and development programme is directed to this end; it will largely absorb our liquid resources and call for ploughing back profits into the business for some time ahead.

Whilst stockholders should not, in my opinion, count on continuance of the profit level achieved in the past exceptional year, yet I expect continuing benefits from the expansion of our business and from the improved technique to which I have referred. It would be unwise of me to look too far ahead, but unless international or national conditions are such as to hamper unduly our enterprise, I look for maintenance of reasonable profits.

The report and accounts were adopted.

ASSOCIATED WEAVERS, LIMITED

HIGHER PROFITS

STRONG LIQUID POSITION

SIR FRANK NEWNES'S SPEECH

The eleventh annual general meeting of Associated Weavers, Limited, was held on 23rd ultimo, at the Savoy Hotel, Strand, London, W.C., Sir Frank H. Newnes, Bt. (chairman), presiding.

The secretary (Mr W. Sunderland) having read the notice convening the meeting and the report of the auditors,

The chairman said: Gentlemen,—the directors are pleased to place before you accounts which, as a result of greatly increased output and standardisation of products, show much higher profits which enable them to recommend a larger dividend and still maintain the policy they have always adopted since the inception of the company, of making ample reserves. The net profit of the company and its subsidiaries, before taxation, for the year under review amounts to £168,687, an increase of £99,268 on the previous year, and the directors recommend a final dividend of 45 per cent., making 65 per cent. for the year, and that £10,750 be placed to reserve, making the reserve £115,000, which represents more than the ordinary share capital, leaving a balance to be carried forward to next year's accounts of £31,450.

You will notice that at book values the company's capital reserves and undistributed profits amount to £608,000 on which we are distributing £45,500 net in dividends or about 7½ per cent. The real value of our fixed assets is substantially higher than the book value and allowing for this I estimate that our net assets amount to nearly £1,000,000 and our net dividends to about 4½ per cent. per annum thereon.

You will observe that our group's liquid position is very strong as current assets amount to £548,970 against current liabilities of £144,202.

NOMINAL VALUE OF SHARES

The directors are also putting before you resolutions for the purpose of converting our 4s shares into 1s shares. The price of the shares on the stock exchange is such that the market in them must be, to some extent, restricted, and this alteration should lead to a larger and freer market.

Since our last meeting we, as you know, made an issue of 200,000 five per cent. second preference shares, which issue was most successful, having been many times over-subscribed.

With this extra capital we are obtaining new plant for Associated Weaver's carpet and upholstery fabrics factories and also for Armoride Limited, (our main subsidiary), at its new factory in Earby.

OUR PRODUCTS AND THEIR FUTURE

I do not think it is widely known what each of our companies manufactures. I think, therefore, that it is advisable in our shareholders' interests, as well as the general public's, to enlighten you all as to the products we manufacture in our three main companies.

Associated Weavers, Limited, specialises in the manufacture of carpets and upholstery fabrics. The carpets are known as Axminsters and are made in stairs, body, rugs, broad loom and squares. Everyone is conversant with the extensive use of these articles. The upholstery fabrics of a varied nature are used for the covering of furniture in homes, in cinemas and theatres, etc., and for all forms of transport. The factories contain the latest and most up-to-date machinery in the world. They are planned and laid out to ensure efficient and economic working conditions.

MODERN CARPET FACTORIES

Our carpet factory, built in 1937, is one of the most modern carpet factories in Europe. There is no cramping, and broad aisles render the handling of raw materials and woven carpets speedy. Each loom is individually lit with fluorescent lighting. Similar improvements have, and are still being, effected in the upholstery fabrics factory. The mills are painted in restful and contrasting colours, so that night workers produce the same quality and quantity as day workers, without strain. You may like to know we have been making some research into pre-war and post-war production efficiency per-man-hour, and the facts provide interesting reading for all who are concerned about working conditions and to-day's call to "produce more." In the carpet and upholstery fabric factories, increases over pre-war days of approximately 20 per cent. and 10 per cent. have been achieved. Some contributory causes of these increases per man-hour are standardisation of products, improved factory and working conditions and the magnificent way in which our employees are working.

You will, no doubt, be interested to hear that we were one of the only two carpet firms showing at the British Industries Fair this year, where orders were taken for all parts of the world.

PLASTIC AND LEATHER CLOTH

Armoride, Limited, are manufacturers of plastic cloth and leather cloth for furniture, travel goods, shoes and slippers, ladies' handbags, fancy goods, and for all types of transport. In fact our special plastic cloth "Plaxide" was used in the furnishing of H.M.S. Vanguard, on which our Royal Family journeyed to Africa.

As I announced in my last year's speech, the new factory at Earby for Armoride is, I am pleased to say, in spite of the many difficulties such as shortage of raw materials, bad weather conditions, fuel crises in the early part of this year, at last taking shape. Production should commence there in the near future, resulting in a considerable increase in output.

ELECTRICAL APPLIANCES

Barshaw and Company, Limited, our engineering subsidiary, manufactures electrical

appliances of a domestic nature such as radiators, grillettes, drying cabinets, etc., and progress has been made under adverse conditions connected with the use of electricity and raw material shortages, but as I forecast last year a modest profit was made this year.

OUR PRODUCTS AS BASIC MATERIALS

It should be appreciated that although in Associated Weavers, Limited, we manufacture carpets as a finished product, the other productions of this concern and Armoride constitute the basic materials for a multitude of trades both at home and all over the world. The demand for these products has always been steady, and in the past has not been subject to the vagaries of extreme trade cycles, and I am glad to be able to tell you that in the first three months of the current year the output has further increased and constituted a record in the group's history. The demand for our products has always been very much in excess of our productive capacity and when our very large extensions are ready and machinery running, even this record should be surpassed. Hence I feel convinced we can look forward to the future with great confidence and enthusiasm.

The Government request for directed exports has already been noted and the full force of our directive abilities and organisation is being placed behind this export drive, in the country's interest as well as of our company.

TRIBUTE TO MANAGING DIRECTORS

Before closing I would like to tell you that during the course of the year under review, owing to the raw material shortages here, three of the managing directors of our companies have undertaken long and arduous journeys abroad in search thereof, and I am happy to say that they have been extremely successful. The full benefit of their work in this connection should accrue to us in the current year and I should like to pay my tribute to them for their valuable and persistent endeavours, not only in this connection, but also for the able management of these companies during the year and to the executive staff who have co-operated so well to make possible such a satisfactory year's trading. My thanks also to our employees who have given of their best and with whom our relations continue to be happy and cordial.

I now move formally: "That the directors' report and accounts and auditors' report be and they are hereby formally approved and adopted," and I call on Mr Lindsay Fynn to second the resolution.

Mr B. M. Lindsay Fynn, F.C.A., seconded the motion, which was carried unanimously.

The retiring director (Mr B. M. Lindsay Fynn, F.C.A.) was re-elected and the auditors (Messrs Boyce Welch and Company) were reappointed.

At a subsequent extra-ordinary general meeting a resolution was unanimously approved for the splitting of each of the fully paid ordinary shares of the company into four ordinary shares of 1s. each and their conversion into stock.

A cordial vote of thanks was given to the chairman and directors and the meeting then terminated.

AMALGAMATED PRESS LIMITED

RECORD PROFITS AND DIVIDEND

LORD CAMROSE ON FRUSTRATING CUTS

The twentieth annual general meeting of the Amalgamated Press Limited was held on the 29th ultimo in London.

Viscount Camrose (the chairman) presided and, in the course of his speech said:—
It is a pleasure to your directors to be able to place before you a report which again shows a satisfactory increase in profits.

As you will have already seen, the profit on trading, including interest and dividends, after providing for contingencies and various items, amounted to £1,560,154, or after debenture interest £1,477,529. This is £323,269 more than in 1946 and is a record in the history of the company.

We recommend a final dividend on the Ordinary shares of 15 per cent. which, with the interim of 7 per cent., will make a total of 22 per cent. for the year. This is a high-water mark in our history.

WIDELY SPREAD INTERESTS

As I have informed you on several occasions, our eggs are by no means in one basket, and our profits, therefore, do not come from one source. We have first the old and well established business of the Amalgamated Press itself, going back now for just on 60 years. Some of the original publications are still with us today, but of course, there are many more of recent date and the range of our periodicals is much greater than it was. They are the good hard core of a very large undertaking, and it is on the solid rock of the main company itself that our other interests have been built.

As on this occasion last year, I do not propose to discuss your various periodicals in detail. All have done well—that is to say, they have sold out to the utmost number of copies that paper restrictions permit. The small extra amount of paper authorised in October last was used in some cases to increase the number of pages, and in others to increase printing orders, thus permitting further copies to be purchased. But the demand for our periodicals still vastly exceeds any reasonable expectation of paper in the near future.

And so in our industry, for the eighth year now, frustration continues. Its effects, editorially, are unfortunate. Periodical editing is a highly skilled and specialised form of journalism. All editors are ambitious and rightly keen to embark upon new publications. We can admire the courage, ability and good temper with which they have done their best—and a very good best—under these severely restricted conditions. But when we remember how long ago the war actually ceased I think how these editors must tire of crowding a quart into a pint pot, and how eagerly they must be thinking of adventuring again upon their own—how eagerly they, and we, wish to embark upon that health-bringing competition which unrestricted paper, when it comes, will surely cause.

I would ask you, too, for some sympathy with our advertisers. Just at this moment when we are told that it is essential that industry should be encouraged it is disappointing to find that paucity of paper still severely limits the advertising necessary for the establishment, or re-establishment, of commercial ventures.

During the war we developed with considerable care a fair method of allocating space to advertisers. In the somewhat more difficult years which have followed we have continued on the same lines. It is not easy to work systems like these, but the understanding and good will shown by advertisers and their agents have made our job infinitely more pleasant than it would have been had they withheld their co-operation.

The Government's decision to reduce the

amount of imported newsprint has followed an increase in the price in this country of no less than £7 2s. 6d. per ton. This, of course, leads to a serious increase in our costs. We are taking every possible step to meet the situation and have already put plans into operation to offset, as far as we possibly can, the adverse effects of this added expense of production.

The fuel crisis in the early part of this year, which led to the temporary suspension of periodicals, involved the Amalgamated Press and its subsidiary publishing companies in a loss of approximately £50,000. Some part of this loss occurred in February, and to that extent is included in the present accounts. We have been able to recover a portion of the remainder by subsequent publication.

IMPERIAL PAPER MILLS

Turning now to our other interests, one of the most important is the Imperial Paper Mills, Limited, the Ordinary capital of which we own entirely, together with half that of the Preference stock. The trading of the mills was more satisfactory than in previous years but, of course, the output was still only a small proportion of the 1939 figure.

These mills represent in themselves an enterprise which has been a source of considerable profit to this company for many years.

Then we have our two book publishing companies, the Educational Book Company and the Waverley Book Company. The orders obtained by these two concerns for the year constitute a record.

We purchased our subsidiary, Weldons, Limited, in the early days of the war, a somewhat venturesome proceeding in those uncertain days. The Weldon fashion publications have maintained the pre-eminence in their particular field which they have held for many years, and the company is now one of the important assets of our business.

KELLY'S DIRECTORIES' PROGRESS

I have told you on several occasions of the progress of Kelly's Directories, Limited, in which we are very large holders. The balance-sheet for the year ended 31st December last was issued a few weeks ago. It disclosed a substantially increased profit and a sound financial position. The Ordinary dividend was increased to 30 per cent. after a transfer of £125,000, against £40,000, to general reserve. It was decided to split the £1 shares into 5s. stock units and they are now quoted in that form. We have every reason to be satisfied with our investment in this company.

DORSET HOUSE PUBLICATIONS

Kelly's Directories, Limited, in turn are the owners, as you know, of the Associated Iliffe Press. That company has made further additions to its list of trade and technical publications. It now issues from its headquarters at Dorset House 31 weekly and monthly journals of this character.

Taking all these investments together you will see that the business of the Amalgamated Press is not confined to its own list of periodicals and magazines, large although this is; nor is it restricted to one branch of the publishing field. Fortified in this way, by what I might call its outside ramifications, we can look to the future with a soundly based confidence. These are not the times for optimistic prophecies, but I am emboldened enough to say that the outlook for the current year justifies us in thinking that if national economic difficulties do not interfere too much the balance-sheet to be presented to you at our next annual meeting will not prove disappointing.

The report was adopted.

VAB PRODUCTS LIMITED

INCREASED NET PROFIT

The tenth ordinary general meeting of VAB Products Limited, was held recently in London. Mr. A. H. Redfern (the chairman), who presided, said:—

The net profit after charging all expenses and providing for depreciation, amounted to £29,808, as compared with £23,296 for the previous year.

After providing for taxation and bringing in the opening balance there remains a disposable balance of £17,413. Out of this, your directors have allocated £1,000 to preference share redemption fund, £2,500 to general reserve, against £1,500, and have declared a dividend of 6 per cent. on the preference shares and an interim dividend of 5 per cent. on the ordinary shares. Your directors now recommend a final dividend of 7½ per cent. on the ordinary shares, making 12½ per cent. for the year, and a participating dividend of 4 per cent. on the preference shares, which will leave a balance of £6,149 to carry forward, against £4,861 brought in.

CURRENT ASSETS

We have, on this occasion, in common with other public companies, issued a consolidated statement of assets, liabilities and profits. You will note from this statement that the current assets exceed the current liabilities by £36,758. I would draw your attention to the item of goodwill, patents, etc., and the surplus cost of acquisition of shares in our subsidiary companies. Although these items may appear to be high, a surplus of £61,418 appears on the other side of the consolidated statement, in addition to which the freehold and leasehold properties, plant, etc., are worth today much more than the book values and our goodwill, patents, etc., are of considerable realisable value today.

During the year, an issue of 250,000 ordinary shares was made to existing shareholders at 4s. each. The proceeds of this issue enabled us to complete the new factory for Fairylites Limited, at Southwick, to which I referred at the last meeting, and provided additional working capital for the increased turnover of our other concerns.

Reference is made in the statement attached to the accounts to a loss by a subsidiary company; this company was set up during the war and did excellent work, and last year your directors decided that it had served its main purpose. The best of the plant and equipment was transferred to our new Fairylites' factory and during the changeover a loss was sustained, which loss is fully provided for before arriving at the profits disclosed.

THE OUTLOOK

It is difficult to foretell the future, owing to the changing conditions and restrictions. Our businesses are firmly established, the progress for the first half of this year is most encouraging, the total turnover of the group during this period exceeded the turnover for the corresponding period of 1946 by over 25 per cent.—this in spite of the fuel cut and our businesses being put out of effective production for several weeks. I can only say that the results are attributable to our personnel, who have worked with courage, patience and foresight through a period of unprecedented difficulties, and I should like to thank personally on your behalf the managers and employees generally for their magnificent co-operation and the services they have rendered to the company and also to my co-directors for their loyal support and hard work.

The report and accounts were unanimously adopted.

W. J. BUSH AND COMPANY, LIMITED

A YEAR OF TRANSITION

EFFECTS OF DELAYS AND RESTRICTIONS

DR PERCY ISHERWOOD'S STATEMENT

The fiftieth annual general meeting of W. J. Bush and Company, Limited, was held on the 28th ultimo at Winchester House, Old Broad Street, London, E.C., Dr. Percy C. C. Isherwood, O.B.E., F.R.I.C. (chairman and managing director), presiding.

The secretary (Mr D. E. Arnold, F.C.I.S.) read the notice convening the meeting and the report of the auditors.

The following is the chairman's statement which had been circulated with the report and accounts, for the year ended December 31, 1946, and was taken as read:—

Since our last meeting we have lost from our board the Rt. Hon. Lord Hayter. Lord Hayter, or, as he was then, Sir George Hayter Chubb, became a director of the company on the date of its incorporation in 1897 and occupied this position until his death in November, 1946, and I wish to record the directors' regret at the passing of an esteemed colleague and friend.

Lord Hayter was also one of the trustees for the debenture holders and I am pleased to be able to report that his son, who has succeeded to the title, has agreed to fill the vacancy as trustee for the debenture holders.

THE ACCOUNTS

Turning to the accounts for the year 1946, our tax advisers have arrived at an estimate of the amount of excess profits tax post-war refund to which the company is entitled. This sum of £82,687 has been brought into the accounts and although it has not yet been received, approximately a similar amount has been expended on fixed assets during the year under review.

We have set aside £20,000 to pension account, making with the previous provisions a total of £100,000. There is a considerable amount of detailed work involved in the preparation of a contributory pension scheme, but we are hoping that this work will be completed shortly and that the scheme will be in operation before our next annual general meeting.

In view of the heavy strain on plant during the past few years, we have deemed it prudent to place a further sum of £15,000 to plant reserve, making the total £70,000.

RESEARCH DEPARTMENT

The year 1946 has been one of transition from war to peace, both in production and marketing. I need not particularise, but in common with most industries we have been subjected to delays and restrictions due to shortages of capital equipment and raw materials. Our research department has been active both in improving existing processes and initiating new ones. It is unfortunate that owing to the delays and restrictions to which I have referred full advantage of these efforts cannot be taken as early as we would wish.

Our export figures have been well maintained and constitute a record, and I think we can claim to have made an important contribution to the country's needs in this vital matter.

SATISFACTORY POSITION OF BRANCHES

Last year I again visited the U.S.A. and Canada where we have subsidiary companies, and I propose revisiting these countries in the near future. I am pleased to report that our branches and subsidiaries throughout the world have maintained a satisfactory position, and I wish to express the Board's appreciation of the loyal support it has

received from the staff, both at home and abroad, throughout the year.

I would like to close these remarks with an expression of faith. Our national history shows that this old country has great resilience and recuperative powers. To this the fine chemical industry and its ancillary activities are no exception and while not assuming the role of a prophet, I look to the future of your company with confidence.

The report and accounts were unanimously adopted and a final dividend of 8 per cent. on the Ordinary shares (making 12 per cent. for the year), less tax, was approved.

The retiring directors, Mr Montgomery St. Alphonse, and Mr R. R. Webb, were re-elected and the auditors, Messrs Turquand Youngs McAuliffe and Company, having been reappointed, the proceedings terminated with a cordial vote of thanks to the chairman, directors, staff and workpeople.

CROPPER AND COMPANY, LIMITED

DISTRIBUTION OF TWENTY PER CENT

MR FRANK SMITH'S SPEECH

The fiftieth annual general meeting of Cropper and Company, Limited was held at the registered office of the Company, Thatcham, Berkshire, on the 28th ultimo, Mr FRANK W. J. SMITH (chairman and managing director) presiding.

The following is the chairman's speech which has been circulated with the report and accounts for the year ended June 30, 1947, and was taken as read:—

This, ladies and gentlemen, is the fiftieth annual general meeting of the Company.

Last year I had to inform you of the retirement of Mr Shirley Cropper from the chairmanship of the company. This year, unhappily, I have to announce his death, which occurred in March last. I have also to record the death of Sir John Pakeman, another director. It is with deep regret that I report these sad events, as these gentlemen had been associated with your company for a great many years.

Notwithstanding the irritating controls and frustrations we have had to endure during the past year, I am sure that the balance-sheet which the directors have put before you will meet with your approval and satisfaction.

BALANCE-SHEET ITEMS

The floating assets (£444,641) cover the current liabilities (£149,907) nearly three-times; and the fixed assets stand in the books at £83,488, which is much less than their actual value.

During the year the company has received a net repayment of excess profits tax amounting to £10,407. A small part of this has been spent on new machinery, and the remainder will be similarly expended as machines on order are delivered.

Our subsidiary and associated companies have had a very satisfactory year and it will be noticed from the accounts that the profits of this company have increased considerably.

In view of this increase and in order to mark the fiftieth year since the formation of the company, to which I have previously referred the directors are recommending a bonus of 10 per cent. upon the ordinary shares in addition to maintaining the dividend at 10 per cent.

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

The retiring director, Mr Harry F. Smith, was re-elected; and the auditors, Messrs Deloitte Plender Griffiths and Company, having been reappointed, the proceedings terminated with a vote of thanks to the chairman, directors and staff.

TIMOTHY WHITES AND TAYLORS, LIMITED

RECORD SALES

The eighteenth ordinary general meeting of Timothy Whites and Taylors, Ltd., was held in London on the 29th ultimo, Mr. Louis Nicholas, J.P., F.C.A., the chairman, presiding.

The following is an extract from his statement circulated with the report and accounts:—

The profits of the company including dividends from its subsidiary companies and other income for the year ending December 28, 1946, show a satisfactory increase. The profits of the subsidiaries also show encouraging increases. Interim dividends amounting to 32½ per cent., less tax, have been paid as against 30 per cent. for last year.

The total sales of the group were greater than in any previous year of its history, but wages, salaries and other expenses show considerable increases. Bearing in mind the various restrictions upon building work, reasonable progress has been made in restoring the properties damaged by enemy action and in dealing with the repairs to the other properties belonging to the group deferred owing to the war.

The directors are continuing their policy of reducing the charge against the company in respect of interest on its debenture stocks and during the current year the £1,000,000 4% Debenture Stock has been redeemed and replaced by an equivalent amount bearing interest at 3½ per cent. This conversion, which was completed on May 1, 1947, will effect an appreciable saving in interest. The properties of the company have been recently re-valued and this valuation shows a very considerable appreciation over the figures contained in the balance sheet.

Owing to shortage of labour and materials and the severe winter, work on the Aldershot warehouse has been somewhat delayed but it is hoped that it will be completed and that the company will be operating from these buildings by the end of 1947. Application has been made for the necessary licences and permits to erect the remainder of the proposed buildings but considerable delay may arise before these licences are obtained and the work can be put in hand. It is difficult to estimate the cost of these additional buildings, but based on present-day prices your directors are advised that the cost should not exceed a further £320,000, making the total cost for the whole scheme £600,000.

Up to the present it has not been possible to extend the buildings at Leeds, but it is hoped that a substantial portion of the additional space required will be provided during next year. The increase in the stock-in-trade held by the company reflects the larger quantity of merchandise now becoming available.

THE CURRENT YEAR

As for the current year, despite the fuel crisis, sales, up to the present, again show satisfactory expansion and, although in certain directions costs have continued to rise, profits for the current year, subject to no unforeseen circumstances, should at least be comparable with those for the year under review. Up to now there is little sign of diminution in consumer demand, but your directors realise that a sellers' market cannot continue indefinitely. They are preparing for this change, which one day must occur, by endeavouring to expand and improve the business of the group.

Your directors hope that all their shareholders are also customers and that they and their families will patronise their local branch. I can assure them that if they do they, in common with all our customers, will receive every attention, while the price and quality of the goods will compare favourably with those elsewhere.

The report was adopted and at a subsequent extraordinary general meeting a resolution was passed giving the directors power to appoint junior directors.

MINING TRUST, LIMITED

IMPROVED POSITION AND OUTLOOK

The eighteenth annual general meeting of Mining Trust, Limited, was held, on the 25th ultimo, at Winchester House, London, E.C.

The Rt. Hon. The Earl Castle Stewart, M.C., J.P., chairman of the company, presided.

The following is an extract from the statement of the chairman which was circulated with the report and accounts for the year ended December 31, 1947:—

The unsecured advance of £75,162 is a long outstanding loan to Mount Isa Mines and this, together with accrued interest to May 24, 1946, amounting to £70,725, has now been repaid. The Mining Trust has applied the total of £145,887 thus received to the purchase of 145,887 shares of £1 in Mount Isa Mines, Limited, at the price of 25s. Australian per share.

Cash at bankers at December 31, 1946, amounted to £822,700. This large increase in cash resources is mainly due to the sale of £330,000 3 per cent. Savings Bonds.

The profit of £219,883 for the year has been applied to the reduction of the debit balance on income and expenditure account, which now stands at £272,289.

MOUNT ISA MINES, LIMITED

The net profit for the year ended June 30, 1946, amounted to £A.149,410 after debiting gross profit with £A.194,434 for interest on debentures and loans, and £A.133,796 to cover depreciation on buildings, plant and machinery. Net profit for the year thus exceeded that for the previous period by £A.23,174.

Ore Reserves—The reserves of developed and prospective lead-zinc ore were increased slightly to 7,312,294 tons containing an average of 7.7 oz. of silver, 8.6 per cent. lead and 8.5 per cent. zinc. Copper ore reserves were estimated at 2,922,700 tons containing 3.98 per cent. of copper.

The new issue of shares recently made by Mount Isa Mines, Limited, has been fully subscribed and the capital is therefore now available for the construction of all the plant necessary for the production of blister copper.

If the prices of lead, silver and zinc concentrates should continue to hold at approximately their present level, the mine should continue to earn profits at not less than the present satisfactory rate.

FUTURE POLICY

In the chairman's statement last year it was suggested that if Mount Isa were earning profits at such a rate as to warrant a distribution for its financial year ending June 30, 1947, it might then be both practicable and desirable that there should be a reconstruction of the capital of the Mining Trust. At that time it was not possible to foresee that the revenue of the Mining Trust for the year ending December 31, 1946, would be such as to reduce the debit balance from £492,172 to £272,289. It is now anticipated that the income for the year ending December 31, 1947, will be sufficient not only to discharge the whole of the remaining debit balance at profit and loss, but to leave the company with approximately £186,000 surplus balance at profit and loss before providing for income-tax and profits tax.

This review of the prospects for 1947 will, I think, make it clear to shareholders that it will now be unnecessary to reconstruct the capital of the Mining Trust.

The report and accounts were adopted.

GOLD COAST SELECTION TRUST, LIMITED

TAXATION POSITION

The seventeenth ordinary general meeting of Gold Coast Selection Trust, Ltd., was held on the 29th ultimo at River Plate House, London, E.C.

Sir Joseph Ball, K.B.E., chairman of the company, presided.

The following is an extract from the Chairman's statement, circulated with the report and accounts for the year ended 30th September, 1946:—

The total profit amounted to £254,470, and of this the profit on the realisation of some of our investment holdings amounted to approximately £170,690. Dividends and interest received amounted to £92,047, of which £81,491 was received in dividends on our holdings in Ariston Gold Mines (1929) Ltd., and Gold Coast Main Reef, Ltd. We received by way of accumulated interest on loans (since paid off) £11,518, and after providing £117,241 for taxation on the year's profits and affurther £187,500 in respect of dividend distributions aggregating 25 per cent., free of tax, there remains, after deduction of directors' additional remuneration, a credit balance to be carried forward on profit and loss account of £494,115.

APPEAL TO THE HOUSE OF LORDS

This figure is, however, subject to the assessments for taxation in respect of the years 1934-38, which came before the Court of Appeal in November of last year. I regret to inform you that the Trust's appeal was dismissed by that Court, but the matter is one of such importance, both to this and to other mining houses similarly situated, that we have asked for, and have been granted, leave to take the case to the House of Lords, and we anticipate that it will be heard in the autumn of this year.

Should the final Court of Appeal decide in favour of the Inland Revenue it will be necessary for the company to make provision for the additional taxation liability of approximately £200,000. If, however, the final decision should be in our favour, the payments already made will be refunded to the company.

THE INVESTMENTS

The book figures of investments show an increase of £229,922 over those of last year. This increase is due in the main to additional shares which we acquired when the new issue of shares was made to members by Amalgamated Banker Areas, Ltd., although we also accepted shares in Nanwa Gold Mines, Ltd., in satisfaction of loans, aggregating approximately £40,000, which we had made to that company. Since the close of the year under review further shares have been acquired in Gold Coast Main Reef, Ltd., as the result of the new issue made by that company. At middle Stock Exchange prices on 30th June, 1947, the value of our quoted investments exceeded £3,374,000.

The acquisition of the additional shares, together with the payments which the company has had to make in respect of the income-tax assessments which are still the subject of dispute, have temporarily depleted our liquid resources, and the question of paying an interim dividend on account of the current year has therefore been deferred until later in the year.

Apart altogether from the disputed assessments, which, in our view, represent a new form of tax which the inland revenue authorities seek to levy on mining companies registered in the United Kingdom, the operating mining companies from which the Trust derives its revenue are also, in our opinion, subject to unduly burdensome taxation of a discriminatory nature.

The report and accounts were adopted.

SPURLING MOTOR BODIES, LIMITED

ANOTHER SUCCESSFUL YEAR

The tenth annual ordinary general meeting of Spurling Motor Bodies, Limited, was held at Hendon, on the 21st ultimo.

Mr W. F. Spurling, chairman and managing director, said that it was with great satisfaction that he was able to report that thanks to sound planning, which had enabled them to grasp their opportunities, they had come through another year successfully. That was clear from the accounts, which disclosed a splendid and encouraging result, with a turnover of more than £1,750,000 and a net profit of £215,000. It was particularly gratifying to achieve that during a year which had possibly had more than its full share of setbacks.

The root strength of the company's turnover came from the products of Vauxhall Motors. They formed the basis of practically the whole of the business of the parent company and of Spurling Motors (Chiswick), Limited, and arose from the supply of Vauxhall cars and Bedford trucks, the maintenance and servicing of those vehicles, bodybuilding and the stocking and distribution of spares and replacement parts.

RAW MATERIAL SHORTAGE

In the bodybuilding department they had found the going very heavy during the past year, principally on account of the acute shortages of essential materials. They had had to cope with an increasing volume of orders and no improvement in the raw material position, resulting in rising costs, the inevitable outcome when demand was greater than supply. In common with others, they were still having to combat the inertia which had overtaken workers when war work ceased. They were endeavouring by general improvement in conditions not only to save the extra cost of the five-day week, but also to ensure that all hours they worked should yield at a higher level, thus obtaining a greater measure of all-round efficiency.

He was glad to be able to report that they had more understanding and co-operation in their shops to-day than they had had last year, and it was pleasing to mark that fact because it made them recognise that they were moving the right way, even if their progress was slow. Their Bodyshop order books were well filled and that department would be taxed to capacity for a long time.

SERVICE AND SALES DEPARTMENTS

Their service departments, covering Hendon, Aldermaston Street, Rushton Street, Mintern Street, Kensworth and Chiswick, including their Vauxhall and Bedford spare parts distribution, had given them great satisfaction. They stood on their own feet, paid their own overheads and made a really substantial contribution by way of turnover and profit. The obtaining of spare parts had been a constant nightmare. Their sales departments had eclipsed all previous high records and their order books were a continual source of embarrassment.

The volume of orders on hand and the enthusiasm of their customers convinced them that in the Bedford and Vauxhall group of vehicles they had the best value that money could buy. Last year had been a successful one. In spite of difficulties he could still be optimistic and had sound reason for saying that the current year would be a good one.

The report and accounts were adopted and the proposed dividend of 25 per cent., less tax, making 35 per cent. for the year as compared with 15 per cent. on a smaller issued capital for the previous year, was approved.

EXPERT TOOL & CASE HARDENING COMPANY, LIMITED

ORDER BOOKS FULL

The annual general meeting of Expert Tool & Case Hardening Company, Limited, was held in London on 21st ultimo. Mr A. H. Redfern, the chairman, who presided, said:—

I explained to you at the last meeting that our parent company, owing to the change-over from war to peace, had suffered a considerable fall in turnover. I am pleased to be able to tell you that the position is now gradually improving and I have no hesitation in saying that, if normal conditions in the engineering industry existed today, our output would far exceed what it has ever been.

Your subsidiary company—Waddells (Stratford Steel Equipment) Limited, has probably been hit harder than any of our companies owing to our quota of steel being restricted and our stocks held at the end of last year being considerably less now than then. We have also experienced labour difficulties, over which we have no control, but I can tell you that our order book is full and that our output on the outstanding orders could be increased very considerably if given adequate material and labour.

WORLD-WIDE MARKET

Herbert Hunt & Sons, Limited—this company, producing specialised machinery, is sending its goods all over the world.

Metal Frames, Limited—your Directors, visualising the demand for the products of this company when war conditions ceased, bought, during 1945, a minority interest in a similar business—Framestyles of Nottingham. You will see that this interest was represented in the 1945 consolidated balance sheet as an investment of £7,575. During 1946, your company acquired the balance of the shares, giving them 100 per cent. control. In the 1946 accounts this investment has been included in the item "Interest in Subsidiary Companies" which appears at £194,635 as compared with £173,644 last year. This company has greatly increased our production and I believe that the articles manufactured at these factories are equal to anything that the world can produce.

In spite of Government restrictions and labour difficulties our executive directors, managers and staff, by their far-sightedness and hard work have produced a greater net profit than last year.

It is difficult for me to forecast for next year. I can only tell you that the orders are there in each company, which should greatly increase production, but I cannot foresee what restrictions are going to be imposed by the various Ministries.

RESERVES

As you are aware, a great deal of our profit is put to reserves, which I am sure every shareholder is in agreement with, and, from a survey of the first six months of this year, I cannot see that our dividend is jeopardised, but the final allocation to reserve will be dependent upon the conditions ruling during the latter part of the year.

As you know, the issued ordinary capital of your company is £80,000 and you will see that our net profit for the year is £70,949 as compared with £68,872 for the previous year and your directors recommend a final dividend of 25 per cent. making 40 per cent. for the year, on the ordinary shares, the same as last year. After transferring £6,500 to the general reserve against £3,500 and bringing in the balance of £7,676 at the beginning of the year, there remains a balance of £10,654 on the profit and loss account to be carried forward, which I am sure you will agree is very gratifying.

The report and accounts were unanimously adopted.

BEECHAM GROUP, LIMITED

WORLD-WIDE ACTIVITIES

The nineteenth ordinary general meeting of Beecham Group, Limited, was held in London on the 30th ultimo, Sir J. Stanley Holmes, M.P. (chairman and managing director), presiding.

The following is an extract from his circulated speech:—

The trading profits and sundry revenue for the year ended March 31, 1947, earned by the companies and branches of the Beecham Group, operating in nearly every part of the world, amounted to £2,682,216, compared with £2,786,705 in the previous year. The setback was largely accounted for by the loss of profits on home trade directly attributable to the fuel crisis in the early part of the year. The profit on export and overseas trade, which is included in the above figures, was £644,745, compared with £543,580 for the previous year.

The home sales of the company's subsidiary companies showed an increase of 8.33 per cent. over those of the previous year. The basis of the business has been continually broadened. The sales of pharmaceutical products, which comprise 32 per cent. of the company's turnover, were more than maintained, while the sales of toiletries and foodstuffs showed a gratifying expansion.

The net amount available for dividend on the deferred shares and for reserve, after paying all charges, including preference dividends and taxation, was £504,409, as against £386,326 in 1946. The directors have already paid interim dividends of 36 per cent. and recommend a final dividend of 4 per cent.

For the first two months of this financial year our results show a substantial increase.

The report and accounts were unanimously adopted.

TRUSTEES CORPORATION, LIMITED

STRONG POSITION

The annual general meeting of the Trustees Corporation, Limited, was held on the 30th ultimo in London.

Mr Harold G. Brown (the chairman) said that this year the valuation of our investments showed a further large appreciation. Superficially satisfactory as that might appear, it must be considered along with the underlying realities of the present situation in this country and the basic features of British commerce and industry. The total gross revenue amounted to £278,996, compared with £247,424 for the previous year. Charging £110,634 for taxation and also interest, less tax, on the debenture stock and expense of management, they were left with a credit balance of £110,108, an increase of £20,493.

They had transferred £10,000 to building reserve, increasing it to £90,000. Having in mind the progressive expansion in the revenue from investments since 1941, on the one hand, and the uncertainty as to the prospects of maintaining such revenue on the other, they had thought it wise to allocate a further £12,500 to dividends equalisation account, thereby making a total of £70,000. That would be available for the purpose of stabilising future dividends on the ordinary stock at, they hoped, not less than 10 per cent. per annum. They now recommended the payment on the ordinary stock of a final dividend of 5 per cent. and a bonus of 2 per cent., both less income tax, making a total of 12 per cent. for the year to May 31, 1947.

The general position of the corporation was one of strength and a fitting tribute to the wisdom and restraint exercised by their predecessors.

The report was adopted.

ASSAM RAILWAYS AND TRADING COMPANY, LIMITED

DIVIDEND OF FIVE PER CENT.

The sixty-sixth ordinary general meeting of the Assam Railways and Trading Company, Limited, was held, in London, on the 28th ultimo.

Mr E. A. A. Joseph, the chairman, said that stockholders would have anticipated from what he said last year a substantial decrease in the general trading profit with, of course, some compensatory reduction of taxation. The drop of £25,000 shown in the accounts was illusory because the figures of the two years were not really comparable. They would notice in the net revenue account a writeback of £35,000 over-provided for taxation in former years and now no longer required. Dividends on the "A" Stock had been paid and the directors had decided to recommend the payment of 5 per cent. on the "B" Stock.

The coal production was suffering from the lack of an adequate provision of wagons, of which there was constant complaint. That had its effect, though not at all in the same degree, on their tea-chest and brick trade. In many ways life in India got more and more difficult. Employers of labour shouldered responsibility which in Britain would fall elsewhere.

He had little to tell them of the progress of the new method of mining being tried at Tipongpani, for so far they had not yet received the full equipment of machinery which had been ordered. Meanwhile costs continued to rise and to the political uncertainties which occupied the attention of India to the increasing detriment of sound administration must be added a not inconsiderable measure of labour unrest and agitation.

The report was adopted.

FORESTAL LAND, TIMBER AND RAILWAYS COMPANY, LIMITED

INCREASED STRENGTH

The forty-first ordinary general meeting of the Forestal Land, Timber and Railways Company, Limited, was held in London on the 23rd ultimo.

Mr Louis H. Kiek (vice-chairman), who presided, said that he thought it would be agreed that the balance-sheet showed a satisfactory position. The financial strength of the company, as illustrated by a comparison of the surplus of liquid assets after deducting all liabilities with those of the previous year, had increased from £1,753,000 to £2,220,000, an increase of 26 per cent. The dividend equalisation reserve had been increased by £100,000. When the uncertainties of the situation in all parts of the world were borne in mind, they would, he thought, be over-optimistic were they to expect the company's revenue to be as buoyant in the near future as it had been in the recent past.

The profit for the year 1946 of £853,519, together with the amount brought in, gave an available total of £1,044,212. After paying two interim ordinary dividends totalling 12 per cent., £214,255 remained to be carried forward.

The past year had not been altogether an easy one for the Argentine Company although the trading results had been very gratifying. The Natal Company had again had a very satisfactory year. The demand for its products had been such that it had been quite unable to meet all the business that had been offered from all parts of the world. During the past year 43.27 per cent. of its total production had been exported to the U.K., the remainder being shared by a long list of countries. The Kenya Company had also had a satisfactory year.

The report was adopted.

WELWYN GARDEN CITY LIMITED

ECONOMIC POSITION OF THE TOWN

SIR THEODORE G. CHAMBERS' REVIEW

The twenty-seventh ordinary general meeting of Welwyn Garden City, Limited, was held on Wednesday, the 23rd ultimo, at the Holborn Restaurant, 218 High Holborn, London, W.C.1. Sir Theodore G. Chambers, K.B.E., F.S.I., chairman of the company, who presided, said:—

One new item in the profit and loss account merits a word of explanation, namely, the deficit on accommodation provided for building operatives. Faced with the urgent need to recruit our building force the company took over a number of huts previously occupied by the National Fire Service and converted them into temporary accommodation for building operatives who were attracted to work in the town but for whom no housing accommodation could be found. This camp has accommodation for over 100 men.

Later an old mansion owned by the company, known as Digswell Conference House, was converted to similar purposes to house an additional 80-90 men. It was, of course, realised that in the early stages these hotels would not pay for themselves, but it was expected that when they were both fully occupied there would be little or no deficit.

SHORTAGE OF MATERIALS

Having established the Fire Service Camp on a reasonable footing progress was being made towards achieving the same result in the case of the Digswell Conference House, when the whole housing programme of the town suffered a severe set-back as a result of the shortages of materials. Apart from the three housing schemes now in hand, all of which will be finished before the end of this year, we had hoped to be able to start on 46 flats for our Housing Association, and at least two new schemes for the local authority, involving about 410 houses in all. This full programme, which would call for maximum energy and output from all those concerned, has suddenly been cut down by the Ministry of Health to 90 new houses for the local

authority only, and even this contract is unlikely to be started before the autumn. In consequence, the rate at which new houses will be completed in the town will fall by the end of the year from a steady four a week to none at all until some time in the late spring of 1948.

We have therefore had to abandon our plans to increase our building labour force to the modest 500 operatives which we had set before ourselves as a goal and the present use of Digswell Conference House as a hotel for operatives is performance being given up.

SIZE OF THE TOWN

It is, however, not only in the sphere of house-building that we have had to fight the sense of disappointment.

For 27 years we have set our minds on the production of a satisfactory, self-sufficient town of 50,000 people, and detailed plans have been steadily prepared for attainment of this objective. As time went on and the land requirements for urban development steadily increased, we acquired additional land and revised our plans accordingly. As recently as last year we purchased a further 664 acres of land to the north and east of the main estate which for several years had been planned in our minds as part of the total urban area for the final town.

A year ago I informed shareholders that we were becoming increasingly anxious at the prolonged delays in securing general agreement to our broad plans for the ultimate town and I expressed the hope that a helpful decision would be reached by all parties in a few weeks. Unfortunately discussions and committees multiplied until finally the matter came before the Minister of Town and Country Planning himself, who, at the beginning of this year, made the request that the final size of the town should be limited to only 36,500 inhabitants.

LAND AVAILABLE FOR COMPLETION

The land to complete the town is available and the local authority and the company have between them the full organisation to carry it to completion with the minimum of delay. In other words, Welwyn Garden City is already a going concern which has left the difficult initial stages of development successfully behind it. We can therefore make a much greater practical contribution in the next three or four years to the policy of

metropolitan decentralisation within the London area than seems likely in the case of any of the next towns now being promoted for this purpose.

It is in consequence somewhat difficult for us to understand why there should appear to be so many formidable obstacles in our path at a time when we are striving to recapture the enthusiasm and energy of earlier periods of the town's history during which the spirit of real enterprise was so noteworthy.

Having regard to our main objectives in building Welwyn Garden City one would have thought that it was impossible to go too fast, subject merely to the limitations of the community's capacity to absorb new population. I feel very strongly that it would reveal wisdom and statesmanship on the part of those in authority if every encouragement and assistance could be afforded us to reach our goal in the shortest possible time.

RICHARD THOMAS AND BALDWIN, LIMITED

ANNUAL GENERAL MEETING

The ninety-eighth ordinary general meeting of Richard Thomas and Baldwins, Limited was held on the 30th ultimo, at Grosvenor House, Park Lane, London, W.

Mr E. H. Lever (chairman and joint managing director) presided.

The chairman moved the adoption of the report and accounts and the payment of a final dividend of 10 per cent., less tax, on the ordinary shares, making 15 per cent. for the year.

Mr J. E. James (Deputy Chairman) seconded the resolution, and, after the chairman had replied to questions, it was carried unanimously.

The retiring directors (Col. Sir W. Charles Wright, Bt., Mr C. G. Gilbertson and Mr Cyril Watts) were re-elected; and the auditors (Messrs. Peat, Marwick, Mitchell and Co.) were re-appointed, and the meeting terminated with a cordial vote of thanks to the chairman and directors.

At a subsequent extraordinary general meeting a resolution was passed converting the issued preference and ordinary shares into stock.

C. AND J. CLARK, LTD., Shoe Manufacturers, Street, Somerset. Previous experience of similar work is essential. This post will appeal to those who like living in the country. Further information will be given on application. Full particulars of age, education and experience should be given on application, which should be marked "Personal" and addressed to the Personnel Officer.

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GOVERNMENT RETURNS

For the week ended July 26, 1947, total ordinary revenue was £57,099,510, against ordinary expenditure of £52,324,328 and issues to sinking fund allocations of £3,531,384, the surplus being £1,243,802. For the week ended April 1st is £280,538,906, against a deficit of £280,832,917 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1947-48	April 1 to July 27, 1946	April 1 to July 26, 1947	Week ended July 27, 1946	Week ended July 26, 1947
ORDINARY REVENUE					
Income Tax	107,300	269,711	252,584	17,760	17,594
Sur-tax	80,000	13,140	14,880	420	500
Estate, etc., Duties	155,000	47,970	55,863	2,640	3,180
Stamps	57,000	10,620	13,270	2,040	1,100
N.D.C.	202,000	10,099	7,760	810	750
E.P.T.	1,000	101,131	63,748	3,920	2,300
Other Inland Rev.	1,000	153	95	10	—
Total Inland Rev.	156,800	452,804	408,209	27,600	25,424
Customs	736,960	178,833	243,125	8,006	10,048
Excise	643,040	175,246	163,863	23,846	16,763
Total Customs & Excise	1,380,000	354,079	406,988	31,852	26,811
Motor Duties	50,000	6,783	7,215	440	—
Surplus War Stores	95,000	14,446	63,829	50	3,822
Receipts from Trading	55,000	—	25,000	—	—
Post Office (Net Receipts)	—	650	—	650	—
Wireless Licences	11,000	1,110	2,140	—	—
Crown Lands	1,000	390	410	200	200
Receipts from Sundry Loans	21,000	4,885	12,382	—	—
Miscell. Receipts	270,000	5,504	155,620	33	842
Total Ord. Rev.	345,100	840,651	1,081,783	60,825	57,100
SELF-BALANCING					
Post Office	144,230	38,400	42,380	2,450	3,100
Income Tax on E.P.T. Refunds	49,000	76,266	6,736	5,113	300
Total	364,420	955,317	1,130,899	68,388	60,500
Issues out of the Exchequer to meet payments (£ thousand)					
Expenditure	Estimate, 1947-48	April 1 to July 27, 1946	April 1 to July 26, 1947	Week ended July 27, 1946	Week ended July 26, 1947
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	525,000	124,616	132,484	3,114	2,648
Payments to N. Ireland	23,000	4,875	6,675	2,216	896
Other Cons. Fund Services	8,000	3,221	3,140	2	—
Total	556,000	132,712	142,299	5,332	3,544
Supply Services	262,547	965,590	655,414	51,457	48,780
Total Ord. Exp.	318,137	1,118,102	797,713	56,789	52,324
SELF-BALANCING P.O. & Broadcasting	144,230	38,400	42,380	2,450	3,100
Income Tax on E.P.T. Refunds	49,000	76,266	6,736	5,113	300
Total	337,459	123,276	846,829	64,352	55,724

After increasing Exchequer balances by £410,743 to £2,975,128, the other operations for the week increased the gross National Debt by £4,774,329 to £5,452 million.

NET RECEIPTS (£ thousand)	Overseas Trade Guarantees Act, 1939, Sec. 4	127
P.O. and Telegraph	360	
E.P.T. Refunds	366	
Overseas Trade Guarantees Act, 1939, Sec. 4 (1)	73	
Local Authorities Loans Act, 1945, Sec. 3 (1)	3,750	
War Damage: War Damage Commission	1,500	
Civil Contingencies Fund	157	
Finance Act, 1946, Sec. 26 (7), Post-war Credits	9,206	

NET ISSUES (£ thousand)	360
P.O. and Telegraph	366
E.P.T. Refunds	366
Overseas Trade Guarantees Act, 1939, Sec. 4 (1)	73
Local Authorities Loans Act, 1945, Sec. 3 (1)	3,750
War Damage: War Damage Commission	1,500
Civil Contingencies Fund	157
Finance Act, 1946, Sec. 26 (7), Post-war Credits	9,206

Statistical Summary

CHANGES IN DEBT (£ thousand)			
NET RECEIPTS		NET PAYMENTS	
National Savings...	300	Treasury Bills	9,827
24% Defence Bds...	1,806	3% Defence Bonds	2,505
Tax Reserve Certs...	884	3% Term Annuities	1,594
Other Debt :-		Other Debt :-	
External	73,717	Internal	61
		Ways & Means Advances	57,945
	76,707		71,932

* Including £1,881,000 paid off on maturity.

FLOATING DEBT (£ million)						
Date	Treasury Bills		Ways and Means Advances		Treasury Deposits by Banks	Total Floating Debt
	Tender	Tap	Public Depts.	Bank of England		
1946						
July 27	1940-0	2434-7	366-0	15-5	1479-5	6235-6
1947						
Apr. 19	2185-0	2708-6	583-8	...	1463-5	6941-0
" 26	2190-0	2692-1	519-9	...	1463-5	6865-5
May 3	2190-0	2661-5	507-9	...	1463-5	6822-9
" 10	2190-0	2629-4	401-3	...	1463-5	6684-1
" 17	2190-0	2627-1	348-0	5-25	1463-5	6633-8
" 24	2190-0	2620-1	327-5	...	1463-5	6601-1
" 31	2180-0	2603-3	337-5	1-5	1463-5	6585-8
June 7	2180-0	2584-9	341-5	5-5	1463-5	6575-4
" 14	2180-0	2592-1	347-1	10-25	1453-5	6582-9
" 21	2180-0	2614-4	341-9	10-0	1443-5	6589-8
" 28	2180-0	2537-3	369-9	...	1442-0	6529-2
July 5	2180-0	2584-9	356-7	6-25	1368-5	6496-4
" 12	2180-0	2541-0	378-6	...	1358-5	6486-0
" 19	2180-0	2503-1	328-9	...	1408-5	6420-6
" 26	2180-0	2493-4	270-9	...	1408-5	6352-8

TREASURY BILLS						
(£ million)						
Date of Tender	Amount			Average Rate of Allotment <i>u/v</i>	Per Cent. Allotted at Min. Rate	
	Offered	Applied for	Allotted			
1946						
July 26 1947	150-0	270-6	150-0	10 1-40	42	
Apr. 25	160-0	291-8	160-0	10 2-72	27	
May 2	160-0	308-0	160-0	10 0-84	32	
" 9	170-0	296-3	170-0	10 1-38	44	
" 16	170-0	281-2	170-0	10 1-62	49	
" 23	160-0	284-6	160-0	10 1-45	45	
" 30	170-0	282-5	170-0	10 1-66	49	
June 6	170-0	290-5	170-0	10 1-49	45	
" 13	170-0	277-7	170-0	10 1-61	49	
" 20	170-0	282-0	170-0	10 1-65	49	
" 27	170-0	288-4	170-0	10 1-43	46	
July 4	170-0	292-1	170-0	10 1-51	46	
" 11	170-0	299-8	170-0	10 1-09	40	
" 18	170-0	294-5	170-0	10 1-39	44	
" 25	160-0	292-4	160-0	10 1-24	40	

On July 25th applications for bills to be paid on Monday, Tuesday, Wednesday, Thursday and Friday were accepted at as to about 40 per cent. of the amount applied for at 199 17s. 5d. and applications at higher prices were accepted in full. Applications for bills to be paid on Saturday at 199 17s. 6d. and above were accepted in full. £160 million (maximum) of Treasury Bills are being offered for Aug. 1st. For the week ended Aug. 2nd the Banks will not be asked for Treasury deposits.

NATIONAL SAVINGS			
(£ thousand)			
	Week Ended		Totals
	July 20, 1946	July 19, 1947	Mar. 31 to July 19, 1947
Savings Certificates :—			
Receipts	2,300	2,800	86,100
Repayments	3,050	2,800	45,050
Net Savings	Dr. 750	...	41,050
Defence Bonds :—			
Receipts	2,080	1,795	29,475
Repayments	199	927	11,316
Net Savings	1,881	868	18,159
P.O. and Trustee Savings Banks :—			
Receipts	12,505	13,675	200,282
Repayments	14,055	15,425	207,924
Net Savings	Dr. 1,550	Dr. 1,750	Dr. 7,642
Total Net Savings	Dr. 419	Dr. 882	51,567
Interest on certificates repaid	488	504	9,102
Interest accrued on savings remaining invested	2,133	2,250	31,635

BANK OF ENGLAND RETURNS

JULY 30, 1947

ISSUE DEPARTMENT

Notes Issued:			
In Circulation	1419,524,935	Govt. Debt	11,015,100
In Bankg. Department	30,922,898	Other Govt. Securities	1438,251,768
		Other Secs.	724,496
		Coin other than Gold	8,636
		Am't of Fid. Issue	1450,000,000
		Gold Coin and Bullion (at 172s. 3d. per oz. fine)	247,833
			1450,247,833

BANKING DEPARTMENT

Capital	14,553,000	Govt. Secs.	336,065,661
Reserves	3,761,269	Other Secs.	—
Public Depts.	11,337,184	Discounts	28,552,258
		Advances	28,505,318
Other Depts.		Securities	—
Bankers	301,789,415		—
Other Accts.	95,052,862	Notes	57,057,576
		Coin	30,922,898
			2,447,595
			426,493,730

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

COMPARATIVE ANALYSIS

	(£ million)			
	1946	1947		
	July 31	July 16	July 23	July 30
Issue Dept. :				
Notes in circulation	1386-9	1405-5	1408-3	1419-3
Notes in banking department	13-4	44-7	42-0	30-9
Government debt and securities*	1399-2	1449-2	1449-3	1449-3
Other securities	0-8	0-7	0-7	0-7
Gold	0-2	0-2	0-2	0-2
Valued at s. per fine oz.	172/3	172/3	172/3	172/3
Banking Dept. :				
Deposits :				
Public	7-1	9-5	8-9	11-3
Bankers	238-7	303-9	295-5	301-8
Others	54-4	93-8	95-3	95-1
Total	300-2	407-2	399-7	408-2
Securities :				
Government	262-8	339-0	331-7	336-0
Public	15-8	21-4	24-3	28-6
Discounts, etc.	25-1	28-6	17-7	30-1
Other	30-3	378-5	373-7	393-1
Total	14-7	46-8	44-2	33-4
Banking dept. res.	%	%	%	%
"Proportion"	4-9	11-5	11-0	8-1

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August 9, 1947

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The Lash of Adversity

IT would obviously be premature to judge the Government's new economic policy from the Prime Minister's speech alone, particularly since the time-table precludes any extended comment on the speeches that were to be made on the second day of the debate by the President of the Board of Trade and by the Chancellor of the Exchequer. The new policy is an improvisation, and bears the marks of its hurried preparation; there is much in Mr Attlee's bare and bald outline that needs considerable amplification before it can be fully understood.

But in a matter that is in large part psychological, first impressions count for a good deal and if Mr Attlee's speech has given the country the wrong lead, no amount of later glosses upon it will catch up with the harm done. That any speech of Mr Attlee's would be arid and uninspiring is, unfortunately, to be taken for granted; he touches nothing that he does not dehydrate. But there was room for hoping that the substance of what he had to say would overcome the defects of the manner and jolt the country into a sense of reality. The measure of his failure lies in the almost audible sigh of relief that went through the country on Wednesday evening "Not so bad, after all" is the general comment; and there could hardly be a more disastrous reaction to have provoked. There are two tests that can properly be applied to the Government's plans. In part, those plans must inevitably be a purely passive adjustment to external circumstances; and there the test is whether all traces of false optimism have been adequately squeezed out. But the new proposals should also include a frank recognition that the economic policy pursued to date inside this country has been partly responsible for the present mess and a firm determination to seek and apply the remedies. Judged by the first test, the Government's proposals are not very satisfactory; and judged by the second, they are downright unsatisfactory.

Under the first head—that of the passive defence measures against the dollar stringency—there is some evidence that Ministers are at last frightened of the position that is developing, and that they are trying to frighten the public. But they cannot yet bring themselves to say more than "Boo" to a people that is by now enured to crises. None of the cuts in external expenditure that is proposed measures up to what the public had steeled itself, in the last few days, to expect. The reduction in the total of the armed forces by 80,000 by the end of the year is merely derisory. It has long been quite impossible to understand the Government's mental processes on this subject. They have committed themselves to a conscription policy that will bring the total of the forces down before long to somewhere between 600,000 and 750,000; why on earth cannot it be done now? People were expecting the total withdrawal of the basic petrol ration; but it is only to be cut by one-third. On travel allowances and film remittances, something much more drastic had been expected. And lastly, in the matter of food, there had been a dismal expectation of a halving of the meat ration and a cut in the fats ration. But all the Prime Minister said was that some items would be "up-pointed," that

there would be restrictions (unspecified) on meals in hotels and restaurants and that there might be further cuts (still less specified) later on. This is a dereliction of duty. The Prime Minister should have told the country squarely that it is necessary to choose between food and raw materials, and that it is the raw materials of productive industry that are really essential in the ultimate analysis. It is better to go hungry and still be able to work for salvation than to keep full stomachs and live on charity. Mr Attlee should have made the country realise that this is its bitter choice; instead, he has encouraged the belief that something will turn up to put off the necessity of choosing.

The most encouraging announcement in this part of the Prime Minister's speech was that the Government have at last decided to break their embarrassed silence on the ruinous nature of the conditions attached to the American credit and to tell the United States Government squarely that they cannot be borne. This should have been done two years ago; and it would have been done two years ago if the British negotiators at Washington had had a larger dash of realism and a smaller admixture of ideology. The Government have made no greater mistake in their two years of office than to gag the free discussion of the American loan in December, 1945. Something is said in two later articles of this issue about the issues that revolve round those two unintelligible abstractions, "convertibility" and "non-discrimination."

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If the one half of Mr Attlee's speech was merely weak, the other half was definitely wrong-headed. Where there is need for a reversal of economic policy at home, he promised merely an intensification of the wrong policy hitherto pursued. It cannot be too often repeated that the present troubles of the nation are only in part of external origin; the other part is due to the mistakes that have been made at home. For two years the Government's economic policy has been made up of controls, rations, restrictions, priorities, exhortation and inflation. Now that it has landed the country in such a mess, all that the Government can think of to prescribe is a lot more of the same medicine. Since it failed to cure the patient, every ingredient is to be strengthened. There are to be new controls over capital investment, the one sure long-term remedy. There are to be tighter allocations of materials. There are to be new restrictions on the freedom of employers and workers. There are to be new priorities for exports—but without any real assurance that the suppliers of essential materials and components for the export trades will not get caught up in the new restrictions. (*The Economist* is, as to 50 per cent, an export business; one of the largest exporters in its industry. But we are less able than ever before to do our exporting duty.) There are to be plenty more exhortations, with new and higher targets set in blithe indifference to the fact that the old and easier targets are not being attained. And, lastly, there is to be more inflation. When supplies available for the home market are cut down without any reduction of spending power, that by itself intensifies inflation. But in fact spending power will be increased, for the extra hours that the unions are to be asked to work will have to be paid for at overtime rates, and the TUC's statement is significantly silent about the Government's plea for a truce to wage claims. Why should this intensification of the mixture-as-before be expected to work any better than it has worked hitherto?

These doubts about the attainability of paper targets apply with particular force to the policy of agricultural expansion now announced. It is not very easy to quarrel with the target. Unless British exports are to be much more successful in capturing and holding the world's markets than seems at all likely, some permanent limitation of British imports will be necessary long after the present dollar crisis has been surmounted. It is not unreasonable to say, in these circumstances, that an increase of

20 per cent in the output of British agriculture is desirable. But is it possible? Can it be done at all—and particularly within five years—without a far-reaching reconstruction of the whole structure of British agriculture? And if the attempt is made to accomplish it by the methods of the last eight years—that is, by giving farmers and farm workers ever-rising cash inducements—will not the cost be a very large fall in the standard of living of the British people? It is not because they propose inadequate targets that the Government's proposals fail to inspire confidence, but because they do not give any reason for believing that, this time, the targets will be attained.

Voices have been heard in the last few weeks urging that what is wrong with the country is not wholly economic, but largely moral. That is true. But the distinction between the economic and the moral is not as absolute as is often supposed. Faulty economic policies can lead to bad morale. At the moment, it is manifest that the country is languishing because its individual citizens do not react to the national calamity with sufficient effort and responsibility in their individual lives. But that is not due, or at least not wholly due, to any weakening of moral fibre or any dilution of patriotic spirit. It is very largely due to the fact that the national problem is not reflected in millions of individual problems. It was often remarked at the bottom of the slump that, though the national interest was obviously for expansion and free expenditure, the individual was compelled by circumstances to practise the most stringent economy. Today the roles are reversed. The community is faced with the necessity for the most bitter economy of its resources; but fewer of its individual citizens have a personal economic problem to face than ever before. Some of them are hard pressed: the pensioners, the over-worked and under-paid senior civil servants, the salaried middle-class generally, and particularly their womenfolk. But the whole of the working class, the great majority of those whose incomes are derived from business, and virtually every business firm, have a greater feeling of individual prosperity today, for all the shortages, than they have ever experienced before. Of course they do not react to a national emergency that is simply something they read about in the papers and do not experience in their own lives.

Not until the lash of economic adversity ceases to be a metaphor in statesmen's speeches and becomes something that the individual feels on his own back will the "moral" crisis be surmounted. If the Government wants real economy throughout the length and breadth of the land, it should so mould its economic policy that every individual starts counting his pennies again and every business firm begins to get anxious about its profit-and-loss account. It may be that the tide has already turned and that the inflationary pressure is relaxing; but if so, it is due to the despised "blind economic forces" and not to anything the Government has done. The healthy effects of Stock Exchange losses, after seven years of Stock Exchange profits, can already be perceived; but the Stock Exchange has fallen because of the collapse of Mr Dalton's policy, not because of any success it has had. The Government ought to be hurrying on the disinflationary process by every means in its power instead of impeding it for fear of creating unemployment. A moderate degree of unemployment would, in fact, be a god-send, since there is nothing else that will get the labour for the mines, for the textile industries and for agriculture, and that will really clear the way for exports. A moderate degree of unemployment in the next few months—enough to restore some elasticity to industry—is, in fact, the only thing that will now save the country from the mass unemployment that would follow upon a complete breakdown of imports. It is, of course, "unprogressive," "reactionary" and "socially irresponsible" to say this. But it happens to be the truth. And it is a truth that the Government, with the great mass of the people behind them, are still resolutely determined to ignore.

Back to Partition

THE murder of two young British soldiers by Jewish terrorists and the discovery of their bodies in a snare of booby traps do not, in one sense, represent anything new in the tragic history of Palestine in the last two years. The attack on the hostages was more repellent but not more murderous than the blowing up of the King David Hotel, and week by week, Palestine has been taking its toll of innocent life. Yet there comes a point when the repetition of violence becomes in itself a new factor and that time has now been reached. The British Government has no doubt a duty to the international community whose mandatory in Palestine it is. It has a duty to the Arabs. It has a duty to the Jews. All these several and collective duties have been stressed and re-stressed in recent months. But the culminating murders of last week should remind it of a duty rarely mentioned and apparently forgotten—a duty to the British people and in particular to the unfortunate British conscripts drafted to Palestine. The time has come not to examine international or Arab or Jewish or even American interests in Palestine, but to write the British balance sheet. Why should British soldiers continue to be exposed to this kind of killing? Why should the British community bear the cost? For one thing is certain. The cost of Palestine to Britain is incalculable—in its material burden on the overstrained British economy, but, much more serious, in the moral degradation to which it exposes young men living under conditions which by their monotony incite them to excess and by their violence are likely to send them home very perfect anti-Semites. To offset such evils, the advantage to the British community must indeed be very great and very clear.

The seasoned critics of British imperialism in America and elsewhere reply that the reason for Britain's interest in Palestine is crudely strategic. Only by the presence of British troops can Britain's large oil investments be safeguarded and the area preserved from Russian aggression. This argument certainly carried some weight with the General Staff and the Foreign Office in the past, indeed, in a quite immediate past. But there is now no intention of building a major base in Palestine, at Gaza or elsewhere. It is realised that the specific British interest in the Eastern Mediterranean as distinct from the general world interest in the stability of the area—is no longer so vital as to be worth the effort that would be needed to maintain it. America's great interests are believed to be sufficiently protected without any Middle Eastern concentration of American troops. The British need not show a greater concern. If, on the other hand, the reason for the absence of American troops is the unspoken assumption that Britain can do the job for America, the sooner the burden is shared, the better. In either case, no strategic advantage would be lost if the British withdrew immediately from Palestine.

The continuance of British occupation in Palestine today can therefore be justified only on grounds of moral obligation. What are these obligations? To the Arabs? After the last war, the British promised independence to the Arab world and the record in Iraq and Transjordan and, indirectly in Syria and Lebanon, goes almost the whole way to fulfil that promise. To the Jews, the British promised a National Home in Palestine. The Jews have now achieved it. At no time did the British Government promise a Jewish majority and a Jewish state. The obligation is therefore already fulfilled. To world Jewry the British have another obligation, an obligation which they share with all the civilised nations—to succour the Jewish victims of Hitler's persecution. But this duty does not entail an obligation to send the victims wherever they want to go. Any free and private poll among the Jewish survivors in Europe would demonstrate beyond question that the majority wish to go to the

United States. This fact does not impose on Britain an obligation to help them to get there.

All in all, the moral obligation to stay in Palestine is very small—quite incommensurate with the cost to Britain of continued occupation. If there were no more interests and duties involved than these, the British could and should begin their evacuation tomorrow. Other powerful arguments can be marshalled for such a move. In any situation of complete deadlock, the only hope is to introduce a completely new factor—a catalyst—such as was found in India when the Government announced a date for the transfer of power. If the policy of the catalyst worked there, could it not work in Palestine? The difficulty is that the circumstances are quite different. There is no compromise Arab and Jew can reach unaided. Nor would there be the remotest hope of avoiding war. The removal of British control would be the signal for a massive Jewish immigration. The Arabs' immediate resistance would be countered by Jewish forces trained in the British Commandos and by arms, equipment and finance provided by American Jewry. Local Arab opposition would be quickly beaten down—the chief reason for the terrorists' attacks on Britain is their conviction that the Arabs could be easily defeated if the British withdrew. But in the event of a Jewish military victory inside Palestine the Arab states would hardly stand aside, especially since Jewish extremists have spoken of annexing more than Palestine. The fuse lit in Palestine would set in motion a conflagration involving the whole Middle East, and however small Britain's direct interests in Palestine may be, its interest in the general peace of the Eastern Mediterranean and the Arab lands is very great. A British withdrawal cannot, therefore, be lightly or precipitately undertaken. So long as there is any other reasonable solution it must first be tried, even though a total British withdrawal should be held in reserve as a last resort.

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But if a British withdrawal is not immediately practicable, does it follow that the British Mandate must be continued—with all the misery and demoralisation that it entails? This clearly is impossible. Even if there can be no immediate British withdrawal, a change in policy there can and must be, one which relieves the British taxpayer and the British soldier of the impossible burden of internal policing and administration in Palestine. There is only one such solution—the partition of Palestine and the creation of a small Jewish sovereign state, if necessary with certain transfers of population. The Arab areas could either be attached as separate communes to neighbouring Syria and Transjordan or be included as an autonomous province in a Greater Syria. Partition is the solution recommended by the most distinguished report on Palestine yet drafted—the Peel Report—and, since 1938, no alternative has been found. It is the solution which, but for a last-minute intervention by Mr Bevin, might under Mr Creech Jones' guidance have emerged from the conference with the Arabs and Jews, held in London last Christmas. Events since then—a hardening of opinion among the Arabs, a growing desperation among the Jews and the reference of the problem, in default of a British policy, to the United Nations—have made the carrying out of immediate partition more difficult. But it remains the only policy which, short of a total British withdrawal, gives the British community the relief it has every right to expect.

Yet if the decision is taken to introduce partition, some effort must be made to mitigate the new difficulties. The United Nations, having been consulted, cannot be ignored. Their Commission will presumably be reporting in a few weeks and no action should be taken until then. But it is in the highest,

degree unlikely that the Commission will produce a clear-cut solution of the problem that all parties can be induced to accept. The British Government should be ready, with its mind made up, to announce its firm policy as soon as it becomes apparent—as it almost certainly will—that the appeal to the United Nations has been a waste of time.

Could Arab and Jew be persuaded at this late hour to accept partition? On the Jewish side, the moderate leaders are probably still prepared to do so and those who, in spite of the terrorist fringe, still carry the most weight in Jewish affairs could almost certainly be persuaded to return to the conciliatory attitude they adopted—in private—last Christmas. The dire consequences of Jewish terrorism by now provide an added inducement to accept a policy which could bring terrorism to an end. Another undoubted inducement lies in the fact that a sovereign Jewish state could at once receive thousands more of Jewish refugees seeking to leave Europe.

The task of persuading Arab opinion would be more difficult and it is doubtful whether the Arabs in Palestine itself would accept partition, unless under pressure from other members of the Arab League. But a number of inducements could be offered: a British guarantee of the Palestine frontiers, for instance, the self-interest of Syria and Transjordan in extending their frontiers and even gaining territory on the Mediterranean coast, the gain to the whole Arab world if, with the co-operation of the American Administration and the United Nations' agencies, capital investment were offered to accelerate the economic development of the Arab lands—and Arab opinion might also be easier to persuade if the British Government, after con-

sulting the Dominions, were to couple the announcement of partition with an offer from the Commonwealth to accept a large body of refugee immigrants, with a generous quota for the Jews. The Arabs very naturally resent the fact that, as far as they can see, they are being asked by the world to make the greatest contribution to the resettlement of the Jewish refugees. Their resentment and opposition would be lessened if they knew that other, wealthier communities were carrying their share of the burden. A British decision on these lines might also hasten a similar decision in the United States.

If, however, the various inducements failed to impress Arab opinion, a sanction and a threat would be implicit in the new British position. For, if partition were rejected, the alternative would be a total British withdrawal, in which event the Palestinian Arabs' chances of withstanding Jewish pressure would be very slight indeed.

Thus the outlook for persuading both Arab and Jew, even at this late hour, is not hopeless. At least, it is not dark enough to nullify all chance of achieving partition by agreement. And it must be emphasised again that the reason for British advocacy of partition now is not primarily because it is in the best interests of the Jews or the Arabs, or the international community in general, it is simply because it is in the best interests of the long-suffering British and is, indeed, their last offer before they remove themselves lock, stock and barrel from an area which is a drain on their resources, a death-trap for their soldiers and a source of degradation, both to the men who are sent there and to the growing number of potential anti-Semites at home.

Articles Seven to Ten

WHEN the terms of the American Loan Agreement were published and ratified in December, 1945, *The Economist* got into very hot water, in both countries, for the warmth of language with which it denounced the "cruelly hard" conditions that were attached to the grant of a dollar credit. Our view was that the British Government had no option but to agree, since it must have the dollars, but that the conditions attached amounted to a policy of ruination for the British economy which was not likely to be any the less effective for not being deliberate. "It is for the Americans to say what pleasure they take in a bargaining victory won over their best friends at such a price. . . . Beggars cannot be choosers. But they can, by long tradition, put a curse on the ambitions of the rich." This was thought to be too strong language for polite society. We were unabashed at the time, and we are unrepentant today. Gladly would we have been proved wrong. But unfortunately every apprehension that we felt then has been justified in fuller measure, and with shorter delay, than we feared. If it is the disappearance of the dollars that brings on the present crisis, it is the conditions on which they were lent that make the crisis so difficult to solve. These are the first signs of a willingness in America to see how hardly the rigid application of theoretical principles can bear upon an economy that has been distorted by war and the willingness of Mr Marshall to discuss the subject brings some hope that these crippling restrictions will now be removed.

It is as well to recall what the conditions of the Agreement were. Article Seven requires "sterling receipts from current transactions" to be made freely convertible into any other currency by July 15, 1947. It is this that has brought the present crisis to a head. Article Eight commits the British Government to impose no exchange restrictions on current transactions from the same date. Under Article Nine, Great Britain promises (with a few exceptions) not to impose import restrictions that

discriminate against imports from any country. And under Article Ten it is provided that sterling balances will not be repaid except in freely convertible sterling. It is expressly provided, however, that Articles Eight and Nine, "which are in anticipation of more comprehensive arrangements by multilateral agreement, shall operate until December 31st, 1951." In the absence of "multilateral agreement" they will then presumably lapse.

In the inquest that is now going on into the causes of the present crisis, far too much stress is being laid on convertibility. It is true that the date was far too early and that it was its arrival which has apparently precipitated the crisis. But to restore some degree of convertibility to sterling is obviously a desirable objective if it is to survive as a currency of international commerce. And it could not be much longer delayed except for payment in hard currencies. What has done the damage has been the fact that the British authorities have had no room for manoeuvre. They could not offer the convertibility of sterling as a bargaining point since it had already been conceded to all as a unilateral right. In fact, they could hardly bargain at all in view of the principle of non-discrimination. To give only one example—in the present conditions of world-wide dollar shortage, several countries are cutting down their purchases from Britain in order to have a balance of "current sterling" which can be converted into dollars. Britain is powerless to redress its balance of payments with any such country without cutting down equally from all.

It is not, in fact, Articles Seven and Eight—the convertibility articles—that are the villains. It is Articles Nine and Ten—the non-discrimination articles. And they are not wrong merely in the context of the present extraordinary conditions; they are wrong in principle.

The various objections to the doctrine of "non-discrimina-

tion" will not be news to readers of *The Economist*; they have often been stated here. But they seem to have come as a surprise, within quite recent months, to His Majesty's Government and to most, if not to quite all, of their advisers. Very little seems to have been said about non-discrimination during the negotiations for the dollar credit in 1945. There were great arguments about all the financial questions, especially about the American insistence on making sterling convertible, but non-discrimination seems to have been accepted as the sort of principle to which no gentleman would take exception. Thus the British people were almost off-handedly saddled with what they now discover to be a great incubus.

The first set of objections to the doctrine of non-discrimination is that, in its American definition, it loads the dice unfairly against British interests. The widest argument under this head is that Great Britain, the world's greatest buyer, is in a very strong bargaining position at most times (though not at present), and should therefore not accept any restrictions on its ability to drive hard bargains, restricting access to its market to those countries which treat its exports well. But it is doubtful just how much strength there will be in this argument when more normal conditions return; and there is clearly very little strength in it today. For the purposes of this article, therefore, this wide and sweeping argument will be left aside.

Without any reliance on it, however, the doctrine of non-discrimination, as defined in Washington, can easily be shown to work unfairly against British interests, and it will continue to do so long after the present dollar crisis has been surmounted. There is a natural, but unmistakable, tendency on the part of the Americans to word their documents in such a way that all their own favourite methods of discrimination are to be retained, while the discriminations that favour the British are to go. Shipping, for example, is the one large international industry in which Britain has a large advantage over the United States, and British shipowners would greatly gain by the abolition of American flag discriminations, subsidies and other protective devices. But shipping is carefully excluded from the purview of the doctrine of non-discrimination. Again, there is no proposal that the United States shall abandon the discrimination of its "tied loans"—that is, the attachment to loans of the condition that all or part of the proceeds shall be spent in the United States. When America puts Brazil in possession of dollars by means of a loan, and stipulates that those dollars shall be spent in the United States, that is all right; when Britain puts Argentina in possession of pounds by purchase of goods and stipulates that those pounds shall be spent in Britain, that is all wrong. Furthermore, though it is considered legitimate for the United States to attach discriminatory conditions to the making of a loan, Article Ten prohibits the United Kingdom

from attaching discriminatory conditions to the repayment of a debt. Though it does not yet seem to have been generally realised, this amounts to a prohibition of repayment of the sterling balances, since the likelihood of repayment in dollars (or in pounds convertible into dollars) is obviously very small. In the absence of this clause, it would be possible to arrange for the repayment of the sterling balances by special deliveries of goods over long periods of years, to the mutual advantage of creditor and debtor.

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The second set of objections to the doctrine of non-discrimination is that, even if it were adjusted so as to be perfectly equitable in its incidence on different countries, it would still obstruct any attempt by a country to make its foreign trade serve the objects of its full employment policy. For all those countries where foreign trade is more than a marginal quantity, non-discrimination and economic stability are incompatible with each other. This proposition requires a little argument.

Economic policy nowadays is mainly concerned—or, more accurately, will be mainly concerned when normal times return—with maintaining the level of general economic activity within the country. It is concerned, that is to say, with maintaining the total volume of economic activity, with keeping it high and keeping it steady; that is what is meant by the catchphrase "full employment." It is obvious that for a country such as Great Britain, and for most others, the objects of a full employment policy would be entirely frustrated if the volume of international trade were to fluctuate widely from year to year. It is, therefore, inevitable that countries should seek to stabilise the volume of their imports and particularly of their exports. Whether or not it is true that the doctrines of untrammelled multilateral trade would lead to a higher volume of international trade on the average of years, no one in his senses would argue that it would stabilise the volume of trade from year to year; on the contrary, it would leave the volume of trade free to fluctuate. No one country can control the volume of its trade—certainly not of its exports; the planned stabilisation of trade can only be effected by mutual bargaining between pairs, or small groups, of countries, each promising to sustain its purchases if the others enable it to sustain its sales. In other words, any extension of full employment policies into the field of international trade can only be achieved by means of bilateral bargaining which, though open to all comers, must inevitably discriminate against those who do not choose to assume the obligations of the bargain. If this sort of arrangement is banned—as under the American proposals it is—it would be idle to expect that countries will abandon the attempt to control the volume of their foreign trade—they could not do so without abandoning their full employment policies. Their only recourse will be to cut down their imports to what is indispensable. The result of a



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prohibition on planned stabilisation of trade at a high level will be planned stabilisation of trade at a low level.

The third set of objections to non-discrimination is the most decisive of all. This is that non-discrimination, combined with a shortage of a major currency, is a powerful weapon for throttling international trade instead of being a lever to increase it. No more persuasive example of the truth of this could be given than what is happening all over the world at the present time. One country after another, finding itself compelled to cut down its dollar spendings, is also compelled by the American insistence on non-discrimination to cut down its purchases from all other countries as well. Because Britain and Argentina can neither of them buy from America, they are compelled to refuse to buy from each other. Nor is this likely to be a purely temporary state of affairs. It is true that the dollar shortage will not always be as severe as it is now; but the optimism so prevalent a year or two ago that the American balance of payments would by some magic bring itself into equilibrium has now vanished. It is much more likely (and always has been) that some shortage of dollars will persist for a long time. The great economic strength of the United States is a phenomenon to which there is no parallel in economic history. It is most unlikely that any adjustment of the American tariff to which Congress would conceivably consent would be big enough to solve the problem by an increase in American imports. Indeed, it is fully possible that there would still be a shortage of dollars even if the American tariff were completely abolished. A policy of massive dollar loans would do no more than postpone the problem, at the cost of intensifying it. It is much the most likely contingency that the problem

of the American balance of payments will have to be solved in the great majority of years in the same way in which it is being solved in 1947—by a universal restriction by all other countries of their purchases from the United States. But if this is so, the principle of non-discrimination merely becomes a device for doing the maximum harm to international trade.

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Nothing that has been written in this article should be taken as an argument in favour of discrimination for its own sake. There is no desire here to glorify Schachtianism. What is asserted is that the sweeping and rigid dogma of non-discrimination à la Clayton would do, and is doing, far more harm than good to the cause it is intended to assist, the restoration of world trade. The International Trade Conference at Geneva would be occupying its time far more fruitfully if it were trying to define what sorts of "discrimination"—that is, mutually profitable bargains between pairs or groups of countries—could be accepted, not merely as temporary exceptions but as permanent devices for fostering the flow of international commerce. There is still time for the conference to make progress along these lines.

In any case, the attitude of the British Government should be clear. More vigorous protest against the doctrine of non-discrimination should have been made when the Loan Agreement was made in 1945. Every effort should be made to persuade the United States to release Britain from the obligation it then accepted, the ruinous nature of which is now clear to all. And it should be made clear that, when that obligation expires in 1951, Great Britain will be extremely unwilling to renew it.

A Question of Freedom

(By a Correspondent)

A FEW years ago, in one of the districts of Glasgow where people of Catholic and of Protestant Christian faith dwell in proximity with one another, a man was arrested in a street brawl and brought before a magistrate. In court the police produced a stocking filled with broken glass which had been taken from him. "And why were you in possession of this dreadful object?" sternly inquired the magistrate, and received the answer: "Please, your honour, it was a matter of religion."

We have moved so far since the age of the Wars of Religion that we now find a certain incongruity between the example of the Good Samaritan and the resolve to bash in one's neighbour's face with broken glass for the sake of a theology. But if the man had said it was a matter of politics, the story would have much less point. At all times in history there has been violence in contests for political power and the secularisation of dogmatic beliefs about the nature of the universe has not abolished, but only transformed, the *odium theologicum*; as G. K. Chesterton once wrote, in the old days men killed one another for the love of God, in our time they kill one another for the love of Man. Nevertheless, even in politics there is current in a part of the world the idea that all men have a right of free political opinion and criticism, which should be protected by the law against arbitrary official persecution or unofficial gangsterism, and that society is only in a healthy condition when its conflicts are peacefully resolved through public discussion, controversy and election to civil office. This belief and the institutions corresponding to it are now known as Western democracy.

The British Labour Party has never been much addicted to abstract theory and its leaders—except Mr Strachey—have been almost innocent of "scientific Socialism" as studied on the Continent. But, in the days before the electorate gave

them for the first time their absolute parliamentary majority, they were accustomed on occasion to show the party flag and challenge debate in the House of Commons on "the public ownership and democratic control of the means of production." This is what they meant and still mean by Socialism, and when they spoke of democratic control they really did mean democratic control. They believed—whether rightly or wrongly is a matter of opinion—that a system of production according to their formula was socially more desirable than the system of capitalist private enterprise; was more in the real interest of the majority of the electorate, and was better able to avoid the evils of slump, unemployment and international trade rivalry leading to war. But to their belief both parts of their formula were essential. It was not sufficient to have political democracy without social democracy, representative government without socialisation of the means of production; as long as the mass of wage-workers, the proletariat, had no share in productive property in modern industrial conditions, their merely political rights still left them economically disinherited. But without democratic control they had nothing to gain by public ownership. So much, indeed, was it assumed that the publicly owned property would be democratically controlled that it was little emphasised in debate.

As Mr Bertrand Russell has pointed out in one of his essays, nobody before 1917 supposed that Socialism, not even Marxist Socialism, was ultimately undemocratic in the ordinary sense of political democracy. Admittedly, some Socialists held that the victory of the working class over the bourgeoisie could only be brought about through violent insurrection and civil war. But even those who held this view, and argued that the defeated bourgeoisie would for a time have to be deprived of political rights, considered it axiomatic that freedom of speech, freedom

of party association and freedom of election would exist among the victorious workers themselves. They knew that the workers had a world to win and nothing to lose except their chains. But it never occurred to them that anyone but a born fool would imagine that the workers had won the world or lost their chains if the state owning the means of production were in the hands of a self-appointed, self-renewing irremovable corporation of ruling officials, who decided at their absolute discretion what use was to be made of the means of production, how much of the national income they would pay to themselves, and what wages and conditions of work they would allow to the great mass of state employees.

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Since 1917, however, and particularly since about 1930, it is just that thesis which has been vehemently maintained by the sect called Communists—the faction of the old Russian Social Democratic Party who renamed themselves Communists thirty years ago and begat their like all over the world. The Communists do not, of course, admit that their system is undemocratic; on the contrary, they claim it to be the only true democracy. In the Soviet land, they say, there is no class conflict and therefore no social basis for more than one party; plurality of parties having been done away with, the people are virtually unanimous in support of their rulers. In the last Union general election 99.7 per cent. of the registered electorate voted and the Government list received 99.18 per cent. of the votes cast; *Pravda* proudly compared this to the British Labour Party's 11 million votes from an electorate of 33 million in 1945 or Roosevelt's 25 million from an electorate of 60 million in 1944. This solemn farce of "electing" candidates who may not be opposed and must be either nominated or endorsed by the sole legal party is formal homage paid to democracy by the Communists. But it is no more than that. In reality, all who are not members of the Party, the vast majority of Soviet citizens, are disfranchised, for they cannot criticise or change their rulers; their only right is to vote for them. Membership of the Party is a jealously guarded privilege, and its rank and file are perpetually under threat of expulsion; all real power is concentrated in a small clique of men who, whatever their behaviour, cannot in any way be called to account by those they govern. This is a system quite unlike the old idea of Socialism, which was supposed to give the people some control of what they were legally to own.

People who believe in the socialisation of the means of production are today divided between Communists on the one hand, and Socialists, Social Democrats and "Labourites" on the other. But, although the lines of division have been fairly sharply drawn in controversy among the Marxologists, there is still a remarkable confusion in the public mind about the whole issue. According to Professor Hayek, who so much influenced Mr Churchill's Central European electioneering in 1945, there is no real difference between various brands of economic collectivism; the grey mare is trotting down the Road to Serfdom with Clem Attlee, Hugh Dalton, Ernie Bevin, Herbert Morrison, Bill Rust, Old Uncle Joe Stalin and all. There are plenty of people who are convinced that Bolshevism already reigns in Downing Street; were it not for the too notorious failure of Mr Bevin and Mr Molotov to agree about anything at all in the international field, this opinion would, indeed, be almost universal outside the ranks of the Labour Party. Across the Atlantic the existence of this belief is a factor of great political importance. We are told that many business tycoons and Congressmen think that Socialism and Communism are really one and the same thing, and that it is no good aiding Europe, Eastern or Western, because the whole continent is going red anyway.

Curiously enough, this opinion, coming out of the camp of the ruggedest American individualism, exactly corresponds to

what the Communists are saying with incessant loquacity from their end of Europe. According to them—and their propaganda only amplifies what Generalissimo Stalin said in the audience he gave to Commander Stassen—there is only one great issue by which mankind is divided: the issue between "Socialism"—state ownership of the means of production—and capitalism. The Soviet Union has completed the Socialist revolution; let others admire and copy. The *bourgeois*, the reactionaries, the imperialists and the fascist beasts cannot, of course, be expected to; but for those who profess and call themselves Socialists, the choice is clear: either to fall in as humble camp-followers behind the party of Lenin and Stalin or to break working-class unity and range themselves on the other side of the barricades.

But the Western Socialists, apart from the sub-sect known in this country as the Zilly Zanies, do not admit either that the question of political democracy is unimportant or that the Communist regime in Russia has any of the characteristics of a political democracy except in the sense in which Mr Bevin can be said to have a slender figure—namely, that that is the way it started many years ago. Socialists claim to be democratic in two stages of intention: first, in that they aim at coming to power and carrying out their programme by means of fairly won parliamentary majorities; and second, in that, for the future Socialist society itself, they consider conditions of political freedom to be essential. The second part of the doctrine is even more important than the first; it means the contrary of Communism, not only as regards the means to be employed in attaining the social aim but also as regards the nature of the society which is desired.

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The position of the Western Socialists is now very difficult. They are caught between two fires; under the stress of conflict with *bourgeois* parties they are driven towards alliance with Communism, and in recoil from Communism they find themselves in the camp of capitalism; they are threatened with rebellions and splits in their party organisations, between those who put Socialism before liberty and those who put liberty before Socialism. But in their great majority they may be expected to remain adherents of Western democracy on two conditions—that their *bourgeois* adversaries in each country play the democratic political game according to the rules and that American economic power is not used to thwart constitutionally adopted Socialist policies in Western Europe. Both these conditions need to be mentioned and especially the second. The vital point about democracy is that it is not in itself a specific social or economic programme, but the freedom of the people to choose between programmes.

For that vital principle the Communists substitute the doctrine that government for the people shall be carried on, at the Party's discretion, in spite of the people and never by the people. Those Socialists who still, in the last analysis, find it easier to forgive Communists for being totalitarians than to forgive liberals for being *bourgeois* must therefore ask themselves whether they are not destroying the very root of the faith which they have inherited, the faith in the capacity of ordinary men and women to live better and fuller lives once the security and privileges of the middle-class have been extended to them by freely elected governments. They must look at the development of Soviet institutions and ask themselves whether there is the slightest possibility of the Russian people attaining the freedom of choice which is the essence of democracy. Any refusal to conduct this self-examination, any tendency to toy with totalitarian alliances would weaken social democracy all over Europe, and convince the average American that there is little to choose between Socialists and Communists when it comes to a trial of strength.

NOTES OF THE WEEK

Paris Begins Planning

Most of the sixteen governments represented at the Paris economic conference have now answered the questionnaires about their resources and needs sent to them last month. The figures and facts submitted have now to be assembled into some kind of pattern, within the lines of which western Europe's reply to the Marshall offer will be drafted. It is at this stage that negotiation becomes really difficult, and there is little point in concealing the fact that divisions have already appeared within the main committee and in the wings of the conference. Circumstances are placing the British delegation in the role of the referee, and it is unfortunate that their hands should appear so weak just at the moment when firmness as well as wisdom is needed.

The chief difficulty before the delegates is the lack of any authentic forecast of what Washington would like to see in the plan submitted from Paris. Everyone realises that the Americans could—if they wished—dictate informally the main lines of the plan; and if the Americans would in fact dictate them some of the disagreements now smouldering could be quickly stamped out. For example, the Benelux group—who hold their heads very high in the throng of distressed Europeans—dislike and distrust the Monnet Plan to which the French cling with something like desperation. They maintain that the plan is beyond French means and that Europe should not be asked to foot the bill for it. The attitude of the Belgians, Dutch and Luxemburgers has its roots in their disagreement with the French over the future of German industry: to the Dutch at any rate, quick industrial recovery in western Germany, with Rotterdam coming into its own, and the Ruhr buying their farm produce, is a matter of life and death. By all three any attempt to build up the French steel industry at the expense of the German would be resisted to breaking point. Try as they may to keep the question of Germany out of their discussions and leave it to the four Foreign Ministers three months hence, it crops up again and again.

The Low Countries proposal, now being studied, for making the currencies of the sixteen nations freely transferable and convertible into dollars, is discussed on page 254 of this issue. But the motives behind it are clear: it is intended to impress the Americans and to force governments to put their currencies in order. France and Italy, for example, would have to "work their passage" into such a scheme by deflationary measures involving devaluation of the franc and the lira.

The French reply to Benelux seems to be threefold: that devaluation of the franc would be beneficial only after American aid had started flowing into Europe; that convertibility would be possible only after next spring; and that planning must look farther ahead than the eighteen months advocated by Benelux.

It is already obvious that during the discussions of the next few weeks delegations will have to accustom themselves to mutual criticism and to exchanges of proposals which will sound very much like projects for interference in one another's affairs. That trend is visible in the programmes of work which have just been passed to the expert sub-committees by the central co-ordinating committee: they include studies of proposals for developing hydro-electric power and organising and equipping a west European grid; for increasing the production of vegetable fats from colonial possessions; for using to the utmost existing steel-producing plants; for increasing tractor production; for allocating more coal to the production of fertilisers; for joint use of oil-refining capacity in Europe. There is every reason to believe that this is the kind of project of which Mr Marshall wishes to hear more.

Party Politics and German Needs

The record of the House of Commons in debating Germany has not been high, and, unfortunately, apart from one or two able speeches, the general standard of last Monday's debate was as low as usual. No doubt it is the duty of His Majesty's Opposition to oppose, but the opposition is not likely to be effective if it grotesquely distorts the problems under discussion in order to make party capital out of them. For what were the main points in the Conservative indictment of the Government's record on Germany but party capital? When Mr Law says

The Government are pursuing in Germany exactly the same policy that they are pursuing here. They are pursuing a policy of control

and restriction and are getting themselves bogged down by the same rigid insistence on party dogma. The same sort of thing is happening here as is happening in Germany.

he must lay himself open to doubts as to his intelligence or his intellectual honesty. He or Mr Macmillan or Mr Spearman must surely see that the root problem in Germany is not the present Government's administrative record, but the decisions taken at Yalta and Potsdam. At Yalta the division of Germany was agreed, and the removal to Germany of 11 million propertyless Germans. Then at Potsdam rump Germany was condemned to near-pastoralisation, and the British attempt to secure an annual steel figure of 11 million tons with proportionate industry was, as Mr Bevin pertinently reminded the House, defeated. Under these conditions, even if the French and later the Russians had consented to work Germany as an economic unit, its economy would not have been viable, its exports would have been insufficient to pay for its imports, and it would have faced the alternative of Allied subvention or starvation.

The isolation of the zones has aggravated all these problems. The American Zone, run on lines of relative free enterprise, suffers from them. Both zones, since a much relaxed system of controls was introduced in January, have grown worse, not better. The basic difficulty is not control, for if you decide to reduce a nation's economy below starvation point, how can you police that unnatural reduction without control? A member with half an eye for the truth could surely realise so elementary a point. The basic difficulty is shortage, and, as Mr Edelman pointed out in a speech of exemplary brevity and intelligence, the only way to remedy shortage, above all the basic shortage of food, is by dollar expenditure.

With so many Aunt Sallies set up to bowl over, Mr Bevin had little difficulty in allotting historical responsibility for the German tragedy and in reminding the House that only new American spending or an extra drain on Britain's dollar reserves—which he would not agree to—could stimulate genuine recovery.

Shaef, Civilian or Military?

The irrelevance of the Conservative attack was all the more unfortunate in that there are a number of fields in which an improvement in Government policy could be obtained without more outlay and dollar expenditure. For instance, Mr Edelman made an admirable point in stressing the need to simplify and drastically reduce the cumbrous machinery of the Control Commission. As he said

it is a machine which has too many drivers and too many brakes, but unfortunately no accelerator.

and his proposal that all but the highest level of Allied control should be removed deserved Mr Bevin's attention but did not receive it.

Nor is it simply a question of reducing the British element. Logically, the fused Zones need a fused administration and if the French Zone is to be coaxed in, the need for a genuinely unified Allied staff becomes all the greater. This point, at least, was unfortunately stressed the fact that a new "Shaef," a headquarters of British and American and French, working as a single team under a single head (Mr Macmillan suggested General Eisenhower) would be civilian, not military, and would be a method not of increasing military control but of gradually replacing it by a civilian administration. Since this point was not made clear, Mr Bevin was able to dismiss the proposal very unfairly as "the most muddled thinking he ever heard," and to denounce it as an attempt to perpetuate military dictatorship. It is to be hoped that Mr Bevin's second thoughts will bring him to think more kindly and constructively of the only satisfactory proposal yet made for creating a workable administration for the three Western Zones.

Winding Up The Session

Although, because of "the state of the nation," the prorogation of Parliament is not to take place until October 20th, the business of the session was due to have been completed by the end of this week, when Parliament was to have adjourned for the summer recess. As it is, both Houses will have to sit for a few

days next week in order to pass the Government's last-minute measure—the Supplies and Services (Transitional Powers) Bill, 1947. But to get through the rest of the business has put phenomenal pressure on Parliament in the last week or two. A few important measures, such as the Industrial Organisation Bill, received the Royal Assent only towards the end of last week. And the two major measures of the session—the Transport Bill and the Town and Country Planning Bill—were still being shunted between Lords and Commons this week. Last Friday, the Commons rejected the Lords' amendments to the Town and Country Planning Bill—those amendments, that is, which had been carried against the Government's wishes. On Tuesday, after an all-night argument, they rejected the Lords' substitutes for those of their amendments to the Transport Bill that the Commons had already rejected. On both these measures the Lords have made no further show of fight, and together with the Agriculture Bill, the Companies Bill and some minor measures they have received the Royal Assent this week.

In the middle of this last-minute legislative rush both Houses have given up two days to what, in subject at least, should have been the most important debate of the session. The state of the nation is indeed a sombre topic with which to bring this session of Parliament to an end. Ministers can hardly in the circumstances enjoy the much-needed rest which it was intended they should have through the early completion of the business of the session. And they might well reflect that a little more attention to the everyday needs of the nation would have been as much a mark of good government as is their eagerness to cram as many big and undigested measures as possible into a parliamentary session.

The New Bill

On the face of it, it is difficult to understand why the Government should have brought in the new Supplies and Services (Transitional Powers) Bill. From the manner of its announcement and the fact that Parliament has been asked to sit longer in order to pass it, the impression was given that vast new emergency powers were being taken to meet the present economic situation. If that had been the case, serious exception ought to have been taken to the Bill, for no Government, not even a Government which has such a passion for enabling legislation as the present one, should think that it has the right to assume wide war-time powers every time there is an economic crisis. The only occasion in which such powers can be justified is a time of external danger. They ought never to be adopted for an ordinary administrative crisis, which should be met by normal peace-time methods.

In fact, however, the new Bill gives no new powers at all. The Act of 1945 with the same title allows the Government to use certain defence regulations made under the war-time Emergency Powers Acts for four specified purposes, which may be summed up as the transition from war to peace. The defence regulations in question are, for the most part, those imposing economic and financial controls and the control of labour. But, it should be emphasised, the Act conferred no power to make new defence regulations, only to use existing ones, and to revoke or vary them, for peace-time purposes in the transitional period. Similarly, the new Bill allows no new defence regulations to be made. It merely specifies further purposes during the transitional period for which the defence regulations already authorised under the 1945 Act can be used. These purposes, in brief, are (a) promoting the productivity of industry, commerce and agriculture; (b) fostering and directing exports and reducing imports and (c) ensuring that the balance of trade; and (c) ensuring that the whole resources of the community are available for use and are used in a manner best calculated to serve the interests of the community. It might have been thought that these purposes were covered by the wording of the 1945 Act, which referred to the readjustment of industry and commerce in time of peace and to the relief of suffering and the restoration and distribution of essential supplies and services. But, presumably in the unlikely event of the Government's use of its existing powers in the present crisis being called in question in the courts, the purposes for which it can use them are now to be widened.

Egypt's Case Before Uno

The more one studies the case against Britain which Egypt, with Nokrashy Pasha as its spokesman, has laid before the Security Council, the more remarkable it seems that the Egyptians should expect to gain either satisfaction or credit from this appeal

to world opinion. From the narrowly legal standpoint they have no case at all. It clearly cannot have been the intention of the framers of the United Nations to make the Security Council into a species of tribunal before which alliances solemnly, publicly and unconstrainedly undertaken can be unilaterally denounced and attacked as "threats to peace." No Egyptian Government surely wishes to subscribe to the Hitlerian interpretation of treaties that they exist as long as they are convenient, and not a day longer. But if the Egyptians do accept the validity of treaties, then unquestionably the two "violations" of their rights of which they complain—the presence of British troops in Egypt and the continuance of a British administration in the Sudan—are covered by the Anglo-Egyptian Treaty of 1936 which remains in force for another ten years.

Yet the fact that Britain's legal position is perfectly unassailable does not necessarily mean that its moral position is equally so. The aims and methods which brought Britain to Egypt over sixty years ago were frankly imperialistic. May not the mere fact that the British are today still in Egypt and the Sudan confirm Nokrashy Pasha's accusation that they "simply want to make sure that Egypt is subordinated to their imperial aims"?

The Egyptians would be on strong ground here, had there been no negotiations between Britain and Egypt last year for the re-drafting of the Treaty. The British took the initiative in suggesting a complete reconsideration of Anglo-Egyptian relations precisely because they wished to remove all taint of imperialism. During the course of the negotiations, half the Egyptian case against Britain—the presence of British troops in Egypt—was satisfactorily settled and agreement was reached on the method and tempo of the British withdrawal. The breakdown occurred over the absolute Egyptian refusal to concede full rights of self-determination to the Sudanese. The British were not prepared to compromise on this point, especially since the Sudan has in recent years been making significant progress towards full self-government (only this week, the creation has been announced of a legislative assembly with an elected majority for the whole Sudan, from which a number of Sudanese will be drawn to serve on the central Executive). In a word, the Egyptians are asking the Security Council of the United Nations either to sanction a unilateral denunciation of a solemn treaty or to deny to a large national and historical community the right eventually to decide its own future. Neither request is likely to confer much credit on the petitioning Government.

Poaching by the Security Council

The action of the Security Council on the fighting in Indonesia has been rapid and superficially successful. Holland is not a Great Power, and has no veto right; unless, therefore, the Dutch can induce a Great Power to use the veto on their behalf, they are liable to be ordered about by the Council. France, which six months ago took action in Indo-China similar to that which the Dutch have now taken in Indonesia, was not challenged in the United Nations because of it, but the Dutch move quickly brought formal complaints to the Council from India and Australia, and Mr Gromyko, not unexpectedly, emerged as a zealous guardian of the Council's jurisdiction.

The only difficulty was that the Council under the Charter did not appear to have jurisdiction. Acts of aggression under the Charter can only be committed against States which are internationally recognised and have juridical existence; action against rebels cannot be considered aggression, and as long as the Netherlands is recognised as retaining sovereignty in Indonesia, its military operations there cannot be a matter for formal Security Council intervention, however much they may be criticised. This argument may seem mere legal quibbling; on the other hand, once the United Nations transgresses its own Charter and starts intervening in what are technically insurrections, there does not seem to be any logical end to the process. The position of Australia in this matter is somewhat surprising. However generous may be Australian enthusiasm for Asiatic colonial emancipation and however genuine Australian interest in peaceful conditions to the north-west of the continent, there is as yet no evidence that Australia is willing to open its doors to Asiatic immigration; this question will soon appear on the agenda if the clauses of the Charter intended to safeguard the internal jurisdiction of sovereign States are progressively weakened.

The Council, however, in its concern to restore peace, took the view that it had a right to take cognisance of warfare in Indonesia and summon both sides to cease fire, but without calling on the Dutch to return to their original positions. Britain and

France, holding to the view that the Council had no jurisdiction, abstained from voting. The Dutch meanwhile had accepted an American offer of mediation, and the Council was glad to leave the matter in American hands in spite of Mr Gromyko's objection that by so doing the Council "voluntarily puts itself aside." The Dutch were quite willing to agree to a cessation of hostilities because they had already attained their principal objectives in Java and Sumatra—control of the principal remaining ports and key rice-growing areas—and were not at all anxious to proceed to total occupation of the Republican areas. The weakness of Republican resistance has indeed been a surprise to the Dutch, who were afraid that foreign intervention might come before they had gained any satisfactory military result. As things are, the Dutch have got what they wanted strategically, the Security Council has asserted its authority—even if unconstitutionally—and American diplomacy, with the inducement of American credits as a powerful lever for obtaining agreement, has the task of clearing up the mess.

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In Berlin to Stay

Berliners were doubtless relieved to hear on Tuesday that the British have no intention of leaving the city. The Deputy Director of Military Government in the British sector said that his troops would stay "as long as there are Americans, French and Russians in the city." The rumours to the contrary that had been going round may have been inspired by suggestions made in this country that Britain could no longer afford occupation. There would be no lack of persons in Berlin to enlarge on such suggestions, as the effort to bring the former capital under the exclusive control of the Communist-dominated Socialist Unity Party still goes on.

Since the Social Democrats won a decisive victory in the October elections the struggle for political supremacy has gone more and more in favour of the Communists, with the Allied Kommandatura looking on more or less helplessly. Nine months after this clear choice by the Berlin population the city still has no chief burgomaster, is divided by zonal barriers as drastically as the rest of Germany, and lacks any unified administration. The leading positions in the trade unions are held by members of the Socialist Unity Party and key posts in the police are held by Communists or Communist-trained ex-officers of the *Wehrmacht*. The police president, Major Markgraf, was a member of the Moscow Free German Committee. Dr Reuter, the man who was chosen as chief burgomaster by the Social Democrats, has not yet taken office, because the Russians in the Allied Kommandatura refuse to accept his credentials. The fact that he left the Communist Party in 1921, because he objected to its *Putsch* tactics, and rejoined the Socialists is something they will neither forget nor forgive.

If it were the assumption of British and American policy that there is to be no unification of Germany and that Berlin is unlikely in the immediate future again to become the German capital, then this travesty of democratic methods would be of little practical importance. Attention could be concentrated on developing Frankfurt as the capital of western Germany, leaving Berlin to fill the same role for the east. But Mr Bevin—with one eye on M. Bidault—is still hoping that a November meeting of the Foreign Ministers will bring results. And that hope involves the further assumption that Berlin may one day be the seat of the central administration which the Foreign Ministers agree should be established. It is most important that such an administration—if it is ever formed—should not begin its work in circumstances which would allow its members to be exposed to the intimidation and political blackmail which are now rife in the city. And the first step towards changing those circumstances is to insist that Dr Reuter should take the office to which he has been elected.

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Mark of the Beast

As the crowds form and the stones fly and the synagogue windows shiver and fall, these groups of British citizens take—perhaps unknowingly—the first step down the long road at the end of which burn the funeral fires of Maidenek. It is true that the weekend's demonstrations against the Jews are a horrible consequence of a horrible act—the murder of the two British sergeants—but there is no point in talking about the terrorists' provocation. No provocation has been offered by Jewish shopkeepers in Glasgow, and the blood of two innocent British sergeants is not assuaged by beating up an equally innocent

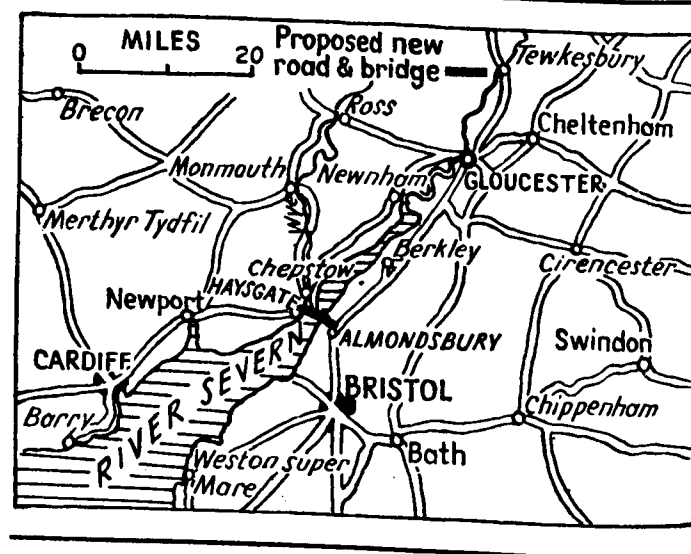
synagogue watchman in Liverpool. These racial reprisals are only less vile than the acts against which they are made in protest, and it is to be hoped that every severity of the law and all possible vigilance on the part of the police will be engaged in combating the cruelty, hysteria and criminal irresponsibility of these outbreaks. If it is proved that organised incitement has taken place, the *agents provocateurs* should be treated with especial severity.

In fairness to the general tolerance and good sense of the British people, it may be said that the worst occurrences have taken place in towns which have a bad record for racial intolerance. The division between Orangeman and Catholic in Liverpool and Glasgow has often led in the past to bloody brawls in the streets and wherever a habit of violence has been acquired, hooliganism breaks out more easily on any issue. It is also true that years of shortage have created a large class of thieves and "spivs" who, according to police reports, have joined the rioters to do their own private work of looting. But the fact that violence and illegality inevitably breed more violence only reinforces the need to use every means to counter the spread of anti-Semitic demonstrations. They play their part in creating the habit of violence and if there is one thing more than another that stamps this country as a decent and civilised place, it is the tiny part that violence normally plays in the ordinary business of the community.

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The Severn Bridge

It was announced at the end of last week that the Minister of Transport has authorised the construction of the Severn Bridge and the roads approaching it. This decision is based on the report of the public inquiry held at Bristol last autumn, and it marks the end of a long controversy. Opposition to the scheme in the past came chiefly from railway and shipping companies; the improvement in communications between South Wales and the South of England that will result from it needs no stressing, though it is worth pointing out that the bridge is a natural corollary to the industrial development plans for South Wales.



But why now? Amid all the detailed information given about the bridge—the length of its spans (it will be the largest suspension bridge in Europe and the third largest in the world), the size of the piers and anchorages and so on—there can be found not one word of justification for authorising its construction at the present time. Work would probably have begun on it before the war had it not then been decided that it would compete in labour and materials with work on rearmament. Will it not compete with similarly essential projects in the next few years? It may be that all claims on the Government's investment programme have been properly weighed, and that this one, costing in all £9 million, has been allotted a place after due forethought. All that can be said is that there is not the slightest sign that this has been done—Mr Attlee's denial on Wednesday that any work other than soundings and borings would be put in hand at present merely makes the whole matter more confusing, for it is complete conflict with the Ministry of Transport's announcement, which said that work on the breakwater would begin in the autumn and that it was hoped to start construction on the bridge in the spring. It is

probable, in fact, that Mr Barnes has struck out for the Severn Bridge by way of compensation for the curtailment, or rather postponement, of his Department's ten-year plan for roads announced in May, 1946. But, whether there was departmental pressure or not, until a full justification has been given, one can only assume that here is yet another example of how the Government continues to allow claims on the country's resources to pile up without attempting to calculate how they are all to be met.

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Mass Education

The purpose of the Education Act of 1944, as was pointed out in last week's debate, was to enable every child in the country to have the kind of education which fits it best. How far has this purpose been achieved in the short time since the Act has been in force? A great many statistics were given in the course of the debate to show that both Ministry and local education authorities have worked hard to give it a good start. Nearly all the local education authorities have submitted their development plans, which are being actively considered by the Ministry. The physical arrangements necessary for the raising of the school-leaving age—that is, the provision of huts, furniture and equipment—are being carried out smoothly. The annual output of teachers from the emergency training colleges is 11,600 and from the colleges providing normal training courses 10,500. Progress has been made in providing special schools for handicapped children.

Yet no amount of statistics can dispel the impression that all is not well with education. It is not merely that schools black-listed in 1925 are still in use, or that there are still nearly 2,000 classes with over 50 children and nearly 3,000 with over 40. Nor, again, is it the coming crisis in primary education where, owing to the comparative shortage of women recruits to the teaching profession, the infants' classes are gravely short of teachers. All these deficiencies, serious as they are at the moment, need not be permanent. What is much worse is that the fervour which lay behind the Butler Act seems to have disappeared. Instead of creating a single system of education, providing for all needs, to which rich children and poor children alike would go, the Act seems only to have intensified the gulf between the independent schools and the State schools. Moreover, the link which formerly existed between them in the direct grant schools, which include many of the old grammar schools, is disappearing, for they are tending, even when they have retained their grant, to be identified with the independent schools. As for the maintained and aided grammar schools, Ministerial protestations notwithstanding, their status is declining.

It is difficult to allocate the blame for all this. It cannot be ascribed solely to the Act itself, for it merely set up machinery, and its failures are the failures of the men who work it. Nor is it necessarily the fault of the Government, though its emphasis on "the masses" does not help to heal the breach. The fact remains that, two years after the Labour Government was returned, the country's educational system is still divided into two parts, and, what is worse, any wish to abolish the division seems to have disappeared. And there is no doubt which part still gives the better education.

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Consolidation in Eastern Europe

How much of the talk, current today in both Eastern and Western Europe, on the unification of the eastern countries under Russian leadership is based on fact? Undoubtedly the trend is in that direction, but it would be foolish to exaggerate the speed with which economic unity is likely to be developed or to underestimate the obstacles which stand in the way. The fact is that the economies of the various countries are not yet fully complementary. Russia has no large export surplus of industrial goods or of capital. Poland and Czechoslovakia barely satisfy their own needs of industrial reconstruction and expansion. They, too, have little or no surplus for stimulating industrial construction in the under-industrialised Balkan communities. Equally, drought and dislocation have for the time being drastically reduced the agricultural surpluses of such old centres of agricultural export as Poland, Hungary and Rumania. For instance, the Poles estimate that they will need at least 400,000 tons of grain in the coming year, and have received two disturbing setbacks in the last weeks—the first, the American decision to send them no post-Unrra relief, the second, the absence of Soviet grain deliveries in the new Polish-Soviet trade pact. There is, in fact, no natural balance at present between nations with an industrial surplus and those with agricultural exports. Needs and supplies do not overlap. It is understandable that the desire is strong in Eastern Europe

to keep trade lines open to the western world which continues to produce the great grain surpluses and which is also the only immediate source of industrial capital.

Nevertheless, most of the recent moves taken in Eastern Europe tend in the direction of economic unity. The Poles and the Czechs are elaborating plans for the co-ordination of their old and newly-acquired industrial areas. In the Balkans, matters have gone even further. For some time past, Albania has been in a virtual customs union with Yugoslavia. Last week Bulgaria moved in the same direction. An agreement, signed in Belgrade, provides for a fixed rate of exchange between the two countries, a customs union and joint plans in mining, transport, the extension of road and railway links, foreign trade, agriculture and electrification. This pact follows by a few weeks an agreement between Bulgaria and Rumania extending their economic ties, linking their hydro-electric schemes and improving their communications by such methods as the building of a bridge over the Danube. Both M. Dimitrov, the Communist Prime Minister of Bulgaria, and Marshal Tito have said repeatedly in public that their aim is a Balkans Union and its extension to a Danubian Union, including the Hungarians, the Czechs and even the Poles. "These economic and cultural conventions are only a beginning," said M. Dimitrov to the visiting Czech delegation in June. "We must have something bigger, serious, positive and lasting."

There would be every reason to welcome these signs of international pacification and economic unity in what has been the most turbulent corner of Europe, were it not for the co-operating nations' bellicose and threatening attitude towards Greece. At a time when Russia has vetoed the Security Council's eminently sensible proposal of a border commission to oversee the Greek frontier the Yugoslavs and the Bulgarians have agreed to concert their policy in face of the "frequent frontier provocation" of which they accuse Greece. This is playing with fire, and the sooner the Balkan nations are made to realise that a Greek frontier town such as Florina is no more remote from world politics than was Sarajevo, the better for the Balkans and for world peace.

* * *

Facts About Childbearing

For the first time since demobilisation began to produce its full effect upon the birth rate, the quarterly returns of the Registrar General show a decline: from 22.8 in the March quarter to 22.0 in April-June. Does this drop mark the end of that extraordinary boom in births which, ever since 1939, has confounded the prophets? If a period of economic difficulty is in fact going to coincide with the exhaustion of the first impetus given to natality by the high marriage rate of the last few years—a marriage rate which is itself the result of full employment and which, insofar as it implies younger marriages, has already borrowed from the future—a very sharp fall indeed may be coming. Unless there is to reopen before Great Britain the prospect of a precipitate decline in numbers, together with such a preponderance of pensioners as has never before been known, it may be necessary to take drastic and imaginative measures to make parenthood less unattractive.

The first issue of "Population Studies," the quarterly journal* of the Population Investigation Committee, contains the report of an inquiry into the circumstances of childbirth in Britain; a report full of significant information on some of the deterrents to parenthood. In the long run, of course, "it's not the capital cost, it's the running expenses," which count, but the capital cost, both financial and subjective, is in all conscience high enough, and presses with far more than proportionate weight on the poorer mothers. The report, based on interviews by health visitors with a wide sample of mothers, shows surprisingly that the cost of layette, maternity clothes, pram and so on is more of a burden than that of medical care, and one which moreover there is little possibility of reducing; the variations in reported average expenditure from the lowest to the highest income groups are extraordinarily small. Fuller midwifery and hospital services are obviously needed, but an adequate home help service scarcely less so; it is no use providing a hospital bed for a woman who cannot use it because she dare not leave her family without supervision; and the best of obstetrical attention is considerably stultified when the patient has to get up and cook two days after confinement. Relief from pain is available to—or at all events used by—only a minority of working class mothers; how far from necessity, how far from choice, is not explained, and the proportions would be interesting, but it is obvious that here, too, is field for improvement.

* Cambridge University Press; 30s. per annual volume, 10s. per number.

No financial or other privileges for parenthood, no multiplication of gas-and-air machines or subsidised prams, will save from decline a community which has ceased to value life. But that such vital impulses as do exist should be discouraged as heavily as they are now is surely unnecessary. Other things may have just now a higher priority than the social services. But within the social services there can scarcely be a higher priority than the relief of motherhood.

* * *

Conservatives in the Garden

The paradoxes of semi-planning as shown in the management of Britain's horticulture make a tempting target for Opposition arrows. The miraculous disappearance of soft fruit from shops and barrows the day after the imposition of price control is an annual source of fury to the thrifty housewife with a taste for real, as against "full fruit standard" jam; while neither the spectacle of cauliflowers priced at 1d. each to the grower and 8d. each to the consumer nor the pea-and-thimble vanishing tricks of the humble potato give the public an impression of efficiency and equity. On the positive side the opportunities for horticulture in a country with a dense population, fertile soil, and a large unsatisfied appetite, ought to be tremendous.

Altogether, there is plenty of scope for a new "policy for British horticulture"; the Conservative MPs who have just issued a pamphlet under that title had an opportunity to do a real public service as well as to make party capital. The latter chance they have most creditably forgone; but they certainly have not grasped the former. There are sound but unoriginal suggestions for the encouragement of district growers' co-operatives, of quick-freezing, canning and bottling; pious hopes for a better supply of equipment and of packing materials; a plea for a return to proper grading; a demand for the lifting of the Maximum Price Order from fruits; and a reasonable, though more controversial, argument for a return to the pre-war balance between "speciality" and staple crops. There is no hint that the chaotic inefficiency of Covent Garden might be due for reform, nor of any other means by which the gap between the growers' and retailers' prices might be reduced; that gap is, indeed, not even mentioned. The core of the Conservatives' "new policy" is anything but new, being simply more and better restriction on imports. The sinister foreigner must not have freedom to supply this northern island with the products of his unfairly earlier spring. The luxury market "must not be regarded as the foreigners' monopoly"—possibly there would be less objection to Italian peaches if Italy were somewhere near the Orkneys and had to compete fairly, under glass.

In its small way, in fact, this pamphlet casts a disconcerting light on the Conservative mentality. It is a reminder of a past which Conservatives with an eye on the floating, and particularly the Liberal, vote, would rather forget. Mr. Peter Thorneycroft really ought to have a talk with the authors of "Policy for British Horticulture."

* * *

The Farmer's Share

The Department of Economics of Bristol University has recently published the results of an extremely interesting survey of war-time changes on a sample of a hundred South-Western farms.* From an economic point of view, the most striking tables are those illustrating the shift in the distribution of farm income and the rise in output per head. Farm incomes (Table I) have undergone a double change—a vast increase in the early

years of the war in the share going to farmers, at the expense of both landlords and farm workers, followed by a rapid increase in the share going to labour and an absolute as well as relative decrease in the farmer's slice. The net result is to leave the farm worker's relative share very much where it was in 1938-39, while the farmer has gained heavily at the expense of the landlord. Farmers' managerial surplus rose from an average of -£43 in 1938-39 to £1,313 in 1941-42 and £782 in 1944-45. Even the latter figure is reasonably above the poverty line; though, as the report points out, both the size of the farms and the ability of the farmers in this sample are above the average.

The calculation of the change in net output (Table II) is based on an estimate of the total manpower employed, including the labour of farmers and their unpaid relatives. It is therefore a little rough and ready, though still illuminating as an example of what can be done by improved technique and heavy capital investment. The average of the years from 1942 to 1945, which shows an increase of about 21 per cent in net output per head over 1938-39, squares roughly with the estimate of 20-27 per cent which the Ministry of Agriculture appears to have used in its White Paper on the *Post-War Contribution of British Agriculture to the Saving of Foreign Exchange*.

TABLE I.—SHARES IN THE NET INCOME OF 100 FARMS, 1938-45:
PER CENT. OF TOTAL

	1938-39	1941-42	1944-45
Rent and rates.....	32	15	15
Wages.....	49	31	47
Farmers' income:			
Value of own labour.....	9	5	5
Interest on capital (at 5%).....	13	6	8
Managerial income.....	(-3)	43	25
Average net output per farm.....£	1,202	3,031	3,149

TABLE II.—NET OUTPUT PER WORKER PER ANNUM:
INCLUDING FARMERS AND RELATIVES

	Workers Employed*	Net Output (Corrected for Price Changes)	Net Output per Worker
1938-39.....	100	100	100
1941-42.....	112	142	127
1942-43.....	119	154	129
1943-44.....	121	149	123
1944-45.....	123	127	111

* In terms of the equivalent number of regular adult male workers. The apparent increase after 1942 is probably slightly exaggerated.

Shorter Notes

The Lord Chancellor's statement last week that a separate branch of the Parliamentary Counsel Office to consolidate and codify the Statute Book which is now in "a chaotic state," will be universally welcomed, by the ordinary citizen for whom at present the law is complex and uncertain no less than by members of the legal profession. Next session, the Lord Chancellor said, several consolidating Bills will be introduced dealing with a variety of subjects, but it will take ten to fifteen years before the Statute Book can be reduced to a satisfactory condition.

*

In his detailed account of British dollar expenditure in the first six months of this year, Mr Attlee revealed the fact that the British have spent £29 million in dollars for purchases for Germany. Even if expenditure continued only at the present rate, nearly \$240 million would have been spent on Germany by December. But every evidence suggests that expenditure will increase. Nothing underlines more strongly the need for a new Anglo-American understanding in financing the Zones.

*

The long, involved and at times almost farcical debates in the Italian Chamber on the ratification of the Peace Treaty have at last ended in a decision to go forward with ratification. Russian ratification will presumably follow, and the stage will then be set for the last stage in Italy's international rehabilitation—its admission to the United Nations. An interesting query is whether in that case it will be found to rank as a Great Power.

* C. V. Dawe: "Wartime Farming. One Hundred Farms."

Letters to the Editor

Chocolate Circus

SIR,—As an example of what Government controls do to a competitive industry the recent history of the chocolate and sugar confectionery industry may be of interest to readers of *The Economist*.

Before the war the industry comprised 190 firms (known as the Target firms) who manufactured over 100 tons per annum, another 400 or so who manufactured down to 26 tons per annum, and many hundreds of smaller ones. The 190 and the 400 were required by the Control Order of 1940 to obtain a licence to manufacture. The industry was highly competitive; its standard of efficiency was set by its most efficient unit. There was no overall plan; the manufacturers individually bought cocoa, sugar, milk, nuts and other raw materials where and when they could, either abroad or at home, and at the best prices which they could agree with their suppliers. They manufactured their products in factories large and small in the most economical way they could devise. They employed in all some 93,000 workers. The ability of each individual unit to sell and make a profit was conditioned by the quality of its goods, the price at which they could be offered to the public, and the efficiency of its production, marketing and sales organisations. In consequence, production increased from about 4½ oz. per head of the population per week in 1924 to 7 oz. in 1939, with a drop in average prices during the same period from 5½d. to 3d. per 4 lb.

The war introduced a completely different system, which has now gone on for eight years and as yet shows no sign of sudden departure. Its essential feature is that the industry is governed in all vital factors by the Ministry of Food, which regulates the total output and also (by the system of raw material allocations) that of the individual firms, buys the main raw materials and allocates them to manufacturers, fixes the maximum prices of the final products, and determines the method of distribution to the consumer. The main reason for the introduction of the control system was, of course, the wartime shortage of raw materials, which continues. The shortages are expressed through the system of controls in the form of a 4 oz. ration, and they have resulted in a contraction of the labour force to 54,000. The prices of the goods are controlled by Government Order, and, if the consumer has 9d. to spare after he has bought his new clothes, had a holiday, paid his income tax and cigarette tax, and suffered the many other impositions of the sellers' market, the coupon in the ration book will secure him his 4 oz. The system largely limits consumer preference, for, if the excellence of one firm's lines creates a demand for them, that demand cannot be met because of the system of allocations of raw materials. The system also prevents the entry of any new firm into the industry, for no one, unless he was manufacturing in 1940, can now manufacture without a licence, and, in the present condition of surplus capacity, no such licence is likely to be granted.

The industry in pre-war days may be likened to a large race-course with 190 horses going round in an endless marathon. They now go more slowly than they did eight years ago; in fact, they are not racing at all. They go round and round to the orders of the ringmaster, neither gaining nor losing but keeping the same order and precisely the same distance from each other as they did in 1939. The racecourse has become a circus. A large number of the horses don't seem to mind the new conditions, for, in spite of a very large hoarding at the end of the course on which it says, "Run harder or you'll starve, but no circus on Saturdays," they know that at the end of the day they will get their customary feed, and, at any rate, that is better than being losers in the elimination stakes. No wonder some people in the industry are asking whether they are ever likely, and if so when, to resume the competitive race or whether they are to belong to a permanent circus.

There are three ways in which an industry like this can be operated. The first is the present circus, consisting only of the horses who were running in 1939; except as a very temporary measure such a system cannot be supported—private enterprise working in a closed shop is indefensible. Secondly, some form of rationalised organisation under Government control; it may be said that such an organisation would still be a circus, but clearly it would not require 190 horses for a 4 oz. show; 50 good ones would probably suffice. And, thirdly, effective competitive enterprise. The industry has always assumed that it would go back to the competitive system, and it is understood that the Ministry

have indicated that such is the Government's intention. If this is indeed so, it could be attained, there is reason to believe, by raising the ration to 5 oz. It is to be hoped Mr Strachey will be able to allocate the necessary raw materials for 5 oz. in the very near future; otherwise the industry will continue to operate indefinitely in a circus where the slogan, "Work harder and produce more," is meaningless.—Yours faithfully,
Eastcheap, E.C.3

A. W.

The National Interest in the Lake District

SIR,—In a note on National Parks in your issue of July 26th you make some observations about the attitude of the Friends of the Lake District to the damming of Ennerdale which are based on a serious misapprehension. The society did not oppose the establishment of the proposed Courtauld factory at Sellafield: it only contended that the national interest in the preservation of Ennerdale was worth the extra cost of getting the water to that factory from the Bleng and the Calder instead of from the Lake. Subsequent events have shown, however, that a more fundamental objection would have been justified. It now appears that there would be insufficient labour in the district for both the Courtauld factory and the proposed atomic energy factory at Drigg. In consequence, I understand that the Courtauld scheme has been abandoned, that the atomic energy factory will take its place, and that the whole scheme for damming and damming Ennerdale is to be "reconsidered."—Yours faithfully,
Lower Heyford, Oxford

Italy's Former Colonies

SIR,—My attention has been called to the letter of Mr G. E. Cora, which appeared in your issue of July 19th. The Italian writer urged that Italy should be given the single trusteeship of

From *The Economist* of 1847

August 7, 1847

THE rejection of Mr Macaulay [at the general election], in consequence of his great talents, and his still greater reputation, seems, but is not, less defensible. He shares to the full all the unpopularity which belongs, as members of the administration, to Mr Hawes, and Major-General Fox, and he has causes of unpopularity peculiar to himself. . . . In Edinburgh, as in other large towns, there is a large number of Radicals, or Chartists, and to them Mr Macaulay was personally offensive, by the arrogant manner in which he has spoken of them and their errors. . . .

Throughout the election there may be traced, we think, a preference to men of active business habits; and to that rule the rejection of Mr Macaulay, a gentleman who makes, at most, three or four speeches in a session on some well-conned topic—who is never ready in debate, and takes no part in the ordinary business of Parliament—who is better known as a brilliant author than a servant of the people—is no exception. Notwithstanding his great talents, he has done little to promote the success of the great measures of the day. To the unwearied exertions of a Villiers, a Cobden, or a Bright, what has he to compare, but one or two flashy orations, in which there was always something to make us suspect . . . that he was not acquainted with the principles of free trade. . . . Men and women may be thankful for amusement, constituencies want services; and Mr Macaulay, for a man of his reputation and talent, has been one of the least efficient of our representatives. The Parliament may miss his oratory—the country may be reproached by literary men, because the Edinburgh constituency are too wise to sacrifice substantial benefits to glittering bubbles; but the people will never miss his services. We admit his great literary power; he may still exercise it as heretofore, with all the applause it merits: but the brilliancy of his reputation is no reason for the constituency of Edinburgh sacrificing their interests to bestow an honour on him that he seems to have learned first to prize from the poignant mortification of defeat.

her former colonies in Africa and that she was morally and juridically fit to continue her work. I feel that some of the statements in the letter should be corrected in the interests of truth and justice. About Libya I cannot speak with any knowledge. But the statement that the natives of Eritrea and Somaliland want the Italians back is absolutely unwarranted. All the people of Eritrea are agreed that the Italian rule should not return in any form, and of Somaliland the official English publication "The First to be Freed"—about the military administration of the former colonies—recorded that the Somalis "had a positive hatred of their ex-masters" and could not tolerate that any of them should have an administrative post. It is a travesty of the facts to assert that an Italian trusteeship would be in the interest of the native population. The writer states that there were 74,000 Italian colonists in Eritrea and 15,000 in Somaliland, but before 1935 the number of Italians in Eritrea was under 5,000 and in Somaliland much less. The others were brought there for the purpose of the invasion of Ethiopia. The Italian government may have done something for the Italian colonists, but it reduced the African peoples to the position of serfs. It did nothing for their education. In all Eritrea there were three schools, whilst now the British administration has established over fifty.

The writer notes that the "misfortune of our former colonies is that they possess strategic possibilities." Surely the best way

of meeting that complication is that Eritrea and Somaliland should be linked with Ethiopia to which they are historically, ethnically and economically attached. Any suggestion of an Italian trusteeship is an insult to the principles of the Charter of the United Nations and arouses the fiercest indignation of the African peoples.—I am, etc.,

NORMAN BENTWICH

"Hollycot," *Vale of Health, Hampstead, N.W.3*

Wages in the Catering Trade

SIR,—Some references to the new minimum wages for catering workers, which come into force on Monday next, tend to be misleading. The basic wages quoted are the cash payments to those workers who receive meals whilst on duty, and free laundering or cleaning of overalls or uniforms. In comparing catering wages with other industries, therefore, it should be borne in mind that the real remuneration—either in cash or in cash plus meals and laundering—is nine shillings a week more than the figure you quote.—I am, Sir, Yours faithfully,

L. GRIFFITHS HARRIS

Secretary, Caterers' Association

185 Oxford Street, W.1

Books and Publications

A Statistician's Hypothesis

"Esquisse d'une Théorie Générale de l'Evolution Economique Contemporaine." Jean Fournastié. Presses Universitaires de France. 31 pages. 40 frs.

THIS small but meaty pamphlet may be regarded either as a confident challenge by a champion of the inductive method, to the traditional schools of economic thought, or as the most modest and deprecatory of *ballons d'essai*. The challenge lies in the author's sweeping rejection of all economic generalisations not capable of statistical check (including the entire structure of Keynesian theory) and his equally sweeping claims on behalf of an economic science based on the application of the theory of probability to observed sequences of fact. "Statistical and enumerable data are the only bases of scientific reasoning in the economic field. Any construction relying on data other than statistical is as illusory as the efforts to discover the laws of universal gravitation before obtaining the measure of weight at the earth's surface and the measure of the orbits of the moon and several planets," he says; and elsewhere: "The essential weapon of the economist is the method of the graph, which is exact on the scale of the drawing. It is sufficient to choose the scale according to the order of magnitude of possible errors."

These explosive sentences occur in a three-page appendix on methodology; the bulk of M. Fournastié's "Esquisse" consists of an outline of the hypotheses which, in his view, contemporary economics should explore—using, of course, the statistical method. His leading idea, for which he acknowledges his debt to Mr Colin Clark, is that of the continuous shift in the emphasis of economic life from the primary activities (agriculture, mining, etc.) through the secondary (manufacture) to the tertiary (commerce, administration, services generally). Economic life today is in transition, having left behind the traditional epoch (roughly, before 1700) when technical progress was negligible, and heading towards a further epoch of comparative stagnation, when, all primary and secondary wants being satisfied by a very small proportion of the working population, the rest will be employed in tertiary activities wherein economic progress has little play. Within this framework (suspiciously elegant and symmetrical) there is sketched a syllabus for the theories of production and consumption; of money and prices; of population; of standards of living and hours of work; of productivity; of crises; of international trade; of capital, savings and interest; of public finance; of local regressions; of planning; and of the ultimate quasi-stationary tertiary state. On each of these topics M. Fournastié has an hypothesis to present; his 31 pages are well filled. But he goes no further than to suggest hypotheses, and he appeals explicitly to the economists, and others qualified in the civic sciences, to whom his pamphlet is addressed, to criticise in detail and in general, even if necessary to the point of destroying the whole scheme. Seldom can a champion so downright in his underlying belief have been so modest in his conclusions. It is an attractive combination. Economists should read this book.

Who is to Manage the Managers?

"The Rise and Fall of the Ex-Socialist Government." By Christopher Hollis, M.P. Hollis and Carter. 131 Pages.

ONE great merit of the Conservative Party, as of the Church of England, is that there is no need to accept its doctrines in order to belong to it. Mr Hollis, in spite of a wildly exaggerated admiration for Disraeli, is clearly one of those who vote Conservative because they dislike Labour, in perverse contrast to the preference of most of the electorate for doing the opposite; but what exactly he himself stands for remains to be revealed. Up to a point, his line is clear enough. He accepts, a little glibly perhaps, the theory of the Managerial Revolution. One might perhaps query his argument, linked somehow to the fantastic notion that British Socialism has something to do with Karl Marx, on the extent to which class privilege will and must survive; and, still more, his apparent belief that the politician and the trade union leader, like the capitalist, are, as political forces, already on the way to share the fate of Queen Anne. But, when all is said and done, he is clearly right in his main point, which is to emphasise that a new type of upper class is appearing, and to press the question of how, in the face of this, the social balance of power is to be preserved. Every new upper class has tended to grasp too much power into its hands; what is to prevent the same thing happening again? What can be done to strengthen the citizen as against the planner? Will the Labour Party persist as a "managerial" party, or turn back to its older and better tradition as the defender of the under-privileged? Will the Conservative Party take seriously its new-found belief in free enterprise, the small man, and the rest, or is it more likely to end, as history suggests, as the party of the new upper class—of the managers, technicians, and experts—as Disraeli once turned it from the party of the landlords into the party of industrial capital?

To these and similar questions Mr Hollis provides few answers, though those that he does provide are good; and, on the key question of industrial organisation, he leaves his readers simply with the irritating, if formally flawless, conclusion that there is no golden rule. But at least he is asking the right questions; questions which both his own party and the Government still find a little too pointed to be decent. And he asks them in fine English, and with a good temper of which the more viperish calumniators of the school of Bevan, Foot, Brogan and Hogg might well take note.

Mr Hatch

"The Hatch System." By Hargreaves Parkinson. 135 pages. Pitman. 15s.

SURNAMES beginning with H are not unknown in the investment world. Mr Cyrus Q. Hatch, though a legendary character, was a more beneficent individual than some of the others. For it was

he who made himself a dollar multi-millionaire by developing a simple and foolproof investment system, and yet felt well enough disposed towards his fellow-men to command Mr Parkinson to act as his literary amanuensis and to publish the system for the encouragement and profit of the English-speaking world.

Shorn of the whimsy which Mr Hatch seems inevitably to attract to himself, his system—or Mr Parkinson's—is simplicity itself. First, the investor takes the plunge into the stock market. So long as the market continues to rise he holds his stocks; when the market falls by 10 per cent he sells, and he remains out of the market until the fall has given place to a rise of 10 per cent from the bottom. In other words, the Hatch system is a lifeline by which investors can haul themselves on to dry land as soon as the investment tide ceases to make and becomes a dangerous ebb. It is nothing more than a rationalised system of placing selling and buying limits within 10 per cent of the market peaks and market bottoms respectively.

Mr Hatch was, of course, born under a fortunate star. He began to operate in 1871, and by the end of 1937 the average level of American industrial common stocks was 267 times higher than it was 67 years earlier. He had the inestimable advantage of operating on a rising trend of prosperity; but his system took him out of the market in the years of dangerous slump, and put him back as soon as the bull trend reasserted itself. Thus Mr Hatch profited to the full from the joint benefits of an expanding economy and a volatile Wall Street market. Mr Parkinson, with a wealth of arithmetical illustration, shows how the system can be applied to the British market—though it would have been interesting indeed to have from the originator of the system a detailed examination of Hatch operations during the bull market which began in the late summer of 1940 and which terminated, at any rate for Hatchites, when the *Financial Times* industrial ordinary share index touched 119.5 last week, and thus fell by more than 10 per cent from the January average of 136.4.

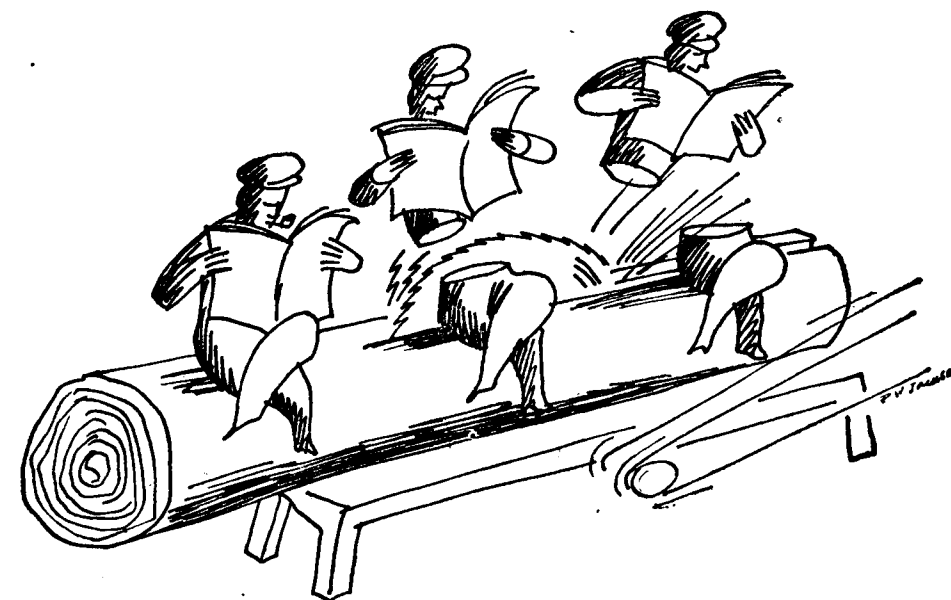
The pure milk of Hatch is simple and palatable enough. Whether the simple-hearted investor, for whom the system is primarily intended, should be tempted by its super-fatted variants, to which Mr Parkinson devotes the majority of his pages, is

perhaps another matter. For when the investor changes the area or the percentage rules under the Hatch system, the element of judgment becomes of primary importance, as the author emphasises. In these zones, scientific investment of the kind which Mr Parkinson has so shrewdly analysed in an earlier work is difficult because it has to be deductive. Even Hatch, the inductivist, noted that over 500 common stocks for one reason or another dropped out of the index which he used during the 67 years. Not the least intriguing among the many possibilities which Mr Parkinson examines in such close detail is the chance of a Hatch stalemate, because market movements in future might conceivably fluctuate over a much smaller amplitude. Of all his qualities, Mr Hatch was chiefly distinguished for singleness of mind; yet one is a little tempted to wonder whether he would have adopted and stuck to the same technique in post-war Britain. He invented his system because, as he said, he did not wish to make a sucker of himself. But he did not claim that in all market conditions it guaranteed a large, automatic profit.

Shorter Notice

"Planned Chaos." Ludwig von Mises. New York. 90 pages.

THE theologians have a word for it; invincible ignorance. Chamberlain, Joan Robinson, Triffin, and Keynes have fought the good fight in vain. Even Professor Hayek's determination has begun to crumble a little at the edges, but not the stubborn defences of Professor von Mises. Liberalism of the days before imperfect competition analysis or modern trade cycle theory, sauced with a sound academic acquaintance with the works of Marx, Lenin, Hitler, Roosevelt, and Pius XI, is presented in its rawest and least convincing form; and no one will regret the result more than liberals themselves. It is indeed necessary, as Dr. von Mises sees, to link the liberal doctrine more effectively to the social idealism which has provided the driving force of even the less prepossessing forms of Socialism. But not like this; for the Mises doctrine is one of those weapons which inspire more terror in its friends than in its enemies. As a means of promoting mocking laughter on the Left it is difficult to imagine anything better.



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AMERICAN SURVEY

United States and United Nations

(From Our US Editorial Staff)

THE discussion within the Security Council which was ended by a decision to call on the Dutch and the Indonesians to stop fighting was remarkable for the level of calm detachment with which a nasty situation was debated. Even Mr Gromyko, more concerned with the Balkans than with the opportunity which conflict in a far-off island gave him for girding at a capitalist power, spent less time than usual in sharpening the edges of his reproach. Outside, where people stood in queues for buses, the August sun was hot enough to make jungle fighting a not unimaginable hell. Inside, no bead of perspiration marred the serenity of members' brows; the debating chamber was artificially cooled, the chairs were padded, the walls sound-proofed, the lights focused and shaded to ward off glare. Until late in the afternoon the sense of unreality which accompanies such comfort on such a day was more irritating than reassuring. Then the persistence of Australia and the United States, supported thornily by Russia, won over the desire of older colonial powers to keep hands off and give time for the successful conclusion of a "police action" which they might themselves be taking as model in a not distant future.

The effect on the American people of this decisive move was immediate. The decision was announced in the early evening. The *New York Times*, almost ready for the newstands, took its editorial page apart in order to hail the importance of the decision. "The Council is not concerned with any one method of maintaining peace—it is concerned with peace itself," declared the *Times* jubilantly.

The precedent established is far more important than the American offer of mediation. . . . We obviously made no attempt to by-pass the United Nations, and there was no real conflict between our "good offices" and the action finally taken.

The sigh of relief which infused the *Times* leader was echoed across the nation on the part of people who honestly believe that the last hope of a peaceful world in their lifetime is bound up with the successful functioning of the United Nations, and that the successful functioning of the United Nations is to a large extent dependent on the continued good behaviour of the United States. There was, to be sure, a contradictory cacophony heard in Chicago, but even the invincible suspicion of a Colonel McCormick was for the moment muted. This was action on the part of an organisation which had shown too many signs of degenerating into a debating society, and action is what pleases Americans even when it must be directed toward stopping action. For once the United Nations had taken refuge neither in legalisms nor in the appointment of a committee to consider and report. Experienced diplomats might shake the head and warn that such haste was dangerous, but the man in the street was quite willing to risk whatever embarrassments might be entailed in an order to stop shooting which came after ten days of fighting and two days of debate.

The alarm and indignation which has prevailed in headlines, editorials and street corner conversations since the Dutch army opened fire in Indonesia is a vivid proof of the degree to which the United States has become sensitive to armed conflict in other nations. It can be argued that trouble is always news, but it should also be remembered that only two years have passed since American soldiers were fighting in both Europe and the Pacific, that American shores face both Holland and Indonesia, that the United States gave independence last year to its own oriental colony which is a near neighbour to Indonesia. The Pacific is very close these days, with General MacArthur's men in Japan, and China still bound—at least in American eyes—

by those sentimental and traditional ties which Europe finds so difficult to understand. When Queen Wilhelmina gave her Indonesian subjects conditional freedom the American public applauded. That she should, whatever the provocation, now seem to be trying to take it back looks to American eyes like "Indian giving"—a withdrawal when strong of what was proffered when weak.

This attitude on the part of the public was behind the State Department's hasty offer of "good offices" when the first day's debate on Australia's motion that the Security Council should take action seemed to be bogging down. It is possible to argue, with the *New York Times*, that the United States was not thereby intending to bypass the United Nations. The fact remains that had confidence in Uno been all that the most ardent supporters of the international idea might wish, there would have been no citizens' petitions asking the President to do all in his power to stop the conflict, and the gesture toward umpiring, whether intended as a mere nudge in the ribs or not, would never have been made.

That it was made, and had the effect of spurring Uno to accept those responsibilities which belong to it by virtue of its charter, should go a long way toward improving the public state of mind toward the things that happen, or do not happen, at Lake Success. Two years after the signing of the charter that state of mind is compounded of hope, ignorance, impatience and foreboding, with a seasoning of guilt. It may be sampled in the attitude of the driver of the bus that runs between the headquarters building and the railway station, who is neither more nor less rude than he would be to any group of passengers elsewhere in New York; in the attitude of the boy at the documents desk who obviously regards journalists much as the Duchess in Looking-Glass Land regarded her little boy and would like very much to treat them in the same way; in the lifted eyebrows of the housing official who resents the intrusion into his neat domain of races and customs he regards as alien and of debatable value; in the impatience of the official for whom everything goes much too slowly, and the beaming smile of the "do-gooder" who sees in the mere fact that she can travel out to watch debates at Lake Success a justification of all the envelopes she addressed to her fellow clubwomen and the telegrams she sent to her Congressman.

*

No amount of disillusion with what has (or has not) been accomplished in these two years has served to bring the American people to the point where they want to believe that the United Nations is moving toward the point where it must be written off as a failure. Some of them say so privately, some of them make speeches in public to that effect, but most of those are the cynics who never believed it would work or the enthusiasts of little faith who embraced the new creed with as much fervour as they are now turning against it. Much of the glow that buoyed the nation while the Charter was being framed at Dumbarton Oaks has dimmed, but the public has, in Russia's continual nay-saying, a convenient scapegoat to blame for the dimming, a scapegoat whose monotonous negativity goes far toward obscuring delays and deficiencies on the part of the other nations, not excluding the United States. The public pressure that forced Mr Vandenberg to assure the United Nations last spring that President Truman did not mean to bypass it when he enunciated his famous doctrine was not strong enough in July to force apologies for the calling of the Paris conference on Europe, even though that conference was

called outside the Uno preserves, and in apparent disregard of the Economic Commission on Europe which was then meeting at Geneva. Yet such weakening in public allegiance can be directly attributed to Russian intransigence between the two dates, and there have been signs in and out of the official world that while no other action seemed possible at the moment, the implied slight to Uno has left a sense of guilt and regret. One has only to scan the list of non-governmental organizations which seek or have obtained the status of affiliates of Uno to realize how many of them are still there because they believe such participation gives them prestige, because they think it gives them power, but most of all because they have faith in the United Nations.

The conversion of a people to a new religion is, however, not completed all at once, nor is back-sliding by intent or by omission a sin limited to those who would bask forever in the light of international amity. The calibre of man appointed by the American Government to serve as its representative on the various levels of Uno activity is not always such proof of earnest and intelligent support as well-wishers might desire. There are not enough Secretary Marshalls to spare for the day-by-day grubbing that goes on in sub-commissions or for the hard travelling that has to be done in Greece, Palestine, the Balkans, Asia. The ways of a Missouri President whose area of confidence in the human material of appointment seems bounded on the east by the Mississippi River and on the west by the Rocky Mountains turn up some curious specimens whose value in international affairs is more debatable than is their skill in foreign tongues. Yet even some of the most bizarre appointments can be defended on the ground that the present period is one of growth, education and exploration; that the task of "selling" international co-operation to the United States can only be accomplished by presenting it as a job to be done by all sorts of people; that in order to enlist majority approval and whole-hearted support which will hold when the going gets rough there must be, in a democracy like this, a continuous process of education by doing and telling.

Meanwhile the United Nations officials are not themselves entirely free from a suspicion of heightening the Looking-Glass unreality which is so disturbing to those who counsel patience and a firm persistence, as the best policy. Predicting a budget for Uno for 1948 which would be half again as large as the \$27 millions charged member nations for 1947, Mr Byron Price, Assistant Secretary General, recently explained that one of the greatest drains on the United Nations is not the keeping of the peace, but "the prodigious paper work that required translating mimeographing, printing and distribution." He told this to the working press a week after Britain had made its newest cut in newsprint, and further explained that the Secretariat have so much paper work on hand that they have not been able to finish the management survey begun last February for the purpose of increasing efficiency, cutting out duplication, simplifying record keeping, lessening the required amount of documentation and thereby the pressure on paper stocks.

It is in the light of such White Knight reports that one should read the three resolutions recently introduced into Congress looking toward the improvement of the functioning of Uno. They range from a demand that the President summon a general conference "for the purpose of making the United Nations capable of enacting, interpreting and enforcing world law" to a recommendation that the Charter be amended to "strengthen the United Nations as an instrument to prevent war and maintain world peace," and they are meant not as stones but as props. Mr Sumner Welles calls them impractical and dangerous, but they indicate the degree of solicitude for the United Nations which is a basic factor in American foreign policy today.

American Notes

Mr Taft on Foreign Policy

The Republican Party is still a very long way from a final choice of Presidential candidate for 1948. But the election campaign is now well under way, and Senator Taft has followed Governor Dewey on the westward trail from Washington. Mr Taft has not yet avowed his determination to drive for personal

nomination, but every political observer is aware that his present tour is the trial run, and that his speech at Columbus, Ohio, a few days ago marked the first bid in a powerful challenge for Presidential honours.

In that speech, Senator Taft was at great pains to assure his listeners that wicked New Dealers are still very much alive, that the Truman regime can bring only a continuance of waste and extravagance, that the Republican Party is firmly united, its Congressional record good, and tax reduction the only possible way to avoid a slump. This was all good party talk, and more than encouraging to his Republican audience. To his credit, however, Mr Taft also took an early opportunity of grasping the nettle of foreign policy—not too firmly, perhaps—but in a manner which contrasts rather refreshingly with the calculated caginess of Governor Dewey. On foreign issues, Mr Taft said:—

I believe that Congress should hesitate to interfere unless (the President's) policy involves us in the danger of unnecessary war, or proposes to drain the resources of our taxpayers and our productive labour to an unreasonable degree. I believe it is a field where Congress should not, except with great provocation, give foreign countries a picture of a divided America.

And, following some well-justified censure of earlier policy in Europe, Mr Taft continued:—

No country has ever been so generous. We have made dollars available in almost unlimited amount with little restriction of the use to be made of them. We are interested in reasonable loans to enable foreign countries to go to work, but I believe those loans should be confined to actual goods, machinery and equipment necessary to restore productive ability. We must move very cautiously and be sure that additional loans really furnish incentive to foreign peoples involved to work harder to support themselves.

Senator Taft's speech begged a great many questions, and shirked the issue of how far his own party has been responsible for conditions in which it has been next to impossible for foreign countries to secure the necessary share of productive equipment. On the record, Mr Taft deserves the gibe made by Ulysses S. Grant (at the expense of the Democrats) that his opponents preferred travelling with their face to the rear seats, and thus "see everything—after they've passed it." If Senator Taft turns his face to the future, his first call will be for caution, but it is none the less important to bear in mind that his views are shared by many responsible and influential American leaders—and that he has lately been in very close touch with Senator Vandenberg on foreign policy.

"Only a strong executive can hope to alleviate the situation" said Senator Taft at Columbus. "Certainly it is beyond the power of Congress, which cannot initiate foreign policy." But, even though loans be made, or grants be given, in terms of "goods and not dollars," Congress today holds a firmer grip on foreign policy than at any previous period, simply because it holds the purse-strings, and in the last resort, it is the dollar appropriations that will be decisive. Fully conscious of this power, the House has sent a virtual ultimatum to the White House, through the Republican majority leader, Mr Charles Halleck, and is demanding "complete co-operation between the executive and legislative branches" and status as "a fully-fledged partner in the conduct of foreign affairs." It was in this spirit that the House rank-and-file recently enforced its own decision for a study group of Congressmen to tour European countries during adjournment. This will be a serious study, embracing all grades of opinion, and backed by the resources of the State Department. Whatever they may learn, and wherever they may listen, it is safe already to conclude that subsequent debates on the Marshall project will hinge upon presentation to them of convincing evidence that, apart from draconian measures at home, each interested country in western Europe is prepared also to move towards a regional integration that has no roots in the past. The Congressmen will search for such evidence in the knowledge that Senators Taft and Vandenberg will back them both ways.

* * *

Spotlight Session

By no means every Republican Party supporter is so staunch a defender of the Congressional record as Senator Taft. A number of more thoughtful supporters contend that while the Eightieth Congress has been heroic enough in its decision to ignore the pressure groups for organised labour, it has been something less than heroic in the way in which it accepted briefs for such powerful groups as the wool growers, the private utilities, the sugar growers, the industrial monopolists, and the full-blooded protectionists. These misgivings were scarcely apparent in Congress where the party, as Senator Taft justly claimed, voted generally as a solid block with the exception of a handful of "liberal recalci-

trants" and a few irrepressible individualists, such as Senator Langer, of Dakota.

On a wider field, however, it is felt that a Republican refusal next year to face such important issues as minimum wages, social security benefits, low-cost housing, and better educational programmes, cannot but have the most serious consequences. But there is one way in which the Republican Party hopes and expects to attract the support of many voters—by a careful manipulation of the spotlight upon the past errors and omissions of the Democratic Party. For the first time since 1933 the Republicans can control such investigations at the taxpayers' expense (a privilege that Democrats rate no less highly when the pendulum swings), and they have recently voted themselves \$2 million for continuing investigations. Among the more important investigations planned for the 1948 spotlight are: Aviation, agriculture, housing, flood control, federal loan agencies, defence, cost-of-living and Government propaganda.

Almost literally these "probes" will range from the graphic and atomic to the anatomic and the nearly-pornographic. Senator Brewster's War Investigating Committee, at least, has got fairly near to the latter level, with a sizzling story of shapely entertainers listed (ultimately) on the taxpayers' expense sheets in order to induce service chiefs and government officials to support generous contract terms for Mr Howard Hughes, a Californian aeroplane manufacturer and Hollywood producer, and his wartime partner, Mr Henry Kaiser. Unfortunately for more serious students of wartime expense patterns, but more fortunately for a jaded Press, the attraction of the young ladies concerned has all but crowded out the more prosaic financial details, and the story so far has been far from complete. Mr Julius Krug, formerly War Production Board Administrator and now Secretary of the Interior, has issued a vigorous denial of charges concerning his involvement in these proceedings, and Senator Brewster has met with the counter-charge that his investigation followed directly from his support for Pan American Airways, and his corresponding dislike of the rival Transcontinental and Western Airlines, in which Mr Howard Hughes ranks as the principal stockholder.

Whatever may be the truth of these charges, it is reasonably certain that the investigation will be dropped at precisely the point where Democratic trails give way to tracks which might, possibly lead back nearer home. But the Republican Party is not abandoning the search for election material. In the foreground is the search for further evidence in the story of voting frauds in Kansas City (Mr Truman's home town) during the 1946 Democratic primaries. Here the *prima facie* evidence against the State machine is very strong indeed, and the Democrats have not helped their side of the story by filibustering against action in 1947.

* * *

Steel Prices Up

British and foreign buyers clamouring for American steel in the face of an impending dollar famine will scarcely find encouragement in the general decision of the industry to raise prices. The smaller manufacturers began the price-boosting process soon after the coal wage terms were announced, with advances ranging from \$5 to \$10 a ton; last week, "Big Steel," Bethlehem, and the rest followed suit with a general list revision of \$5. These moves are defended by the industry with the plea that steel is "still the cheapest basic commodity" and that advances of 7 to 8 per cent mean very little in terms of manufactured goods.

The one certain fact in these moves is that they demonstrate once again the entire futility of Presidential warnings to industry concerning price advances. Industrial profits in general are still at peak levels, but current labour and materials costs are now impairing profit margins in many areas, while for many industries the so-called "break-even points" are dangerously high by former standards. With backlogs so high, and business still so good, the remedy for employers is clear enough—for the immediate future.

Organised labour is responding to these price revisions by demanding further concessions wherever possible. Over the entire range of industry, the scope for revision is not so wide as the unions would like, but wherever "re-opening clauses" exist in

current contracts, the pressure for still higher wage rates is now increasing. The chemical workers are making a new wage bid, meat-packers and textile workers have gained new rates, and a number of smaller unions are displaying a more aggressive mood. This mood is covering contract negotiations under the Taft-Hartley Labour Act, with unions refusing to accept "no-strike" clauses which would enable employers to enforce suits for breach of contract. The automobile industry has already curtailed output substantially because disputes are delaying deliveries of accessories and spare parts.

All this news adds up to the probability of still higher prices over a very wide range of products before the end of 1947. The close of July brought wholesale commodity prices to a new peak, and over the rest of the summer, the pace of activity is not likely to slacken to any appreciable extent. Congress, moreover, has not assisted the position by its insistence upon immediate cash for service men's bonuses, or by forcing the President to abandon consumer credit controls later this year. These two moves may not be dangerous in absolute terms; the bonus payments may not total more than \$1 billion, and consumer credits have expanded very slowly in recent months. But, against the general background of rising prices, such steps serve merely to add fuel to the flames. The bearishly-inclined still talk knowingly of hesitant exports (June figures were very slightly below the abnormally high May figure of \$1.4 billion), of stability in terms of the physical volume of production, and of a probable relapse in construction work later this year. But for the time being, the scope for any significant setback in prices looks small enough by any standard of comparison.

* * *

Mission to China

Washington reports suggest that the Chiang Kai-Shek regime is looking for an early renewal of financial assistance, and for an extension of military aid, following the visit of General Wedemayer, who left Washington last month with the rank of Ambassador and special representative of the President in China. General Wedemayer was called upon to make an "appraisal of the overall situation"—in other words, to resume negotiations with the Chiang Kai-Shek regime more or less at the point where they were abandoned by Mr Marshall last January when his recall from China heralded his appointment as Secretary of State.

In Mr Marshall's opinion at that time, the American Government could trust neither the Chiang Kai-Shek regime nor the Communists, who still control Manchuria and northern China, and although lacking the manpower and equipment necessary to hold many key cities, carry on a devastating guerilla warfare against material stocks and communications. Mr Marshall had for some time worked to secure agreement between the Nationalist and Communist forces, and his declaration on the failure of a mission amounted virtually to a policy of splendid isolation.

At no time has there been any suggestion that the United States would abandon the Nationalists in favour of Communist control. But the State Department seems to have held consistently that the Communists were not under the direct dictation of Moscow, that they were carrying out valuable reforms, and that in contrast, China's regime was both inefficient and utterly corrupt. The growth of Republican control in Congress, however, has brought a steadily stronger movement in favour of active support for the Nationalists. The choice of General Wedemayer was in itself significant, for the General has held the rank of commander of American forces in China and is known to have opposed all attempts to form a coalition between Chiang Kai-Shek and the Communists.

Spurred by the new mission from Washington, Nanking has recently declared that no further negotiations are possible. "In perversion, malignancy and treachery the Communists are worse than any bandit, traitor or puppet in Chinese history." And General Wedemayer, in turn, has declared that he has now received "a variety of suggestions from authoritative sources submitted by Chinese truly interested in the establishment of a stable political and economic structure." For the Chiang regime these are very encouraging words. Apart from internal anarchy and chaos, Nanking is desperately concerned by the revival of Japanese industry, and is making new demands for partnership in the assessment of Japanese strength and for heavy reparations payments. Financial claims on Washington for relief and reconstruction may total \$2.5 billion. These claims will be weighed very carefully in Washington—against the claims of other regions covered by the Marshall project.

THE WORLD OVERSEAS

Brazil in Transition

(From Our Rio Correspondent)

WHETHER the Brazilian economy faces a "shakedown" into peace-time conditions or a major crisis is a question exercising public opinion here. Brazilians who read their newspapers have been told that, while it costs more to live in Rio or Sao Paulo than New York, the standard of living in their major cities is lower than in post-war Berlin. Such comparisons, however superficial, are a pointed commentary on the effects of recurrent food shortages, high prices, transport and travel difficulties, and an extensive black market.

In a country of small shopkeepers speculative prices defy Government controls, and have undoubtedly weighed heavily on urban consuming classes during and since the war. According to a Government index, retail food prices in the four chief Brazilian cities rose from 100 in 1939 to 452 in March, 1947, thereafter falling to 419 in May; and questions have been asked in Congress about the sale of foodstuffs, imported duty free, at 500 per cent profit. As for clothing—the demand for which is said to be fully met by home production—the retail price index compiled by the Municipality of Sao Paulo rose from 100 in 1939 to 470 in May, 1947, jumping 31 points during an export ban introduced to encourage cheaper and more plentiful domestic supplies.

Such figures indicate what is generally recognised, that neither the removal of duties on imported food a year ago nor a simultaneous export ban (since relaxed) has stemmed the rising cost of living in Brazil's urban centres, where wages have followed prices, but raggedly and generally at a distance. The gap between wages and prices is not noticeably lessening. Merchants complain that

the first effect of an import priority system, introduced in June to conserve Brazil's dwindling foreign balances, has been the marking up of prices by Brazilian manufacturers. The Government has since returned to the attack in the price control field by freezing retail textile prices at twice the factory prices—a move by which it is hoped to ensure prices a third lower than those ruling six months ago.

Scarcity may partly explain the resistance of Brazilian price levels of essential commodities to Government control, as to a greater extent it explains the prices—sometimes fantastic by British or American standards—of imported goods ranging from essentials to luxuries. An important retailer has described to your Correspondent how, to satisfy disappointed customers, he had been forced to supplement his stocks of articles imported directly from England by buying more of the same goods from speculative importers at two to three times the price he paid for his own stocks.

Discounting enforcement flaws, however—of which the Brazilian press is an unsparing critic—scarcity cannot wholly explain conditions said to have made Rio the dearest city in the Americas. High profits, like the high money rates which Mr Snyder, Secretary of the United States Treasury, described on a recent visit to Rio as "the exploitation of Brazilians by Brazilians," are endemic in Brazil. A project to limit them has found little favour among the business community, on the ground that it would interfere with free enterprise. How far they are likely to interfere with the competitive ability of Brazilian manufacturers in both their own and other markets remains to be seen.

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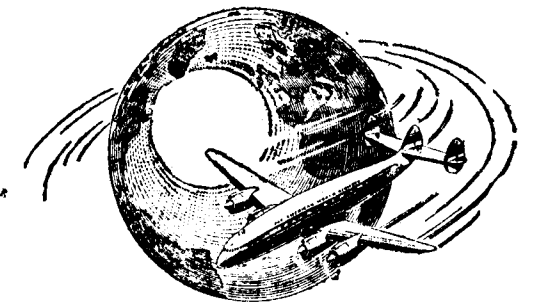


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This test may have already begun. While a leading Brazilian textile manufacturer claims he would close any mills not showing 100 per cent profit, a recession of the Brazilian textile industry has been under way for several months, and has thrown out of work (at varying estimates) from 10,000 to 50,000 millhands in Sao Paulo. The industry's difficulties have been ascribed, in complaints to the Minister of Finance by the Spinners' and Weavers' Association of Sao Paulo, to restriction of bank credit and the granting of "insignificant" export quotas. According to the Ministry of Finance, however, Brazilian cotton manufacturers succeeded in selling abroad, during the first quarter of 1947, only three-fifths of the export quota conceded to them for the period, which was 50,000,000 metres (a fifth of their established annual surplus of production over domestic consumption). Meanwhile, Italian silk has been selling here at less than the products of local silk factories, now reported to be at a standstill, and imported cottons were making increasing inroads on the domestic market until the imposition of import restrictions in June. Manufacturers are further alarmed by Argentina's recent suspension of textile imports, which closes their largest wartime market.

Allegations of credit restriction are perhaps better founded. In the view of some business men here who profess to see a "shake-down" of over-expanded industries rather than a breakdown of the whole industrial economy, such restriction is not only inevitable, but justifiable. These observers point out that the most efficient mills are in the hands of a few powerful interests untroubled by the shortage of credit; they claim that a "shake-out" of weaker interests will make for a healthier industry.

Government Aid Demanded

Sr Correa e Castro, the Minister of Finance, has denied any "undue" restriction of bank credit and described the industrial situation as "normal." In fact, published figures of six principal Sao Paulo banks for the six months ended in April (when complaints began) show that, during this period, their cash and loans dropped by 8 per cent and their deposits by 6 per cent. Lending rates meanwhile have risen as high as 15 per cent per annum, and smaller banks have been paying 5 per cent for three months' accommodation.

There are also signs that an unprecedented wartime building boom, which has changed the skyline of Rio and pushed the values of its downtown sites to £500 a square metre, is nearing an end. Speculative builders in Rio and Sao Paulo, many of them financed by mushroom banks at the high rates mentioned, are turning more and more to the practice of selling flats in unfinished blocks in order to finance their completion. Larger banks began a tactful retreat from the real estate field a year ago.

The wilting of industrial prosperity is accompanied by demands from primary producers for Government help. The Bank of Brazil is pledged to finance staple exports, including coffee (the production of which is said to have reached "statistical equilibrium") and cotton. These two mainstays of the Brazilian economy account between them for 54 per cent of all Brazilian exports, and in one view only a collapse of their apparently healthy prospects could plunge the country into a real crisis. Nevertheless, the protectionist claims put forward not only on behalf of industry, but of other primary products now in world demand, raise the issue of how far Brazil can afford to pay for an obviously desirable diversification of its economy.

Broadly, the country is in transition from a wartime economy of rapid industrial development in clearly defined zones to a peacetime one that must take account of: first, the effects of progressive wartime inflation; secondly, the prospect of resurgent competition in both home and foreign markets; and thirdly, the opportunity, now more impressive than ever in the light of world food shortages, for Brazil to develop its own resources, particularly of food. The fact that these resources are agreed to be vast cannot of itself stimulate their exploitation in a poorly integrated country covering half a continent, and lacking both capital and labour for a long-range programme of public investment that would open up and join up productive regions.

Too Little Transport

Reconversion seems an inadequate word to apply to these problems that confront the imperfectly expanded economy of an essentially new country. Some of the basic problems are of long standing, and have been overshadowed rather than simplified by the rush of wartime development. This is outstandingly true of surface transport and agriculture. Railways, roads, docks and warehouses are proving tragically inadequate to move, store and distribute basic crops such as rice, beans and maize, destined not for export alone but for domestic consumption. The citizens of

Rio, as a newspaper points out, are eating potatoes from Holland, beans and canned peas from America, onions from Egypt and butter and fruit from Argentina at prices usually well below those of the local products (where these are available). Transport deficiencies are also held responsible for the fact that, except for a favoured few, the Brazilian capital is virtually without a fresh milk supply.

While transport development has demonstrably suffered from wartime shortages of equipment, agriculture has actually declined. Both labour and capital have gone to nourish industry. There have been critical food shortages in the rich mineral region of the Rio Doce Valley, where labour during the war forsook the farms to find more profitable work in the mines; and malnutrition remains a chronic social problem in the north-east.

Decline in Food Production

Significant aspects of this picture were indicated in a recent memorandum to the Government from the National Federation of Commerce. Recommending the adoption of a "Monnet Plan" for Brazil, it claimed that the disproportionate growth of agriculture and industry, leading to a *per capita* decline in food production, was a root cause of "an undisguisably grave economic situation." According to the memorandum, while Brazil's population increased by 20 per cent from 1933 to 1944, the production of raw materials and foodstuffs showed the following trends during the major part of the war:

	(1925-1929=100)			
	Food		Raw Materials	
	1939	1944	1939	1944
Volume	132	125	273	352
Value	129	182	292	630

The proposals called for the creation of a National Economic Council and a Central Bank system (for which a Bill is now before Congress) with subsidiary banks to finance crops and industry. The aim would be the balanced development of industry and agriculture.

The Government's efforts are meanwhile directed more closely towards a balanced budget. Monetary inflation has become public enemy number one, and deflation a declared objective of Government policy. The Minister of Finance said recently that the note issue had not been increased since he took office in October, and that no further increase was contemplated except in extreme emergency. In fact, the note circulation, according to official returns, rose from 4,971,000,000 cruzeiros in December, 1939 to 20,489,000,000 in December, 1946, and has since slightly receded to 20,345,000,000 in June—or roughly four times its pre-war level. This expansion has its roots in Brazil's prosperous wartime export trade. Annual export surpluses increased from £10,000,000 in 1939 to £85,000,000 in 1946 (after a lapse to £3,500,000 in 1940) and the Bank of Brazil—with an exchange monopoly dating from the days of currency shortages—had to pay exporters many more cruzeiros for their foreign currency than it received from importers. Increased taxes and a compulsory war loan provided a negligible amount, and the gap was mainly bridged by the creation of more paper money—a deliberate Vargas policy calculated to leave in producers' hands capital for post-war re-equipment and expansion.

Dollars Running Short

Two important consequences of this monetary inflation have been noted by Sr Roberto Simonsen, an eminent Brazilian economist whose views have been sought by President Dutra, and show signs of having influenced present monetary policy. Sr Simonsen points out, first, that the internal value of the cruzeiro has been depressed to perhaps half its value in terms of the dollar; and, secondly, that this internal devaluation is only prevented from exercising its full effect as a stimulus to imports, i.e., to foreign producers competing with Brazilian industry, by the continued production difficulties of foreign exporters (and, of course, the recently imposed Brazilian import restrictions). He estimates that Brazilian production costs have increased since 1939 by 90 per cent in relation to those of the United States, and by 12 per cent and 26 per cent respectively in relation to those of Great Britain and Argentina. The competitive handicap implicit in these figures is a matter of concern to Brazilian industry, which has an estimated annual output valued at £650 million.

The prospect of a dollar shortage also causes concern. A growing export deficit with the United States (which now supplies 60 per cent of Brazil's imports, against 6 per cent provided by the United Kingdom), and a shrinkage of Brazil's total export surplus, are features of Brazilian foreign trade returns for the first quarter of 1947. The continuance of these trends would accelerate the exhaustion of Brazil's dollar reserves. These were

announced recently by the Minister of Finance to be \$350 million. This figure, however, is understood to include the gold backing for the note issue, apart from which backing there is good reason to believe that Brazil remains with only some \$25 million in New York—or twice its export deficit with the United States for the first quarter of 1947.

When Brazil's hard currency runs out, Sr Simonsen believes, a fall in the value of the cruzeiro is inevitable (in accordance with the theory of purchasing power parity). Meanwhile, he contends, no arbitrary alteration of the exchange rate would offer a real solution of domestic difficulties. Depreciation would aggravate inflationary pressure, and appreciation would not necessarily make deflation easier (since, although the Bank of Brazil would pay the exporter less cruzeiros for his foreign currency, it would also receive from the importer less cruzeiros with which to do so).

The battle for a stable currency is not the least critical of Brazil's difficulties.

Singapore Prepares to Vote

[FROM OUR OWN CORRESPONDENT]

A BILL to provide for elections to the Singapore Legislative Council was passed by the Advisory Council on July 3rd. It had a good press. A few diehards considered that now, in the midst of reconstruction, when all Government machinery is overworked and overheated, it is inopportune to add an avoidable complication. But the elections have to come sooner or later and it is wise to get them over quickly.

The Bill gives the suffrage to all British subjects over twenty-one years of age and resident in the colony for one year, with no disqualification for sex, lack of property or illiteracy. Three-quarters of Singapore's population are Chinese, most of whom are illiterate even in their own language. Illiteracy, however, is mostly to be found among the immigrant Chinese who constitute the greater mass of this fraction. British subjects form a relatively smaller part and to them educational facilities have been available. Hence the proportion of illiterate voters is not regarded as excessive, and their difficulties in voting for a candidate whose name appears in an unfamiliar script are being lessened by the simple device of allotting such easily recognisable symbols as an elephant's head, a house, a cart, a wheel, a ship or a violin to each candidate. The demarcation of constituencies is territorial and not communal, for in Singapore the communities are not segregated but thoroughly intermingled. It is unlikely that any but Chinese will secure election. Europeans are unlikely to be elected, not because they are Europeans but because they are a quasi-aristocracy with no local roots. The minority communities consist of Indians, Eurasians, Malays (Indonesian and Peninsular) and Europeans.

So far no parties have appeared, but the smaller communities are discussing their plans. There have been the usual threats from the Communists to boycott the elections, but this is regarded as a rubric in the orthodox ritual prior to active participation. Faced with a dilemma, the Indians are bewildered. In January, 1946, Pandit Nehru plainly warned them that they must choose between being Indian or Malayan for they could not be both. Yet they are divided among themselves into northern and southern Indians, Mahomedan or Hindu, Pakistan or Congress. What wood they will saw into planks for their electoral platforms has not been disclosed. The Malays are split into two main groups, the Malayan Nationalists and the United Malay National Organisation. The Nationalists want to throw in their lot with Indonesia and make a large and somewhat visionary Malaysia subject only to the United Nations, where the Malays will be ring-fenced from more hustling aliens and have a land fit for Malays to live in. Less intransigent, the Umno, under the brilliant leadership of Dato Onn, the Prime Minister of Johore, advocates preference for the Malays in their own country, but is not hostile to foreigners and follows constitutional methods.

Malayan Democrats

Potentially the most important group is the Malayan Democratic Union. It is composed of middle-class intellectuals of all races, derives much of its inspiration from the Fabian Society, and advocates equal rights for all, with no racial discrimination and a greater share of independence from the Colonial Office. It uses constitutional methods and gives perhaps the happiest augury for the future, for it possesses brains, public spirit, energy and courage.

The problem with the Chinese is that they are Chinese. For many years they have concentrated on the task of money-making and were content to leave well alone. Now political consciousness has been stirred and they have become doubtful of their status. By nationality, in the political sense, the Chinese form three groups: those born in the old Straits Settlements and called Straits-born Chinese; those born in the old Federated or Unfederated States; and the immigrant Chinese. The Straits-born are the most intelligent and public-spirited of all communities in Malaya; and it is from their ranks that the leading doctors, lawyers, educationists and business men are produced. The other Chinese, both in Malaya that was not part of the Straits Settlements, are protected British subjects and are not eligible for the vote, a decision that has caused some heart-burning. The China-born immigrants are not eligible for the vote, but all can, if they wish, become naturalised British subjects.

British or Chinese?

A local Chinese newspaper, the *Nan Chiau*, circulated a questionnaire among its readers, to which 4,344 replies were received. Twenty wanted Malaya to be a British possession, 1,875 wanted it to be an independent nation, 2,288 wanted it to be a Federation, 70 wanted it to be handed to Uno. Then 4,226 wanted Singapore to be joined to the Malayan Union, 38 were willing to give up Chinese nationality and become Malayan citizens, 4,275 wanted to be both Chinese Nationals and Malayan citizens, 3,961 wanted a popularly elected legislature. Against 41 who wanted English as the official language, 3,961 thought all Malayan languages should be the official language. It is not possible to say what class of person answered the questionnaire and deductions drawn from it cannot be therefore very accurate. But it seems clear enough that the Chinese wish to retain a dual nationality, and to have their tuppence and the bun. The 4,275 out of 4,344 who wish to make—and take—the best of both worlds form nearly 99 per cent. It is probable that this percentage holds good throughout Malaya and it explains why the Malayan Union is nervous about admitting Chinese to Malayan citizenship.

However, the Malayan Democratic Union and the Chinese people are sensible enough. They realise that sonorous platitudes are no substitute for a clear appreciation of what is possible, and that toleration, practical ability, good sense and a spirit of compromise are the basis of administration.

The innovation in the Bill lies in the grant of a member each to the European, the Chinese and the Indian Chambers of Commerce. The men elected from these chambers will owe their first loyalty to business interests, but they are likely to be able men who, when their first interests are served, will have regard to the general good. There was surprisingly little opposition to this markedly undemocratic proposal, because it was felt that this must be a temporary expedient to secure experienced men of affairs. The elected section of the Council will number nine; there will be four nominated unofficial members who can speak for the smaller communities and less than nine unofficials.

It seems easy at the moment to predict that the issues will be social and economic rather than racial and religious. The chief business of the elected members will doubtless be the putting of questions and criticism of administration. No attempt to cast the horoscope of democracy in Singapore can leave out of the reckoning the possibility of malpractice. It is likely that there will be a considerable group entering the game of politics in a predatory state of mind, and ready to take advantage of the gullible and exploit the illiterate. The Bill bristles with checks against them, but how far they will be effective it is impossible to foretell.

A Problem For Raffles

A prominent item in the agenda of Legislative Council meetings will be demands for retrenchment and reform. Many new departments have been added to the Government since liberation. Office staffs have multiplied exceedingly, while higher executives have not greatly increased and suffer an almost impossible burden of responsibility. New importations from home are trade union advisers, price controllers, exchange controllers, currency controllers, social welfare workers, public relations officers, food controllers, economic advisers—their name is legion. The sole official on the overdue list is an efficiency expert; and he would be the most welcome, for he might be able to reorganise an office routine that was antiquated thirty years ago, to prune redundant staff and to cut down that government expenditure which is the cause of inflation. In our present perplexities, the only visit more gladdening would be the return of Stamford Raffles.

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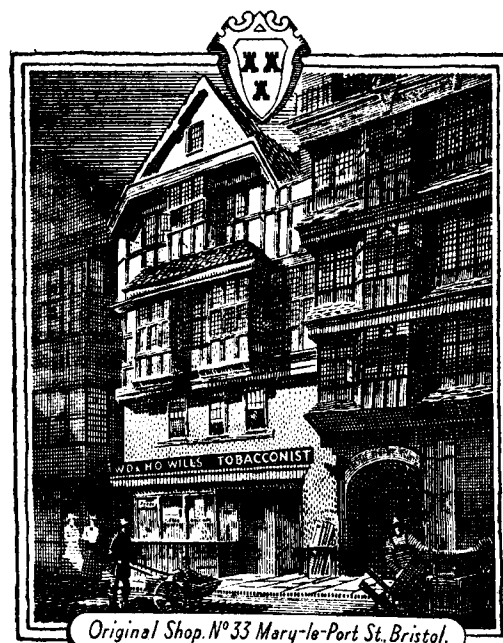
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THE BUSINESS WORLD

The Cost of Convertibility

THE coincidence of July 15th, the date by which arrangements for the convertibility of current sterling were due to be completed, and the latest and most ominous spurt in the accelerating withdrawals of dollars from the US line of credit has inevitably caused the two phenomena to be linked. In much of the general discussion on the dollar problem, convertibility is beginning to emerge as the chief miscreant and, in the process, to serve as a convenient scapegoat for sins of omission and commission, for which the guilt often lies much nearer home. This prominence of convertibility among defendants in the dock is, it must be added, partly due to the assurances which official spokesmen have never tired of giving, that the convertibility situation was "well in hand," that everything had been "neatly tied up" in anticipation of July 15th, and that no excessive strain on sterling need be expected as a result of the new arrangements. These optimistic forecasts may still be justified; but if they are, some new and as yet quite unexplained factor has entered into the situation to cause the strain. But it is difficult to discover one.

This article was going through the press at the moment when Mr. Dalton was giving a fuller explanation of the dollar problem. But Mr. Atlee, in the course of his speech, gave an analysis of the distribution of the dollar deficit which Britain had to meet in the first half of this year, which is reproduced in Table I below. The impact of sterling area expenditure in the Western Hemisphere provides an indication of the extent to which accumulated sterling balances have been used in order to finance the dollar expenditure of the sterling creditors. The current trade balances, of which the geographical distribution for the first five months of this year is given in the second table suggest no combination of deficits and surpluses that could account for the actual rate at which the dollars were withdrawn last month, namely \$700 million. These five months have no direct bearing, of course, on the current dollar cost of the external deficit; they merely show that, on the basis of the first five months of this year, it is inconceivable that the external deficit alone could have accounted for more than a fraction of the dollar drain in July.

Any attempt to explain the latest drawings on the dollar credit in terms of normal commercial transactions, however, must take into account two important points. First, actual

drawings from the loan are not made in respect of past expenditure but in anticipation of bills that will have to be met in the ensuing weeks. The second point is that Britain is now approaching the time of the year when seasonal pressure on dollar resources is at its greatest. This seasonal rhythm in the demand for dollars, which used to be such a familiar phenomenon of the exchange markets thirty and forty years ago, lost much of its force when the United States ceased to be a large exporter of cereals. Now that the United States is again the world's biggest exporter of wheat, the seasonal pendulum is swinging again as strongly as ever. Apart from these points, it would be astonishing, on general grounds alone, if the current rate of dollar expenditure on external trade account coincided with the total sterling presented for conversion into dollars. But now that the use of sterling in international trade has become more multilateral through the extension of the transferable account system, it is impossible to trace the origins of current sterling which is offered in exchange for dollars.

It is evident, however, that current transactions alone, even allowing for the seasonal factor, cannot account for more than a fraction of the recent rate of withdrawals. Unless some gigantic "leak" has been opened, through which capital transactions are now pouring (an improbable contingency, since the authorities restrict the grant of transferable account facilities to those countries in whose exchange controls they have reason to trust) it is evident that the grant of convertibility to recently released sterling balances under the series of payments agreements negotiated during the past year, and the less formal understanding about the accumulated balances which are not yet subject to precise agreements, must bear a good deal of the responsibility for the dollar drain. The actual distribution of responsibility on this score is also a task which presents formidable difficulties, at least for those to whom the operations of the Exchange Equalisation Account and the sterling balances of overseas countries are not an open book. The third table showing the published data on releases of sterling from accumulated balances does, however, suggest that much of the explanation lies in this particular direction. These releases were in each case agreed upon after hard and protracted negotiations, in the course of which the creditors brought all possible influence

TABLE I.—DOLLAR DEFICIT, JANUARY-JUNE, 1947
(£ million)

U.K. Trade with U.S.A.	176
Purchases on German account	29
U.K. trade with other Western Hemisphere countries	118
Other Sterling area purchases in U.S.A.	58
Other Sterling area purchases in rest of Western Hemisphere	10
Purchases by European countries in dollar area	14
Total	405

TABLE II.—VISIBLE TRADE BALANCES
(£'000)

	Five-Twelfths 1938	January-May, 1945	January-May, 1946
Dollar Area	-44,143	-95,439	-114,691
Sterling Area	-27,048	-2,420	-3,287
Other countries	-7,815	-19,255	-37,312
Argentina	-2,367	+6,922	+1,434
Belgian Monetary Area	-977	-4,128	-1,692
Brazil	-22,975	-67,303	-69,206
Canada	-671	-979	-607
Newfoundland	-12,982	+4,218	-776
Dutch Monetary Area	-2,041	+4,622	+1,367
Egypt and Sudan	-1,477	-3,263	+1,519
Iran	-402	-293	+4,140
Italy	-1,329	+3,131	+5,506
Norway	+593	+761	+3,065
Portuguese Area	-1,541	-5,324	-9,574
Spanish Area	-4,881	-3,889	-651
Sweden	-707	-1,684	-302
Uruguay	-1,298	+2,280	+3,693
Switzerland			

"Other Countries" include most countries operating Transferable Accounts under payments agreements.

TABLE III.—AGREED RELEASES OF ACCUMULATED STERLING POTENTIALLY AVAILABLE FOR EXPENDITURE IN 1947

	£ Million
Argentina	15*
Egypt	34†
Italy	33†
Uruguay	1.7
Brazil	Not Yet Published
Norway	15‡
India	?
Total	98.7+?

* Including transfer of £10 million to Brazil which has not been made to date.

† £8 million straight release, £12 million for working capital, £14 million estimated confirmed credits in London against which accumulated balances were released.

‡ £11 million in private hands, £22 million in Government accounts, of which £10 million agreed to be maintained as minimum working balance and £8 million in purchase of surpluses.

§ Norway agreed to hold minimum balance of £5 million and was allowed to draw freely on balance of her accumulated £20 million.

Note.—Bombay reports that an interim agreement has been signed, under which £60 million of India's accumulated balance of £1,178,000,000 had been released as working capital have been officially described in London as "premature."

to bear to obtain the maximum of releases. Viewed by itself, the argument presented by each may have seemed essentially reasonable. The case pleaded by these countries was, moreover, backed by the argument that sterling had again become an international currency and provided the basis for most of the trade of large areas of the world.

The concessions made to these individual demands, which seemed so modest when viewed in the context of each particular agreement have, in their sum total, assumed formidable dimensions. Table III suggests that close on £100 million may already have become available for conversion into dollars this year as a result of agreed releases from accumulated balances—and with more to follow before the end of 1947. This was an unduly high and generous figure in the light of the resources available to Britain and of the other pressures to which they were subjected. It may well have been argued that since sterling was becoming a convertible currency this fact would sufficiently strengthen confidence in it to encourage most of the released balances to remain here. This should surely be particularly true of the balances released for “working capital.” But a crisis feeds on itself, and as the accelerated depletion of dollar resources became apparent for all to see, it seems more than probable that many holders of convertible sterling who would normally have been prepared to leave it here have made sure of using it, as indeed is their right, before the dollars run out.

Such a flight from convertible sterling would, moreover, be extremely difficult to confine within the bounds of agreed release arrangements. A large part of the accumulated balances held

here on overseas account has been left for use at the discretion of the holders: that is true, in particular, of the balances held on behalf of the dominions and colonies. These informal gentlemen's agreements work admirably when conditions are normal and their character, moreover, is best suited to the traditional mechanism of the sterling area. But conditions are far from normal, and it is conceivable that some of the gentlemanly holders of sterling, realising that by standing back and behaving as gentlemen they were merely holding the door open to less reticent holders of convertible sterling, must have met considerable temptation to forget their good manners.

It is impossible to say how far these doubts and questions are justified without a day-to-day knowledge both of the balances maintained here by the countries concerned and of their current earnings of sterling. But the evidence of the recent rate of dollar exhaustion is too strong to clear the convertibility of sterling of all blame and responsibility. This is not to say that convertibility was the only factor in bringing about the unexpectedly rapid expenditure of the US line of credit. Yet it does suggest that in this, as in so many other aspects of British economic policy, integral parts of the same mechanism were treated separately and independently and that the condition of making convertibility effective and successful—namely the setting of a clear course towards a reasonable equilibrium in the balance of payments—was not satisfied before that step had to be taken. The loan agreement gave too little time for this tricky feat of navigation, and the Government has spent that little time studying the charts instead of setting sail.

Lancashire Looks Up

MUCH is expected of Lancashire—it may be too much—towards the optimistic export targets set by the Prime Minister on Wednesday. The cotton industry was one of the worst hit by war, and it has been one of the slowest to recover. In the spinning and weaving sections, mills containing nearly 40 per cent of the total productive capacity were closed down under the concentration scheme during the war. Employment in the industry (spinning and doubling, and cotton and rayon weaving and finishing) fell from 458,700 in 1937 and 387,100 in October, 1939, to 242,200 in October, 1943, though by last May it had recovered to 295,800. Production has fallen in even greater proportion than labour. Cotton yarn output, which averaged 23.7 million lb. a week in 1937, has in recent months (omitting February) averaged barely 13 million lb. Woven fabrics, similarly, have averaged just over 30 million yards against 70 million yards in 1937 and 59 million yards in 1935, the only two recent pre-war years for which figures are available. In other words, production as a whole has been not much better than half the pre-war level, and production per worker has fallen by perhaps one-third—mainly owing to shorter working hours, greater absenteeism and greater turnover of labour. Exports have fallen in even greater proportion than production. Yarn sales abroad, owing largely to the collapse of Germany, are barely one-sixth of the pre-war level and cloth shipments are about 40 per cent.

Such is the background against which the present hopes which are now reposed in the industry must be regarded. It would be absurd to look for a quick recovery to the pre-war level of output, let alone the higher levels recorded at previous dates back to 1913 when the export of piece goods was running at more than ten times its present rate. Nevertheless, cotton ranks fourth amongst British exporting industries, with only vehicles, iron and steel and machinery in front of it. Even a relatively modest increase upon its present rate of production would be of great value.

Is this “relatively modest increase” of output within the

sphere of practical politics? There is no reason why it should not be and there are, indeed, some fair grounds for hoping that it will be achieved in the early future. Improvement in output depends upon three factors: an increased supply of labour; re-equipment of the industry with more up-to-date and efficient machinery; and better utilisation of labour. The figures above show how heavily the number of workers in the industry fell in the war (they had been falling persistently long before) and though the labour force has recovered since, it is not within sight of regaining the 1939 figure. The Cotton Working Party hung many of its recommendations on the cardinal assumption that employment in the spinning and doubling and weaving sections, which had fallen from 330,000 in October, 1939, to 205,000 in October, 1943, could not be raised above 250,000.

Nothing that has happened since the Working Party reported eighteen months ago can be regarded as having seriously disturbed the validity of this assumption. Nevertheless the fact remains that the labour force of these two sections has in the past year risen slightly above the Cotton Working Party's postulated total. Since the Cotton Board initiated its recruitment campaign in 1943 the labour force has risen by 53,000, despite heavy wastage of married women and elderly workers. It is now 256,000, or 6,000 above the “Schuster maximum.” For that achievement great credit is due to the Recruitment and Training Department of the Cotton Board, which has employed all the resources of propaganda both to persuade employers to make employment in the cotton textile industry more attractive to workers and to persuade workers that employment in cotton was indeed more attractive.

The amount of work which has been done in making the cotton mills more agreeable places to work in has hardly received full recognition outside the industry. Some £7,000,000 has been spent on providing improved working conditions—on installing canteens, rest rooms, crèches and air conditioning and on painting mill walls and even machinery. This work has been

carried out in the face of all the obstacles raised by building restrictions and shortage of building labour and materials. Together with improvements in pay and the reduction in working hours under the five-day week, it has gone far towards overcoming the prejudice against cotton mill employment which had developed in Lancashire between the wars.

That is strikingly demonstrated by the astonishing success which has been achieved in juvenile recruitment. In 1944, the first year for which full returns were collected, only about 9 per cent of the boys and girls leaving school in the North-West Region went into cotton spinning, doubling and weaving. The percentages for subsequent years are 11 in 1945 and 15.7 in 1946, whilst in the first five months of this year 23.6 per cent of school-leavers entered the cotton mills. These percentages include towns like Manchester, in which there are few or no cotton mills. In the purely textile towns much higher percentages are recorded—60 per cent in Bolton, 62 per cent in Nelson and Colne, 65 per cent in Rochdale and 80 per cent in Burnley. It may be, and no doubt is, socially undesirable that such large proportions of the youth of Lancashire should seek employment in a single industry, but the figures at any rate suggest that the cotton industry is now holding its own in competition with the “newer industries.”

In the coming twelve months there will be no school-leavers in Lancashire or anywhere else. That fact will deprive the cotton industry of some 4,000 juvenile recruits. The industry hopes to make the hiatus good by recruiting European Volunteer Workers (*ci-devant* “displaced persons”) mainly refugees from the Baltic countries, but also some Austrians. A few hundred, all women and girls, are already employed, but it is hoped shortly to receive much bigger numbers. Suitable living accommodation is, of course, the limiting factor, and a vigorous campaign is now going on to provide this. Mills are buying large houses and converting them into hostels, but most of the volunteer workers will have to be accommodated as lodgers in private houses; and active canvassing for billets is now proceeding. It was not thought likely that more than 2,000 or 3,000 could be accommodated, but the Ministry of Labour is now offering up to 10,000, and naturally the industry will do all it can to increase its intake.

Thus the general recruitment campaign goes on, but, however far it succeeds, it cannot hope to make good any very considerable part of the present shortage of 90,000 workers compared with the pre-war labour force. This shortage can only be made good by installing more efficient machinery or by making more efficient use of present machinery—in either case by increasing production per man-hour. The majority report of the Working Party laid main stress on the former method—re-equipment—and recommended a levy on the industry for the purchase of new machinery. By force of circumstances, however, attention is rather being focused on the latter method, which is simply improved “labour utilisation,” or in the current jargon “re-deployment.” Re-equipment, though it is, of course, proceeding continuously, is going to take a long time, at the present rate of supply of machinery, before it greatly affects the output of the industry. Moreover, the deep-seated divergence of opinion, evident in the Working Party's report, on the merits of wholesale scrapping of existing machinery still persists. Whatever opinions may be held about that problem, it is clear that, from the now all-important short-term point of view, it is only by the more effective use of the existing labour force working with the existing machinery that any significant increase in output can be achieved.

There is no room for doubt that, by better use of labour, by the elimination of the wasteful and obstructive practices on which the trade unions insist and by more scientific methods of assessing “work loads,” coupled with minor improvements to machinery, a large increase in output could be obtained. One

firm of industrial consultants claims that the mills it has advised have achieved an average increase in output exceeding 50 per cent without imposing increased strain on the workers. It is not necessary to subscribe to that or any other exact figure of possible economies, nor to accept at their face value all the claims of the industrial consultants, to be convinced that “re-deployment” could save the Lancashire cotton industry and that, at this moment, nothing else can. There is reason to believe that the British Cotton Industry Research Association (Shirley Institute), which has done some work on the problem, and also the Cotton Board both hold that conviction. The Cotton Board is about to switch the proved proselytising power of its Recruitment and Training Department to “selling” the policy of “re-deployment” to the industry, and particularly to the trade unions. The department will organise exhibitions and experimental mills and apply other methods of propaganda in an attempt to overcome the resistance which still exists, notably among some of the older trade union leaders, to reforms which would benefit employees at least as much as employers. An essential element in the whole problem is the adjustment of the obsolete wage lists to modern conditions.

The final attempt to do that must await the report of the Moelwyn Hughes Committee on weavers' wages. When that report has been received it ought at last to be possible, with the spur of the national emergency to supplement common sense, to overcome the barriers of prejudice, outworn suspicion and sheer inertia, and produce a system for working the Lancashire mills and paying the workers which will liberate the industry's full productive capacity. There is surely ground for hope in the very fact that present output is so considerably below that which could be obtained under more rational conditions.

There is also scope for hopefulness on another score. An old industry like cotton cannot be expected to accomplish sensational advances either in its technique or in its products. The Lancashire industry, however, is not standing still. It can claim noteworthy technical progress in certain directions. It is producing cotton cloths in advance of anything previously achieved in design and finish, including women's dress fabrics possessing all the appearance and dignity of pure silk. The most notable of the new fabrics are perhaps the so-called “ventile fabrics,” which were developed out of wartime experience; these have the waterproof qualities of impregnated materials (though they are not “proofed”) without the defect of being impervious to air as well. There ought to be a bright future for ventile fabrics. But at present production of these fabrics is small, for it amounted to about 600,000 yards last year.

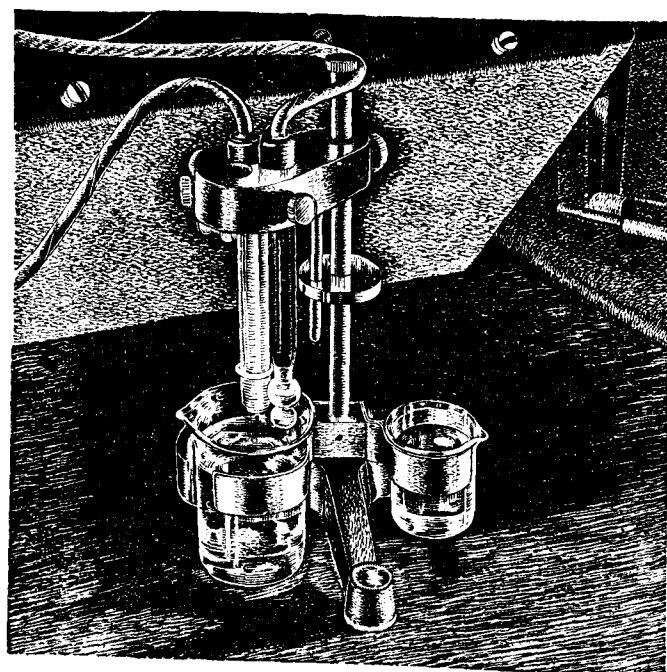
Yet it has proceeded far enough to warrant the formation of a “Ventile Fabrics Association of Great Britain” with the object of maintaining quality and registering trade marks throughout the world. The membership of the Association includes such well-known public companies as Amalgamated Cotton Mills, Combined Egyptian Mills, Crosses and Heaton, Fine Spinners, Horrockses, Crewdson, Joshua Hoyle, Bradford Dyers and Bleachers' Association. Ventile fabrics are made of very fine counts of cotton in which Lancashire still leads the world, and the belief is held that few, if any, other countries are as yet in a position to compete with her in their production. So many obituaries have been written about Lancashire cotton that it is encouraging to have this reminder that the industry can still play a part in pioneer industrial development. Lancashire might be in thriving health if its blood-stream of labour had not been so ruthlessly tapped during the war. But at least there are signs of convalescence. Each month brings a few more red corpuscles into work. The doctors are busy with every device of occupational therapy. And the most encouraging sign of all is that the patient itself seems to be looking up.



August

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The Acid Test

Every schoolboy remembers that acids turn blue litmus paper red, while alkalis turn red litmus blue. But 'acid' and 'alkali' are not precise words like 'circular' and 'square'. Of two liquids, one may be much more acid than the other. It is often important to know exactly how acid or alkaline a given liquid is, particularly in canning, brewing, paper-making, sewage-disposal and leather manufacture. Indeed, in all branches of pure and applied chemistry one of the commonest methods of test and control is the estimation of what is known as hydrogen-ion concentration. Litmus still has its uses, but the modern chemist is able to get far more precise information by means of a whole range of dyes, which change colour dramatically at different hydrogen-ion concentrations. When liquids are too intense in colour, however, or have other properties which interfere with the colour changes, a pH-meter is used (pH is the symbol for hydrogen-ion concentration). This apparatus is illustrated above. It measures the electromotive force between the solution under test and a standard glass electrode, and gives results of great accuracy. The pH-meter is another of the tools which enable the research chemist and the British chemical industry to place the resources of Nature at the disposal of the Nation.



Business Notes

Crisis Reactions

The Stock Exchange on Thursday was in two minds about Mr Attlee's speech of the previous day. Evidently, its first impressions were that the Government's proposals to meet the economic crisis would be insufficient to stem the inflationary trend—that a cut here and a new target there made a small difference to the basic problems of the British economy. But, having marked industrials slightly higher at the opening, the market reminded itself that Mr Dalton and Sir Stafford Cripps had still to speak, and relapsed into caution. In advance of Mr Dalton's speech, the gilt-edged market was almost frozen into impassivity, and made no attempt at further adjustment between long and short dated issues.

In the equity market, the recovery at the end of last week became distinctly selective, and was mainly concentrated upon steel and textile shares—the former being assisted by the thought that the Government would be less willing to risk any interruption of supplies during the next year or two by pursuing its campaign of nationalisation. Apart from these minor changes—and their slight extent compared with the last week or two is well illustrated in the table of security prices and yields on page 258, there has been no decisive response to the debate as yet. Perhaps on further consideration of the food cuts from hard currency areas (which, as a later note shows, are indeed important) and of the restrictions to be imposed on public and private investment programmes the decision whether the programme represents merely another instalment of austerity and exhortation, or whether it will provide the much-needed corrective shock for an over-inflated economy, will be clearer. On these points, Mr Dalton's speech, with its indication of the possibility of an Autumn Budget (which might be needed in the "wider sense") and the reconsideration and rephrasing of the capital programme, suggest that the lesson of inflationary evil is being learned, slowly and painfully. And his explanation of the fall in gilt-edged ("for sentimental and not technical reasons") suggests that the song in the Chancellor's heart has now turned to whistling to keep up his courage.

At the moment, however, the equity market is not unduly impressed by the Government's measures—which means, on balance, that the chances of a partial recovery on the prospect of further inflation are probably higher than those of a further fall in prices which would be entailed by a more conscious anti-inflation policy. Cuts in film remittances to one-quarter, a £4 million saving in petrol, and the reduction in the foreign travel allowance from £75 a year to £35 for 14 months—these steps may be in the right direction. But they look only a degree more serious than those announced at the beginning of July, and on those, it may be remembered, equities staged a useful though only temporary rally.

* * *

The Government's Manpower Plans

Both employers and trade union representatives have given their general support to the Government's plans for dealing with the labour and industrial situation. A series of hurriedly summoned special conferences culminated in the acceptance by the Ministry of Labour's National Joint Advisory Council on Wednesday of the principle of the proposals, although the details have yet to be worked out by the smaller, more compact Joint Consultative Committee. The procedure is very reminiscent of the hectic days of May 1940, when the plans for the total mobilisation of manpower were hastily formulated with the approval of the representatives of the two sides of industry. It remains for the workers to show the same sense of urgency as they did at the time of Dunkirk.

The chief points which have yet to be settled are the lengthening of working hours and the scope and application of the Control of Engagement Order. It seems likely that by the autumn, overtime working will become the rule rather than the exception, throughout industry, although its introduction will be on a "staggered" basis. Thus, in the first instance the longer working week will apply to the obvious cases of coal and cotton spinning, and to the industries producing power and power equipment, mining and agricultural machinery and transport equipment. As and when they are assured of sufficient supplies of power and materials, manufacturing industries should follow suit. Arrangements for overtime, which is the most direct and obvious method

of increasing production, will have to be negotiated quickly if the new production drive is to get a good start before the winter.

The effect of the Control of Engagement Order in achieving the required redistribution of manpower is more dubious. This Order differs from the Essential Work Order in that it does not freeze a worker in his job, but ties him to a particular industry by creating a ring fence round it. Since the offer or acceptance of industrial vacancies will have to be put through an Employment Exchange, the Ministry of Labour should—in theory at any rate—have power to steer into the desired channels, workers who are unemployed or who are made "redundant" by the reduction in supplies of materials and supplies to less-essential industries. With the sanction of direction of labour in the background, the Order may be effective in maintaining the labour force of vital industries. It is more doubtful how far unwilling and unwanted workers will benefit production. The sanction of direction is preferred to what is perhaps the more straightforward one of withholding unemployment benefit.

If the situation were not so serious, some light relief might be derived from the fact that the TUC, whose pressure was mainly responsible for what is now generally admitted to have been a premature relaxation of labour controls, is now outvying the Government in supporting a policy of direction, should the proposed methods under the extension of the Control of Engagement Order prove ineffective or insufficient. It will be interesting to see whether, equally late in the day, the unions respond to the Prime Minister's appeal to refrain from pressing for increased wages. A similar appeal in the White Paper made singularly little difference to the presentation of claims for more wages and shorter hours. It is not yet clear whether the policy, adopted at Margate, of wage improvements and special incentives for the undermanned industries will be continued side by side with the labour controls. At first sight it would seem that the viewpoint of Mr Arthur Deakin, in favour of direction and against incentives, has won the day. At the same time, it is surely significant that the policy of differential rationing, so long and so bitterly resisted by the TUC, is now contemplated if a reduction in basic rations becomes inevitable.

* * *

New Targets for Coal and Steel

"Our aim," said Mr Attlee, speaking of coal production in the economic debate on Wednesday, "is an average weekly output from September 1, 1947, to April 30, 1948, of at least four million tons of deep-mined coal" and "as much opencast coal as we can get." This target for deep-mined coal plus a slight increase in the rate of production of open-cast coal would give a weekly output of between 4.2 million and 4.3 million tons a week—an annual rate of, say, 210 million or 215 million tons. This revised target thus gives a margin of 10 million to 15 million tons a year over the 200 million tons target which was written into the *Economic Survey* last February.

But if an annual rate of production of say, 210 million tons is to be achieved over the winter period, in the face of transport difficulties both for the miners and for the coal they raise, production will have to be stepped up quickly. The best prospect that is suggested by current production trends is a rate of between 195 million and 200 million tons by the closing months of this year, and this cannot be transformed into an annual rate of 210 million tons for the six months period ending in April without an almost superhuman effort. The means available for calling forth that effort, apart from a suddenly intensified sense of responsibility to the community by the miners, are not convincing. On paper, an additional half-an-hour a day down the mines, which is the only practical concession the Prime Minister has so far obtained from the miners, could raise the annual rate of output by 12 million to 14 million tons. But the problem is wider than a simple proportion sum, for before full advantage can be taken of an extra half-hour, major changes would have to be made in the miners' task work at the collieries, which will take time to arrange. Although it did not lie in the Government's mouth to suggest it, perhaps the miners may prefer to work a Saturday morning shift, rather than an extra half-hour a day, in order to avoid such an arrangement of task work. Some 250,000 tons

could be produced by a Saturday shift, which would give the same target increase of 12½ million tons annually. Apart from the longer working day (if not a longer working week) increased output must depend on reduced absenteeism and increased recruitment.

Without sufficient coal, the steel target of 14 million tons set by the Prime Minister is meaningless. Given the coal, an output of 14 million tons in 1948 is practicable. But everything hangs on coal. Four months ago steel workers accepted in principle a 48-hour week in the melting furnaces, but owing to the coal shortage it has not always been possible to provide 48 hours' work for them. Increased resort to oil firing will assist the industry to aim at this target. More important, however, is the urgent necessity to increase iron production at the blast furnaces, for pig iron stocks have been seriously depleted, and supplies of coking coal are still insufficient and spasmodic.

* * *

Dollar Food Cuts

Cuts in food purchases from hard currency areas had been widely expected, particularly as the rapid rise in food prices in these countries, coupled with a fringe of luxury purchases, has contributed to the increasing cost of British imports and the evaporation of the American loan. Mr Attlee put the hard currency saving on food at £144 million a year, but gave no details of the cuts which are contemplated. A large part of the British basic ration has to be met by supplies from the United States, Canada and Argentina, but during the past 18 months quite appreciable quantities of less essential foodstuffs have also been purchased from these sources. In the table below an attempt has been made to compute the possible hard currency savings by cutting the less-essential food imports. Pigmeat, eggs in shell and dried, processed milk, fresh fruit and vegetables, canned fish, luxury meats and various other items such as preserved fruit and vegetables, have been classed as dispensable. In addition, cheese from the United States has been included in the list on the ground that the 70,000 tons imported into Britain last year could be replaced by increased supplies from Australia and New Zealand.

BRITISH FOOD IMPORTS FROM HARD CURRENCY COUNTRIES—1946
(excluding items in the basic ration, apart from bacon)

	U.S.A.	Canada	Argentina
Pigmeat	£mn. 4.8	£mn. 16.8	£mn. 3.6
Cheese	8.8	5.3	1.7
Eggs (shell and dried)	25.4	1.0	...
Milk, processed	7.6	2.7	...
Fruit and vegetables	0.9	4.4	...
Fish	2.7	2.6	3.9
Other foods(a)	7.5	...	...
Total Saving	57.7	32.8	9.2

(a) Includes tongues, extracts and essences, bladders, preserved fruit and vegetables, beverages, cakes and food preparations.

The total dollar saving, on this severe import programme, measured by the cost of such imports in 1946, would be some £100 million a year—or allowing for a 20 per cent increase in prices, £120 million. Strictly speaking a further £5,000,000 should be added to this total for possible food cuts from South Africa, which although not by definition a hard currency country, should in practical effect be included among their number. Thus there is still a gap of £19.24 million before the official target of £144 million is reached, which will have to be covered by a reduction in basic rations from these sources. Grain supplies could not be reduced without drastically affecting the bread ration and feeding stuffs to livestock; the remaining dairy imports from these three hard currency countries totalled only £8,500,000 in 1946. Hence the reduction must fall largely on meat supplies which last year totalled £45½ million from the three leading hard currency suppliers. These would have to be cut by 50 per cent—equivalent to more than a 20 per cent reduction in Britain's total annual imports of meat. British meat stocks at the end of June were estimated to be 100,000 tons or a little over three weeks' supply. The prospects of replacing these cuts in dollar supplies by increased purchases from soft currency areas must be regarded as small.

* * *

Is the Export Target Possible?

It requires the eye of faith to discern any chance of reaching the already postponed export target of 140 per cent of the 1938 volume by the end of next June, and only blind optimism can

DEVELOPMENT OF BRITISH EXPORTS
Volume Indices (1938=100) arranged by Quarters

	1946				1947			
	I	II	III	IV	I	II	III	IV
	Value, Monthly Average	Value, Monthly Average	Value, Monthly Average	Value, Monthly Average	Value, Monthly Average	Value, Monthly Average	Value, Monthly Average	Value, Monthly Average
<i>Food, Drink & Tobacco</i>	89	86	98	79	66	5.0	72	72
Food	73	67	85	57	1.9	4.9	47	76
Beverages	78	79	87	75	1.1	61	1.4	150
Tobacco	176	174	175	168	1.3	241	1.4	150
<i>Raw materials</i>	28	27	25	30	3.3	29	3.1	25
<i>Manufactures</i>	90	110	117	126	72.8	114	77.5	116
Pottery, etc.	131	153	152	159	2.5	148	2.5	144
Iron & steel mfrs.	110	131	113	105	6.2	99	6.8	106
Non-ferrous mfrs.	151	217	204	196	2.8	164	3.2	166
Cutlery, hardware, etc.	139	152	172	190	2.5	167	2.7	173
Electrical Goods	124	147	158	178	3.4	148	3.9	148
Machinery	83	104	114	147	13.2	149	13.9	148
Cottons	43	41	42	43	5.8	41	6.2	41
Woollens	76	75	77	89	4.1	85	4.1	76
Silk & art. silk.	145	153	153	150	2.4	151	2.3	139
Apparel	77	139	182	189	3.0	159	2.7	139
Footwear	53	94	158	183	0.5	165	0.6	132
Chemicals	165	160	163	161	5.1	139	5.2	131
Vehicles	88	137	160	177	10.9	149	12.9	173
Rubber mfrs.	84	142	171	222	0.5	187	0.5	169
Total	84	98	104	111	83.2	101	88.5	102

afford belief that the new end-year target for 1948 of 160 per cent has any realistic basis. Indeed, Sir Stafford Cripps recently used words which almost suggested that the sellers' market had ended. But already conditions in overseas markets are much more difficult than they were a year ago. The accompanying table clearly shows how radical the new measures must be, if the export targets are to be attained. The volume of exports expanded from 84 per cent of the 1938 level in the first quarter of 1946 to 111 per cent in the fourth quarter. Four industrial groups have borne the burden of the export drive—machinery, vehicles, electrical goods, cutlery and hardware—supported to a smaller extent by pottery, apparel, footwear and rubber manufactures. Shipments of iron and steel, non-ferrous metals, rayon and their manufactures, although well above their pre-war level, did not maintain their initial expansion in the second half of the year. Exports of cottons and woollens declined during the first two quarters but recovered in the subsequent period, although by the end of the year their volume was below that for 1938, cottons being only 43 per cent and woollens 89 per cent.

Exports in 1947 have, of course, been seriously affected by the winter fuel crisis, and by raw material shortages. The volume index at the end of June stood at 102, and judging from last year's experience, a rise appreciably above 115 by the end of 1947 would on general grounds seem quite improbable. But an analysis of individual groups during the second quarter of the current year is frankly alarming. Not one single group—with perhaps the unreal exception of machinery whose exports are only now showing its effects—has recovered from last winter's fuel shortage and only iron and steel exports have reached the volume attained in the last quarter of 1946, when they were already affected by a lack of coal. Only two industries expanded their exports, and then only slightly, during the first three months of 1947—machinery and rayon; machinery has since declined slightly and rayon quite perceptibly. The volume of cotton exports during the second quarter remained stationary below their end-1946 level; they are still well under half of the 1938 figure. Iron and steel, non-ferrous metal manufacturers, cutlery and vehicles have all expanded their physical exports compared with the first quarter, but have not yet made up the leeway lost during the February shut-down. Electrical goods showed no significant change, while chemicals, woollens, apparel, pottery, footwear and rubber manufactures—in order of export importance—have all declined considerably.

If the new export targets are to be achieved, a mere diversion of supplies from home to overseas markets will not suffice. Output of all the major exporting industries will have to expand appreciably—and that means increased supplies of fuel, raw materials and labour.

* * *

Survey of Imports

Since the beginning of 1946 total imports have been rising steadily by value, except for a minor set-back in the first quarter of 1947. In both the last quarter of 1946 and the second quarter

of 1947, import values have jumped upwards quite disproportionately to volume. Retained imports during the last quarter reached 77 per cent of the 1938 volume. Food, drink, and tobacco have consistently accounted for half of the total value, and the uninterrupted rise of this group throughout the past 18 months reflects more the rise in world, and particularly in dollar, food prices rather than any substantial increase in quantities.

BRITISH IMPORTS
(monthly averages)

	1938 monthly average	1946				1947	
		I	II	III	IV	I	II
<i>Food, Drink & Tobacco</i>	£ mn. 35.8	£ mn. 46.9	£ mn. 53.5	£ mn. 53.8	£ mn. 58.8	£ mn. 61.9	£ mn. 72.4
Food & drink	33.9	42.4	47.9	50.8	50.1	57.0	69.0
Tobacco	1.9	4.5	5.6	3.0	8.7	4.9	3.4
<i>Raw Materials</i>	20.7	26.5	31.3	31.4	37.3	34.2	45.6
Non-ferrous metals ..	1.4	1.6	1.4	1.8	2.6	1.3	2.1
Wood & timber	3.6	3.2	2.9	4.8	6.7	3.0	6.0
Raw cotton	2.5	2.8	4.5	3.5	4.2	5.3	4.3
Raw wool	3.6	3.8	3.3	4.0	2.4	2.8	5.4
Seeds & nuts	2.5	5.1	5.5	4.1	6.1	6.1	11.6
Hides & skins	1.5	2.4	2.1	1.6	3.0	3.6	3.2
Paper-mak'g material ..	1.3	1.2	1.6	1.7	1.6	1.4	2.3
Rubber	1.0	1.1	3.9	4.0	5.0	3.6	2.3
<i>Manufactures</i>	19.5	17.0	18.7	21.9	25.9	23.2	31.6
Others	0.6	2.7	2.3	2.3	0.9	2.0	1.7
Total	76.6	93.1	105.8	109.4	122.9	121.3	151.3
Volume of retained imports	100	63.2	68.7	70.1	72.2	66.7	77.0

The increase in raw material imports has been quite modest until recently. As import prices for raw materials are on average 170 per cent above their 1938 level, it is evident that arrivals are far from commensurate with pre-war imports—except perhaps for rubber and more recently whale oil.

Substantial cuts in imports cannot be made without jeopardising industrial output; hence the balancing of the external trade accounts must depend on an expansion of exports. A movement of the terms of trade in favour of the United Kingdom would bring considerable relief, but there are no reliable indications of it. Indeed, there are signs they are moving in the opposite direction, for costs of imports have been rising more rapidly than the average price of British exports.

* * *

Deteriorating Terms of Trade

Under the pressure of rising import prices, the British terms of trade have become progressively worse. In June, prices for imported goods rose by 1½ per cent compared with a 1 per cent increase in export prices. In both cases the rise was less than in the previous month, but it is significant that import prices are still rising more rapidly than export prices. Among the imported goods, the biggest rise (2 per cent) occurred in the prices of manufactured articles, which play a comparatively small part in the British import programme, but food, drink and tobacco increased by 1½ per cent—the same as in May—and raw materials by 1 per cent—though this was much smaller than in either of the two previous months.

The main rise in export prices occurred in raw materials, which were 2 per cent higher; but they, unfortunately, are the least

important, owing to the cessation of coal exports. Manufactured goods, on which the export drive depends, showed only a small rise; textiles remained stationary at 301 (1938=100), while the prices of metal goods increased by 1½ per cent. The following table shows the trend in import and export prices over the last four months:

INDICES OF IMPORT AND EXPORT PRICES (1938=100)

Index	March	April	May	June
<i>Imports prices:—</i>				
Food, drink and tobacco	226	229	232	236
Raw materials and articles mainly unmanufactured	246	254	268	271
Articles wholly or mainly manufactured	216	223	232	237
Total	229	234	241	245
<i>U.K. Exports prices:—</i>				
Food, drink and tobacco	217	216	217	219
Raw materials and articles mainly unmanufactured	218	218	222	227
Articles wholly or mainly manufactured	220	221	226	227
Metal goods	199	200	204	207
Textiles	294	297	301	301
Other manufactures	210	214	218	220
Total	220	221	225	227

The development of relative import and export prices over the past 15 months, indeed, shows a dangerous trend. When calculated on the basis of a three months' moving average to even out fluctuations, import prices show an increasingly upward tendency since the beginning of 1947, and raw materials import prices have risen even more steeply. Export prices have been rising slowly, but at a fairly constant rate throughout the period, though there has recently been some tendency for the curve to flatten out. One of Britain's major hopes in bringing the balance of payments into equilibrium has been for an improvement in the terms of trade—that is, the ability to export a smaller quantum of manufactures to secure a given quantum of imported foodstuffs and raw materials. But even if the prices of both imported foodstuffs and raw materials tend first to be stabilised and then to fall, the relief will be illusory if by then the world seller's market has already swung in favour of buyers. And even on the most optimistic assumptions, a substantial increase in the physical volume of British exports will still be required to bring the external account into balance. The recent trend of export prices suggests that we may make the worst of both worlds—by selling exports too cheaply relatively to imports during the period of post-war scarcity and by trying to sell them too dearly after the exuberance of the seller's market is over.

* * *

The Scarce Currency Clause

Messages from Washington have suggested that a way out of the gathering dollar crisis would be an invocation of Article 7 of the International Monetary Fund agreement. Under this article a currency in which the Fund finds that "a general scarcity is developing," can be declared "scarce," thus opening the door to any discriminatory treatment against the country in question. The idea would be to declare the dollar scarce at this moment, a step which would nullify the non-discrimination clause of the Anglo-American loan agreement and which furthermore would allow restrictions in current payments to the United States

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—in particular, a suspension of convertibility of other currencies into dollars. The suggestion holds the vision of an attractive short cut to all kinds of remedial measures for present difficulties.

It must, however, be admitted that it could only be taken by virtue of an extremely elastic interpretation of the articles of agreement of the Fund. Whatever may be happening to the supply of dollars in the world outside the United States, it is all too evident that the dollars in the hands of the Fund have scarcely been touched. The whole gist of Article 7 of the IMF agreement and of the measures by which it proposes to restore the Fund's holding of a scarce currency carries the clear indication that "scarcity" in the context of this agreement means scarcity of dollars in the hands of the Fund. These dollars amount to some \$2,750 million, while in addition the Fund holds gold which could be offered for sale to the US Treasury in order to replenish the Fund's supply of dollars.

Even if every other member drew its full permissible quota in terms of dollars the supply of these, allowing for their replenishment by sales of gold, would last rather more than two years. On the strict interpretation of the Fund agreement, therefore, this particular remedy does not carry the promise of sufficiently rapid operation. Meanwhile, there remains the surprising contrast between the growing shortage of dollars in the world and the absence of purchases from the Fund. It is clear that that institution is conceiving itself more and more as a fair weather mechanism and that member countries have been left in no doubt by the management that if they do not wish to court rebuff they had better not approach the Fund for assistance at the present juncture. This was hardly the policy for which Lord Keynes laboured.

Cotton Purchasing Policy

Stocks of raw cotton in the United Kingdom have been built up over recent months from 389,000 tons at the end of 1946 to a peak of 446,000 tons at the end of last April. These figures are substantially above the wartime and even the prewar levels; stocks at the end of 1938 were only 311,000 tons. In May, stocks declined slightly to 443,000 tons, and it is thought that this downward trend has been continued during June at an approximately similar rate. Average weekly consumption for all purposes in 1946 was 7,250 tons; in the current year, the fuel crisis has reduced this figure to between 6,500 and 6,750 tons. There is thus some 14-16 months' stock in this country, which includes all raw cotton held by the Cotton Control, cotton spinners and other consumers and an estimated weight for quantities of raw cotton unloading at the ports and in transit.

The Government is therefore well able to contemplate the postponement of further purchases for at least six months. It will be an interesting test case to see what effect Britain's abstention from the world cotton market will have on prices. But the saving of dollars will not be very large as the Cotton Control has for some months been buying larger quantities of cotton from non-American sources—including Brazilian and even some Russian supplies. Nevertheless over any long period, Britain would have to become once more a customer of the United States, unless other producers of American type cotton can be encouraged to expand their output substantially. If postponement of purchases should, in fact, lead to a fall in American prices, will this mean that British spinners a few months hence will be paying more for raw cotton than their overseas competitors? And if the recovery of cotton exports, from which so much is expected, encourages an expanding rate of production in Lancashire, care will have to be exercised lest raw cotton stocks, like those of many industrial raw materials, are run down below the safety margin.

Increased Railway Charges

The announcement by the Minister of Transport in the House of Commons last Tuesday—one day before the Transport Act was placed on the Statute Book—that rail charges are to be increased from October 1st next from an average of 28 per cent over prewar to 55 per cent was no surprise. Indeed, it has been apparent since last winter that unless there was to be a substantial deficit on the control net revenue account this year, which would have to be met by the Exchequer, an early increase was essential. The true position was originally confused by the Charges Consultative Committee, who reported on November 15, 1946, that they estimated the deficiency in 1947 at about £9 million, whereas the evidence they had from the railways put it at rather more than twice that amount. However, Mr Nicholas

Kaldor, giving evidence "solely as an economist" on behalf of the National Coal Board, then estimated that the gross receipts from passengers and freight would not be less than £322,512,000 and might reach £339,023,000, compared with the railway estimate of £306,240,000. Mr Robert Shone, the economic director of the British Iron and Steel Federation, confirmed Mr Kaldor's view, and Mr A. W. White, "a chartered accountant with long experience in railway accounts," thought the figure would be £330,000,000.

By March of this year, however, it became evident that these optimistic forecasts were very wide of the mark, and the net deficiency was then put at £32 million, due in part to the fuel crisis. Now the Minister has disclosed that the deficiency will be £37 million, to which must be added £22 million for the higher wages and shorter hours recently conceded. Even when charges are raised to 55 per cent above pre-war from October next, there will be a deficiency of £43½ million this year to be met by the Exchequer. The main reason for such a large shortage is that the increased charges will only operate for three months of 1947. It is thus a case of bad estimating in the first instance and belated action since; at least one-third of this deficiency which the taxpayers will have to meet could have been avoided.

The Minister's decision to remove the existing differential on the different types of traffic—broadly speaking, passenger fares are 33½ per cent above prewar and freight rates 25 per cent above—and to equalise the increase of 55 per cent above prewar is clearly sound in principle, and although there might be some doubt about its appropriateness in the present economic crisis, on the whole it is not open to criticism. As a general principle, transport charges should be based on transport considerations, and there should be no subsidy of one type of traffic by another for other reasons. The prospect for 1948 shows an estimated deficiency of £65 million, compared with the annual rental payments—which, of course, ceases at the end of this year—and the yield from the increased charges will produce roughly this sum. Thus the Transport Commission will take over on January 1st next with a healthier prospect of earning a net revenue of £40 million or so from its railway operations than seemed possible before these increases were announced. There are, however, many special intangibles about next year, and it is unlikely that even the most expert forecasting will anticipate them.

A European Exchange Plan?

It has not taken long for the European Economic Conference in Paris to stumble on one of the main obstacles to European recovery, to which no recognition was given in the initial phase of the discussions. This is the problem of the wide disparities in price and cost structures in Europe. Expressed in another way it is the artificiality of the present rates of exchange of many participating countries. The question was first acknowledged and approached by the decision to include among the questionnaires to the participating countries one dealing with the balance of payments. In framing answers to this, it would be difficult in the extreme to avoid reference to obvious discrepancies in the external valuation of various European currencies, for these discrepancies must play a very prominent part in perpetuating the prevailing balance of payments difficulties.

The subject has now been brought more clearly into the limelight by a proposal sponsored by the "Benelux" delegation, which suggests partial inter-convertibility of the currencies of the 16 participating nations. Needless to say, the scheme clearly recognises that one of the conditions of its introduction and successful operation must be that each country should take the necessary measures to stabilise its domestic financial conditions and to adjust the value of its currency in the exchange markets to a figure bearing a realistic relationship to its purchasing power parity. One country, Italy, has done something in this direction, by devaluing the lira. But this is only one half, and the easier half, of the task. The financial rehabilitation has yet to come.

A scheme for European inter-convertibility would have much to commend it. It would extend the principle on which the increasing multilateral availability of sterling has been developed through the operation of transferable sterling accounts. The scheme would be fully compatible with the Bretton Woods agreements and could, at the appropriate moment, be dovetailed into the wider convertibility propounded in those agreements. Before convertibility could be made complete and effective in terms of US dollars, additional dollar resources would, of course, have to be made available from the United States—either collectively or individually to each participating country. But the most important condition for the establishment of such a scheme must

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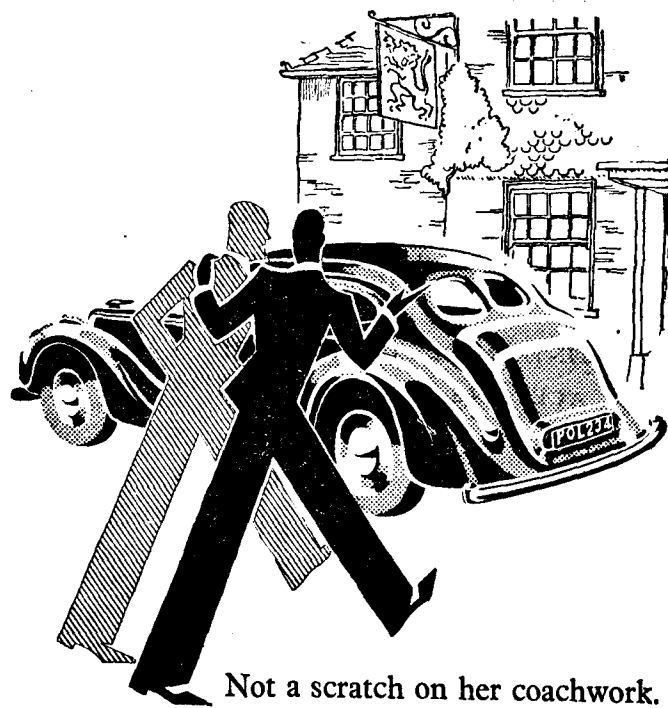
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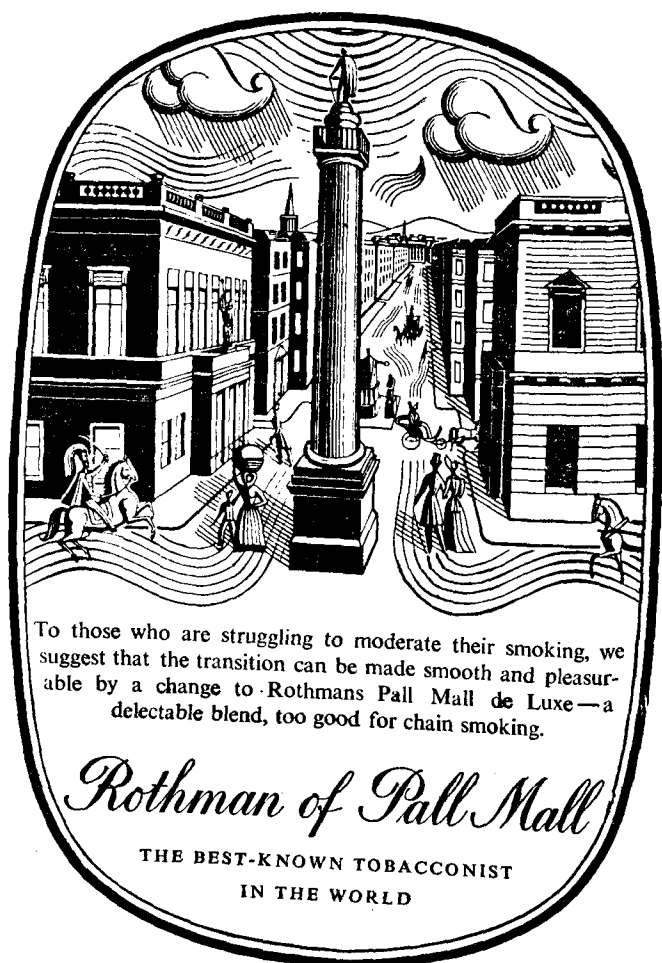


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be the framing of the relatively stable financial setting, in which alone it could operate. This would imply a reversal of the inflationary policies that are now being pursued in a number of participating countries, and the abandonment of the artificial pegging of the currencies concerned. This would help to close those yawning holes through which gold and foreign currency reserves are now pouring. For this reason the "Benelux" scheme would, in the first instance, be intended only to cover the countries which are in reasonably stable financial conditions, namely Britain the "Benelux" group itself and the Scandinavian block. If Britain should be forced to abandon full convertibility of sterling, inter-European convertibility with due safeguards, might provide a useful hedge.

* * *

Bank Investments in July

The London clearing bank figures for July show virtually no net change in the total volume of banking credit outstanding. Deposits have risen by £14,334,000, but since cheques in course of collection and transit items have fallen by £16,289,000 the total of true deposits is substantially unchanged over the month. This stability is the product of a number of divergent movements. The most important of these is a fall of over £47 million in Treasury deposit receipts and a rise of £27,776,000 in bills discounted. Money at call and short notice has fallen by £8,677,000.

At first sight it may appear a surprising movement, given the extent to which the discount market is believed to have bought short bonds in recent weeks. In this connection, however, it should be realised that the greater part of the market's bond money comes from lenders other than the clearing banks. The most interesting move in the July returns is their revelation of a rise of £9,231,000 in investments, a movement which confirms the widespread belief that the banks have offered moderate support to the gilt-edged market in the recent decline. Advances continued their steady expansion, and at £1,129,103,000 they are about £9,713,000 higher on the month and more than £250 million higher than a year ago.

* * *

New Companies Act Timetable

Section 119 provides that the Companies' Act which received the Royal Assent on Wednesday, is to come into force on such day as the Board of Trade may appoint, and that different days may be appointed for different parts of the Act. The Lord Chancellor on Tuesday gave some indication of the Government's intended timetable for introducing the changes. It is intended first to bring into force without delay the concessions and alleviations—such, for example, as that relating to the disclosure by directors of their previous nationality or previous names. Secondly, the Government will bring into force as soon as possible the provisions which place duties on the Board of Trade rather than upon the business community; obvious examples of such provisions are the new powers governing investigations into the affairs of companies and share ownership.

On the question of accounts, on which the governing provisions are largely self-contained in the Act, the Government rightly stresses the great importance of making them operative as soon as possible. On the other hand, they cannot be put into operation without giving due notice to the business community and the Lord Chancellor has suggested that not less than six months would be given. There remains finally the enforcement of detailed provisions in the Act which will if possible be deferred until the new Act is consolidated with the old, a step which the Government hopes to take during the next Session. But consideration will be given to any requests to bring into operation at an earlier date any provisions which are likely to be helpful to the business community and the Government has reserved the right to bring into force any particular provisions that appear to be necessary in the national interest.

* * *

Difficulties for British Car Exports

The production of both motor cars and commercial vehicles achieved record post-war levels in June. Private car production reached 29,268 units and commercial vehicles 14,826. As the accompanying table shows, these results are above the pre-war monthly average production of 28,417 and 8,667 respectively—indeed commercial vehicles continue to forge ahead towards a 100 per cent increase on the pre-war rate of output. These comparisons, however, are in terms of averages; if instead the pre-war

record output of 46,000 cars a month is used as a datum, the part played by shortage of materials in severely limiting production becomes much more evident.

Manufacture for export in June touched record levels both for private cars and for commercial vehicles. Private car production for export reached 13,750 units, about twice the 1938 level of production for export while commercial vehicles produced for export were about four times as high. Actual exports of all vehicles by value over the six months January to June this year were about equally divided between the Empire and foreign countries.

MONTHLY PRODUCTION OF PRIVATE CARS AND COMMERCIAL VEHICLES

	Private Cars			Commercial Vehicles		
	Total§	For Home Market	For Export	Total§	For Home Market	For Export
1935	29,110	...	4,522†	7,662	...	1,136†
1938	28,417*	...	5,684†	8,667*	...	1,189†
1947—Feb.	9,921	5,317	4,600	5,792	4,223	1,510
March	22,074	12,067	9,999	11,339	7,854	3,426
April	24,230	12,858	11,364	12,320	8,556	3,719
May	27,496	14,325	13,163	14,301	9,874	4,375
June	29,268	15,508	13,750	14,826	10,203	4,557

* Estimated. § Including vehicles for the Services. † Actual exports.
Source: Monthly Digest of Statistics and The Society of Motor Manufacturers and Traders.

The halcyon days in the export market, however, seem to be drawing to a close, and there are serious portents of sterner days ahead. Sweden, for instance, which took no less than 19 per cent of all car exports to foreign countries last June has recently placed a temporary embargo on all vehicle imports from this country. But Sweden is only one example from a rapidly growing list. Currency restrictions have now placed a barrier of temporary embargoes, licence restrictions or reduced quotas for exports of British cars to the following countries:—

Argentina, Belgium, Chile, China, Czechoslovakia, Denmark, France, Greece, Holland, India, Norway, Peru, Spain, Syria, Lebanon, Turkey, Uruguay, Brazil, Ecuador and Mexico.

Many of these restrictions have come into force since free convertibility of sterling became operative on July 15th and the list of countries, it must be feared, will lengthen further.

These restrictions though they may be intended as temporary only, deal a severe blow at the car export trade. The Nuffield organisation has already announced that £1,000,000 worth of export orders have been cancelled because importers were short of sterling. But there are other complications—the British motor vehicle industry will now find it more difficult to build up its goodwill and trade connections in foreign markets in preparation for the day when new British export models become available and each week that passes brings the threat of acute American competition nearer to reality.

* * *

Slow Recovery in Wool Textiles

Production of wool tops was slightly affected by holidays in June, but the general trend of wool textile output since the first effects of the fuel crisis were surmounted has been one of steady, if unspectacular expansion. The trend, at least, is encouraging, for every yard of cloth or pound of yarn won this summer in the face of shortages of coal and labour is of real importance for the export drive.

Employment in the industry in the first week in June was 181,200, compared with 179,500 in April and 166,400 last September. These figures include clerical and part time workers, so that the full extent of the gap between the current labour force and the national target of 200,000 suggested by the Wool Working Party is not revealed by them. The increase, such as it is, seems to be fairly evenly spread over all sections of the industry, but after allowances for part time and clerical workers, there was a net increase between April and June of only 400 worsted spinning employees and 300 woollen spinning employees. This is scarcely a satisfactory rate of recruitment of spinning operatives.

The accompanying table shows deliveries of wool yarn, fabrics and blankets for 1942, the first year for which figures are available, for 1946, for the fuel crisis month and for the latest month. Output in May in each case compares quite favourably with the production levels attained in the last quarter of 1946, but the fall in the production of tops in June to 4.43 million lb. compared with 4.74 million lb. in May, suggests that there may have been a slight setback in woollen and worsted deliveries over the same period. The lion's share of the recovery in production during the spring months has gone, as the table shows, to the home market, which

**British Films
deserve
a fair show on
British Screens**

British films have earned their place at the top of the bill at British cinemas by sheer merit. As more and more British first feature films come along they should be assured of a fair show. The Film Quota Act, without which British films could not have reached their present strength, is due to expire in a few months. It should be replaced by an improved Act which will not only give British films a fair show, but ensure that our big pictures do not have to play second fiddle to anyone.

**AN IMPROVED FILM QUOTA ACT. WILL
GIVE THEM THE PLACE THEY DESERVE**

British Film Producers Association

COMPANY MEETINGS

CARTER AND COMPANY,
LIMITED

A YEAR OF PROGRESS

The thirty-ninth ordinary general meeting of Carter & Company, Limited, was held, on the 31st ultimo, in London.

Mr C. Cyril Carter, the chairman, in the course of his speech, said: It has been for us a year of progress in many directions. All your companies have been working for the full twelve months and all of them have made profits. The export trade of your company before the war was not large; we had developed and become very prominent in certain rather specialised activities in the building trade in this country. When the war put an end to those activities for a time, a substantial export trade was developed by those of your companies engaged in the making of tiles, and it is our hope to maintain that, and in fact increase it. Only one thing prevents us increasing it still more now, and that is the shortage of labour.

I want you to know that we are giving a lot of attention to these things, with a view to equipping our factories for maximum output, but it is at times slow work, as you will appreciate, because deliveries of necessary machinery and equipment are inevitably slow. Reference was made last year to the need for considerable expenditure at our Stoke-on-Trent factory. We have made a start there, but have met with one or two setbacks which have held us up, in spite of which the factory has got going again and increasing its output. I have referred already to the Poole Pottery works. The distinguished wares of fine quality for which the company had made a name for itself are now being produced again, for export.

(Continued from page 258)

of gold bars, thus putting legal sanction behind the recent request of the Federal Reserve Bank of New York that no dealings in gold should take place at more than the official price of \$35 per ounce. The Philippine Government has also taken steps to prohibit gold operations at more than the authorised price and to prevent the renewal of gold export licences. The Philippine move is of considerable importance, as these islands have provided one of the main channels through which gold has been reaching the Far Eastern markets, whose appetite for the metal has proved almost insatiable.

* * *

Higher Cement Output and Prices

Cement production made a good recovery from the fuel crisis, but costs are rising and acute shortages are reported in some areas. Output in the average week of February was only 48,000 tons, compared with 110,000 tons in the average week in January which was by no means a month of high production. Since February, production has gradually recovered and by the last week in July it had reached almost 163,000 tons—that is, 10,000 tons above the previous post-war peak of 153,000 tons recorded in October, 1946.

By last November the scale of cement production had expanded sufficiently for the industry to reduce its prices by 2s. a ton. But the low output between January and June and rising coal and transport costs have together provided the justification for the Ministry of Works' recent decision to raise Portland cement by 1s. a ton to 56s., with the same increase for rapid-hardening cement.

Under the summer coal scheme, the building materials industries were expected to receive about 85 per cent of their requirements, and cement perhaps slightly more. In the event, coal deliveries have not always proved to be the same as allocations and some cement works are still suffering from a coal shortage. In some regions the scale of production is below the optimum level and in areas like the West Country and South Wales, which

Although in common with other tile makers we have very much restricted the range of our products, with a view to getting the greatest possible output, demands for the special work for which we are so well known are gradually increasing and we are equipping ourselves by training the necessary craftsmen to carry out such work when it can be undertaken, and we have had sympathetic help from the Government departments concerned, in this matter.

SUBSIDIARY COMPANIES' CONTRIBUTION

You will note the substantial contribution the subsidiary companies have made to the profits of the year. The turnover has increased as labour has been available, and that must account for the improved position presented to you, but costs of fuel and raw material have risen against us to detract from what would otherwise have been still better results.

We have the satisfaction of knowing that the things we make are the best of their kind. In design and quality our name stands very high. Everything we make is a solid contribution to building (to housing or to the rehabilitation of industry) the only exception being that of the Poole Pottery, which is, to an unfortunately limited extent, meeting domestic needs and, to a still more restricted extent, ministering to the æsthetic satisfaction of householders.

I wish our general contribution could be greater, and I feel that it could be if some of the valuable labour and raw material used in the making of the trashy rubbish made and sold in this country to-day could be diverted to more useful channels. We feel that the sound financial position of the company, which has often been referred to, will be even sounder if we make wise use of our resources to that end.

The report was adopted.

NEW BROKEN HILL
CONSOLIDATED, LIMITED

A YEAR OF PROGRESS

The eleventh annual general meeting of New Broken Hill Consolidated, Limited, was held, in London, on the 7th instant, Mr John R. Govett, the chairman, presiding.

The following is an extract from his statement, circulated with the report and accounts for the year 1946:—

The year under review has been one of progress. In the year 1946 ore production from our own leases totalled 41,723 tons, of which 29,459 tons came from the zinc lode and 12,264 tons from the lead lode.

In order to determine the position of the footwall shear in the area of the proposed upcast airway and to obtain any information about possible ore bodies, a series of bore holes have been planned.

While it is too early yet for us to attempt an assessment of ore reserves in the usual terms, we have no doubt that the programme on which we have embarked is well within the limits of the ore that will be developed in the area extending to a point 3,000 ft. south of our Northern boundary. It will be appreciated, of course, that in adhering to our time-table we are dependent not only on obtaining the necessary manpower—which we believe will be available—but on maintenance of delivery dates by manufacturers of plant and equipment in Australia and the United Kingdom. I look forward to being able to give you next year a report of further satisfactory progress, and with the higher range of metal prices so far experienced this year I believe I am entitled to say that you may expect your company to reach the dividend-paying stage.

The report was adopted.

are some distance from the main centres of production, an acute shortage of cement has developed.

There are better arguments for giving cement its full coal allocation than for any other building material industry. Indeed, it is impossible at present to have too much cement. The Ministry scheme to be spread over the next two years which will consume big tonnages of cement. Houses and new factories will need large quantities and the export market has been starved since the export quota was cut just before the fuel crisis, when the industry ran short of kraft paper bags. Stocks in the pipeline are low and must be replenished if the building programme is to run smoothly during the autumn.

Shorter Notes

In continuation of the Treasury's policy of anticipating maturities of Defence Bonds by offering conversion terms well in advance, holders of 3 per cent Defence Bonds maturing between November 1, 1947, and April 30, 1948, are invited to continue their bonds until the next interest date, May 1, 1948 (when a payment of six months' interest and a maturity premium of £1 per cent will be made), and to convert into the same amount of 2½ per cent Defence Bonds repayable at £101 for each £100 nominal value on May 1, 1958.

*

The Trustees of the Houblon-Norman Fund, on the recommendation of the Advisory Committee, have made the following awards for 1947-48:—*Fellowships (renewed for a second year)*: P. J. Watkin, B.A.—Financial Facilities for Industry in South Wales. *Research Grants*: D. R. Marsh, B.A.—Rise and Growth of Corporate Executors and Trustees; *Renewed for a second year*: P. S. Sumner, M.Sc., B.A.—The Economics of Investment Trusts.

An offer of awards for 1948-49 will be made early in 1948. Further information may be obtained from the Secretary, Houblon-Norman Fund, c/o Bank of England, E.C.2.

GENERAL ELECTRIC
COMPANY, LIMITED

DEMAND EXCEEDS SUPPLY

The annual general meeting of the General Electric Company, Limited, was held, on the 31st ultimo, in London.

Sir Harry Railing, the chairman, said that the profit, after providing for E.P.T. and profits tax, amounted to £2,270,965, compared with £2,300,554 a year ago, a slight decrease of £29,589. The result had been achieved in spite of the setback suffered on account of the fuel crisis. The net profit was £905,201, against £956,413, and they recommended a dividend of 10 per cent. per annum and a bonus of 7½ per cent. on the ordinary stock.

He had explained last year the tasks ahead of them, namely, to increase their productive capacity in all fields for capital and consumer goods for home and export. They were valiantly struggling to overcome, within the limits set to them, the difficulties which confronted them in regard to adequate buildings, new tools, labour supply and raw materials. They had successfully changed over from production of war materials to normal peace production, but were handicapped by the necessity of changing their plans with the ever-changing picture dictated by national requirements.

They were doing their utmost to play their part in the call for increased production in all fields. They had increased, and intended to increase still further, their output for capital goods in connection with generating plant, in connection with transmission and distribution plant and traction work. They had replaced the manufacturing capacity in telephone and radio transmission plant which had been destroyed during the war and had extended it by additional works. They were doing their best to start factories in districts where labour was available.

TASKS IN MANY FIELDS

The urgent need for the country to extend the power supply to mechanise the mines and increase coal output, to increase the production of steel, to re-equip transport and shipping, to increase means of communication and to improve exports could only be satisfied with the help of this company.

All those demands on them had involved them, and would still further involve them, in heavy capital commitments. In each of those fields during the reconstruction period, as during the period of the war, they had to play a prominent part.

The demand for most of their goods at home and abroad was in excess of their output. He was of the opinion that that would continue for some time, anyhow as far as capital goods were concerned. In regard to some of the consumer goods, the outlook was becoming somewhat less promising. Their output and means of expansion for the coming year were both entirely dependent, first of all, on the supply of coal and then of power, steel and other raw materials. It was impossible to make sufficient progress in any direction until those barriers were removed. One could not be optimistic about the immediate industrial outlook. They might have further setbacks and disappointments in regard to coal and the quick amelioration of the shortages from which they suffered. But it was surely impossible to imagine that any responsible party, management or section of workers would knowingly persist in any measures which, at the present critical juncture, tended to increase the difficulties in any way and thereby deliberately prevent us from maintaining our standard of living. The clear task was an immediate increase in production. Past history showed that whenever they had been given a task, which was understood by all, they had jointly solved it.

The report was adopted.

GEORGE NEWNES, LIMITED

INCREASED DIVIDEND AND FIVE PER CENT. JUBILEE BONUS

The fiftieth annual general meeting was held on the 31st ultimo at the company's head office.

The following statement by the chairman, Sir Frank Newnes, Bt., was circulated with the report and accounts:—

This year the company presents its fiftieth balance sheet and profit and loss account. It happens also that its Jubilee coincides with the largest net profit in the history of the company.

In such happy circumstances the directors propose that the company's Jubilee year should be celebrated by payment of a special bonus of 5 per cent. This is in addition to the proposed increase in the dividend on the ordinary shares from 12½ per cent. to 15 per cent.

For the five years preceding the outbreak of war the average dividend paid on the Ordinary shares was 13 per cent. per annum. The average paid since 1940 has fallen to 9 per cent. per annum. The directors thus feel that, in view of the enhanced profits and the powerful financial position of the company and its subsidiaries, the Ordinary shareholders are fully entitled to the increased payments recommended.

THE ACCOUNTS

The net profits, after making all charges and providing for taxation, amount to £191,604. This compares with £151,893 for the previous year.

With the amount of £61,923 brought forward from last year, and after deducting dividends on Preference shares, there is an available balance of £212,254. The proposed dividend on the Ordinary shares requires £75,000, and the special Jubilee bonus £25,000, and after transferring £5,000 to staff sick and pension fund, £25,000 to general reserve and £20,000 to development and reconstruction fund, there remains a balance of £62,254 to be carried forward to next year's accounts.

The items in the Newnes balance sheet show few marked changes. "Freehold and Leasehold Premises" at £229,762, has risen by £88,097 as a result of further acquisitions to meet the growing needs of the business. "Investments" at £874,732, showing an increase of £77,473, represents new enterprises in which the company has become engaged. Stocks at £170,963 are higher by £42,129. These additional outlays are reflected in a reduction in our holding of British Government Securities, which at £87,738 shows a fall of £74,222; and cash at £302,762 is lower by £31,797.

The consolidated statement sets out the financial affairs of the Newnes group of companies as a whole. With George Newnes Limited as the parent company, the other companies are: C. Arthur Pearson Limited, Country Life Limited, W. H. and L. Collingridge Limited, National Trade Press Limited, Leach's Publications Limited, London Opinion Limited, British Aviation Publications Limited and Newnes Educational Publishing Company Limited.

The latter company, recently formed, is planning to enter the educational book market, and the services of Sir Frederick Mander, who holds an eminent position in the educational field, have been secured. He has become a Director of the new company and is now actively engaged in its affairs. Mr Charles Pearce, the popular and well-known general secretary of the London Teachers' Association, has also joined the board.

STRONG GROUP FINANCES

The figures of the consolidated statement disclose a strong financial position. Reserves

total £817,576, in addition to which a sum of £379,992 has been set aside for development and new enterprises as and when suitable opportunities arise. Balances on profit and loss accounts amount to £233,389. Stocks at £259,322 have risen by £66,820. Government securities at £114,797 are £149,222 lower. Cash has increased by £66,128 to a total of £679,973, in addition to which we have tax reserve certificates of £445,350 to meet our obligations in that connection. "Freeholds and leaseholds" at £326,044 have increased by a net amount of £35,462.

Trade investments at £339,094 are £183,094 higher. Plant at £28,746 is £62,545 lower. These changes reflect the arrangements which were completed in the current financial year whereby the printing interests of the Newnes & Pearson Printing Company, together with the factory and the bulk of the machinery were acquired by W. Speaight & Sons. As was stated last year, we retain a substantial interest in Speaight & Sons, which is conducted by a joint board appointed by Financial Times Limited, our partners in this enterprise, and ourselves. The new arrangements are working smoothly and well, but the increasing benefits expected from the merger are being retarded by the difficult paper supplies which threatens to become even more difficult rather than easier.

The various companies have paid substantial amounts as excess profits tax during the period the tax has been in force, and it is now computed that a net amount in excess of £150,000 will fall due to be repaid to the company.

PAPER SUPPLY PROBLEMS

The publications, while fully maintaining their sales to the extent the very limited paper rations permit, have been able to make little progress in the direction of additional pages and higher quality of production, both of which steps we consider to be essential at the earliest moment in studying the long-term interests of the business. Furthermore, advertisement space is still very strictly limited, although every possible care is taken to ensure that the allocation is fairly spread among the many advertisers using our journals.

It has come as a shock to the periodical publishing industry to find that after waiting patiently for a long time for a very moderate improvement in paper rations, it has recently had to move backwards rather than forward. The paper supply position has deteriorated in a manner to cause us deep anxiety. Arising out of the fuel crisis in the spring, paper supplies were reduced from 40 per cent. of pre-war to 35 per cent. Whilst causing a severe and costly setback, we regarded this as a temporary misfortune, but unhappily we have already been notified that the lower figure is to continue up to November. After that, the possibility of an improved position is by no means reassuring judging by present indications. In addition, paper prices have just been sharply increased. The result of all this is to create new and embarrassing problems, to which we are now applying ourselves.

No one would wish to minimise the serious economic problems with which the Government is confronted, nor to put forward claims on behalf of any section of industry not consistent with those problems. At the same time one cannot but feel that the highly important services the periodicals are able to render to the country are being restricted more than they should be, even in the present difficult conditions. A moderate increase in paper supplies would enable the periodicals to perform additional services to the public, to the business community, and to the considerable personnel engaged upon their production, out of all proportion to the comparatively small extra tonnage involved.

Early this year Mr H. Tingay, managing

director, and another director, Mr. H. Patchett, carried out a round-the-world tour by air, visiting Australia, New Zealand, Canada and the United States of America. It was mainly a goodwill visit to re-establish personal contacts with a wide circle of business interests which it had not been possible to maintain under the prevailing conditions of recent years. For the same reasons other directors and executives have visited the United States and Canada during the year.

"COUNTRY LIFE" FIFTIETH BIRTHDAY

"Country Life," as well as George Newnes Limited, attained its jubilee during the year, having first been published on January 8, 1897. To mark the occasion a dinner was held at the Dorchester Hotel, at which impressive testimony was paid to the high prestige this journal enjoys. Messages were read from His Majesty the King and Her Majesty Queen Mary, and among the 400

BRITISH PLASTER BOARD, LIMITED

PROFIT MAINTAINED DESPITE DIFFICULTIES

LORD BELPER ON THE OUTLOOK

The thirtieth ordinary general meeting of the British Plaster Board, Limited, was held on the 31st ultimo at 20 St. James's Square, London, S.W., the Rt. Hon. LORD BELPER, the chairman, presiding.

The chairman, in the course of his speech, said: Before charging tax, the profits for the year are approximately the same as for the previous year, but an additional amount is now required for the dividend on the increase in the issued capital, and there has had to be found a sum to meet the new profits tax which accrues as from January 1, 1947. There is, however, sufficient profit to maintain the dividend on the ordinary shares at the same rate as that paid for some years past, and still leave a small sum to be added to the balance carried forward.

As you will have observed, the balance-sheet reflects the considerable extensions in mine and plant capacities, some of which have now been completed. The increase in the amount of shares in subsidiary companies from £1,208,551 to £1,240,633 is accounted for by the acquisition of the Raynal Manufacturing Company, Limited, to which I referred last year, less an adjustment occasioned by the writing down of the holding in Peter Ford and Sons, Limited, to a figure commensurate with the net assets remaining in that company. A settlement has been reached with the Air Ministry in connection with the explosion at the Fault Mine and works of Peter Ford and Sons, Limited, and the difference between the amount of the settlement and the net assets remaining in that subsidiary, accounts for the increase in the capital reserve of £59,310. There is a new item in the balance-sheet representing shares in an associated company, which cost £125,000. This refers to your 40 per cent. holding in Gypsum Industries, Limited, of South Africa, now taken up, following the announcement made in the Press during May, 1946.

SURPLUS OF ASSETS

In my statement to you last year, I remarked upon the surplus of £920,630 of current assets in excess of current liabilities. This year, you will see that the current assets amount to £1,450,144 and the current liabilities, including the provision for dividends now recommended, amount to £291,646, leaving a surplus of £1,158,498. The current assets as shown in the consolidated balance-sheet amount to £2,942,558 and the current liabilities, including dividends now recommended, amount to £718,719, leaving a surplus of £2,223,839; the corresponding surplus disclosed by the previous year's consolidated balance-sheet

guests were distinguished representatives of the Church, the Arts, Agriculture, Sport, and many leading advertisers and executives of kindred interests, and the various national causes with which "Country Life" has identified itself during the past fifty years.

Commencing this year the Company proposes, in response to requests from a number of shareholders, to revert to the pre-war practice of paying interim dividends in respect of the Ordinary Shares. We have a considerable number of small shareholders, and feel that the course proposed will be welcomed. It should be made clear, however, that the resumption of interim payments does not imply any increase in the total dividend for the year.

Again I have to pay high tribute to the loyal and devoted work of the staffs of the various companies, and to express to all concerned the thanks and appreciation not only of the directors, but I am sure, of the shareholders, too.

The report and accounts were adopted.

being £1,791,156. Your company is, therefore, well placed to finance the completion of the various extensions in progress.

The balance-sheet has been strengthened by useful additions to the reserves. Share premiums on the recent issue of new ordinary shares yielded £851,686, and the capital reserve account has been increased by the £59,310, to which I have already referred. Your directors had these facts in mind, in making their recommendation to maintain the dividend.

IMMENSE DIFFICULTIES

Reviewing the year which lies behind us, there is still, I fear, all too little understanding in this country as a whole of the immense difficulties under which those of us responsible for the production of goods or services are labouring; difficulties, that is, which are the inevitable result of superimposing upon industry an ever-increasing number of self-contained bureaucratic machines, too vast and too independent of each other for practical co-ordination.

In the "Economic Survey for 1947" presented a few months ago by the Prime Minister, there was encouraging evidence of the Government's realisation of the need for co-ordination, and Government Departments, employers and labour were urged to consult together, thus expediting the solving of the many problems.

NOTEWORTHY ACHIEVEMENTS

I want you to know that the figure of profit, before taxation, of £592,910 has been earned in the face of a large measure of such troubles as have beset industry as a whole. However, there are a number of achievements to record. The prices of our considerable outputs of plaster boards have been reduced and in the main, the prices of the rest of our numerous products have been held steady. Our workers have received increases in their wages and a pension scheme for our staffs has been agreed upon by your board, subject to consideration, in due course, of the relative clauses in the latest Finance Bill.

Whilst I hasten to disclaim it as an achievement, I make mention here of the benefit which the Chancellor of the Exchequer has gained by way of the new profits tax as from January 1st. Your company, although essential to the war effort, was never permitted to make profits as large as those earned in world-wide competition before 1939, and so never attained the payment of excess profits tax. This latest form of tax is, therefore, for us, not an alternative but an entirely new and additional burden.

The consequences upon your company's

affairs of the fuel crisis were considerable and, as has been pointed out on behalf of other industrial concerns, succeeded in doing that which all the efforts of our enemies failed to do. It closed down almost all our mines, mills and factories for a number of weeks.

Whilst, therefore, the personnel of your company have received benefits, the full brunt of the fuel crisis in the latter part of our financial year, followed by the new profits tax, has fallen on the shoulders of the company's 14,000 shareholders, who must look to the future for some alleviation of the loss in purchasing power of their dividends, the rate of which has not been increased for a number of years.

NATIONAL INTEREST SERVED

The national interest has been well served by your company. Apart from the stability of the sales prices, there has been a substantial increase in the production of all the main products, as compared with the previous year. I single out for special mention the production of gypsum from the mines. In spite of the loss of output during the fuel crisis, the total production for the year was 6 per cent. greater than the best achieved in pre-war years and the rate of extraction is still increasing. This position is due, principally, to the mechanisation of our mines now proceeding, and there is expectation of reaching our gypsum rock production targets before the end of 1947, thus enabling the full potential demand of this country to be met.

The rest of your company's expansion schemes, principally in the gypsum plaster and plaster board fields, are making progress, although slow in some cases, because of delays in delivery of plant.

In these difficult times, you doubtless look to me to submit a view, however tentative, of the future prospects of your company. I feel I shall best serve this purpose by stating the simple facts as I see them.

Your company depends for its prosperity mainly upon the building industry. This country has need of building activity to a degree beyond anything previously experienced. It is surely to be assumed that we shall eventually achieve a rate of building in excess of that prevailing in pre-war days. Your company, together with its competitors, will presently be in a position readily to supply the full requirements of their products, if we can also assume availability of fuel and other raw materials. The long-term future appears, therefore, to be assured.

PRESENT POSITION

In the meantime, the rate of new building operations is a fraction only of pre-war rates. The effect of this lamentable position is, at present, offset so far as your company is concerned, by a demand for materials for repairs and for construction of pre-fabricated houses, to a point where there continues to be a demand in excess of supply. I trust the building industry can be enabled to get into its full stride before the requirements for repairs and pre-fabricated houses have been largely filled. To avoid any such gap, the building industry will certainly need, and need quickly, a great deal more freedom from restriction and, in certain sections of the industry, both workmen and employers will have to find ways of achieving far more effective production for each hour of their labours.

So far as concerns your group of companies, you will no doubt have appreciated from my remarks that production in relation to manpower has shown satisfactory progress. I know you will wish to join with me in thanking the personnel of all sections for their efforts during a difficult year. I am confident we have an organisation upon which we can rely in meeting whatever lies ahead.

The report and accounts were unanimously adopted.

At a subsequent extra-ordinary general meeting a resolution was passed approving the conversion of the ordinary shares into stock.

GOVERNMENT RETURNS

For the week ended August 2, 1947, total ordinary revenue was £80,196,792, against ordinary expenditure of £98,511,523 and there were no issues to sinking funds. Thus, including sinking fund allocations of £3,531,384, the surplus accrued since April 1st is £262,224,175, against a deficit of £303,225,239 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1947-48	Receipts into the Exchequer (£ thousand)			
		April 1 to Aug. 3, 1946	April 1 to Aug. 2, 1947	Week ended Aug. 3, 1946	Week ended Aug. 2, 1947
ORDINARY REVENUE					
Income Tax	107,300	291,825	275,744	22,114	23,160
Sur-tax	80,000	13,416	15,280	276	400
Estate, etc., Duties	155,000	50,610	59,563	2,640	3,700
Stamps	57,000	11,250	15,050	630	1,780
N.D.C.	202,000	10,609	8,660	510	900
E.P.T.	1,000	106,566	67,977	5,435	4,229
Other Inland Rev.		133	95	...	...
Total Inland Rev.	156,800	484,409	442,369	31,605	34,169
Customs	736,960	186,305	255,177	7,472	12,052
Excise	643,040	203,672	196,417	28,426	32,554
Total Customs & Excise	1,380,000	389,977	451,594	35,898	44,606
Motor Duties	50,000	7,446	7,891	663	676
Surplus War Stores	95,000	14,531	63,964	85	135
Receipts from Trading	55,000	...	25,000	...	...
Post Office (Net Receipts)	11,000	2,050	1,760	80	1,400
Wireless Licences	1,000	390	410	...	...
Receipts from Sundry Loans	21,000	4,885	12,382	...	...
Miscellaneous Receipts	270,000	5,571	155,650	67	31
Total Ord. Rev.	345,100	911,019	1,161,980	70,368	80,197
SELF-BALANCING					
Post Office	144,230	40,500	46,300	2,100	3,920
Income Tax on E.P.T. Refunds	49,000	80,740	6,859	4,474	123
Total	364,420	1,032,259	1,215,139	76,942	84,240

Expenditure	Estimate, 1947-48	Issues out of the Exchequer to meet payments (£ thousand)			
		April 1 to Aug. 3, 1946	April 1 to Aug. 2, 1947	Week ended Aug. 3, 1946	Week ended Aug. 2, 1947
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	525,000	145,448	154,270	20,832	21,786
Payments to N. Ireland	23,000	4,875	6,675	...	...
Other Cons. Fund Services	8,000	3,236	3,260	15	120
Total	556,000	153,559	164,205	20,847	21,906
Supply Services	262,537	106,692	732,020	71,602	76,606
Total Ord. Exp.	318,137	121,051	896,225	92,449	98,512
SELF-BALANCING					
P.O. & Broadcasting	144,230	40,500	46,300	2,100	3,920
Income Tax on E.P.T. Refunds	49,000	80,740	6,859	4,474	123
Total	337,457	133,171	949,384	99,023	102,555

After decreasing Exchequer balances by £136,969 to £2,838,159, the other operations for the week increased the gross National Debt by £32,397,605 to £25,484 million.

NET RECEIPTS (£ thousand)		NET ISSUES (£ thousand)	
Tithe Act, 1936, Section 26	240	P.O. and Telegraph	360
		E.P.T. refunds	151
		Overseas Trade Guarantees Act, 1939, Sec. 4(1)	7
		Local Authorities Loans Act, 1945, Sec. 3(1)	4,750
		New Towns Act, 1946, Sec. 12(3)	50
		War Damage: Board of Trade	1,500
		War Damage: War Damage Commission	2,500
		Civil Contingencies Fund	142
		Finance Act, 1946, Sec. 26(7), Post-war Credits	14,460

On August 1st applications for bills to be paid on Tuesday, Wednesday, Thursday and Friday were accepted as to about 39 per cent. of the amount applied for at £99 17s. 5d. and applications at higher prices were accepted in full. Applications for bills to be paid on Saturday at £99 17s. 6d. and above were accepted in full. (£170 million (maximum) of Treasury Bills are being offered for Aug. 8th. For the week ended Aug. 9th the Banks will not be asked for Treasury deposits.

Savings Certificates:—		Defence Bonds:—	
Receipts	2,300	Receipts	2,168
Repayments	3,400	Repayments	743
Net Savings	Dr 1,100	Net Savings	2,168
	300		1,182
	41,350		19,341
P.O. and Trustee Savings			
Receipts	12,790	Receipts	12,204
Repayments	17,230	Repayments	14,916
Net Savings	586	Net Savings	2,314
	2,314		Dr 5,328
Total Net Savings	1,654	Total Net Savings	1,654
Interest on certificates repaid	544	Interest on certificates repaid	3,796
Interest accrued on savings remaining invested	2,133	Interest accrued on savings remaining invested	2,250

Statistical Summary

CHANGES IN DEBT (£ thousand)

NET RECEIPTS		NET REPAYMENTS	
National Savings	150	Treasury Bills	22,939
24% Defence Bds.	1,660	3% Defence Bonds	2,149
Tax Reserve Certs.	13,460	Other Debt	21
Other Debt	1,016	Treasury Deposits	8,000
Ways & Means Advances	49,220		
	65,506		33,109

* Including £1,510,000 paid off on maturity.

FLOATING DEBT (£ million)

Date	Treasury Bills		Ways and Means Advances		Treasury Deposits by Banks	Total Floating Debt
	Tender	Tap	Public Depts.	Bank of Eng.		
1946 Aug. 3	1940-0	2416-9	380-6	20-25	1501-5	6262-2
Apr. 26	2190-0	2692-1	519-9	...	1463-5	6865-5
May 3	2190-0	2661-5	507-9	...	1463-5	6822-9
May 10	2190-0	2629-4	401-3	...	1463-5	6684-1
" 17	2190-0	2627-1	348-0	5-25	1463-5	6633-8
" 24	2190-0	2620-1	327-5	...	1463-5	6601-1
" 31	2180-0	2603-3	337-5	1-5	1463-5	6585-8
June 7	2180-0	2584-9	341-5	5-5	1463-5	6575-4
" 14	2180-0	2592-1	347-1	10-25	1453-5	6582-9
" 21	2180-0	2614-4	341-9	10-0	1442-0	6529-2
" 28	2180-0	2537-3	356-7	6-25	1358-5	6496-4
July 5	2180-0	2584-9	356-7	...	1458-5	6486-0
" 12	2180-0	2541-0	378-6	...	1458-5	6420-5
" 19	2180-0	2503-1	328-9	...	1408-5	6352-8
" 26	2180-0	2493-4	270-9	...	1400-5	6371-0
Aug. 2	2180-0	2470-4	317-7	2-5	1400-5	6371-0

TREASURY BILLS (£ million)

Date of Tender	Amount		Average Rate of Allotment %	Per Cent. Allotted at Min. Rate
	Offered	Applied for		
1946 Aug. 2	150-0	292-2	150-0	10 0-75
1947 May 2	160-0	308-0	160-0	10 0-84
" 9	170-0	296-3	170-0	10 1-38
" 16	170-0	281-2	170-0	10 1-62
" 23	160-0	284-6	160-0	10 1-45
" 30	170-0	282-5	170-0	10 1-66
June 6	170-0	290-5	170-0	10 1-49
" 13	170-0	277-7	170-0	10 1-61
" 20	170-0	282-0	170-0	10 1-65
" 27	170-0	288-4	170-0	10 1-45
July 4	170-0	292-1	170-0	10 1-51
" 11	170-0	299-8	170-0	10 1-09
" 18	170-0	294-5	170-0	10 1-39
" 25	160-0	292-4	160-0	10 1-24
Aug. 1	160-0	287-9	160-0	10 1-11

On Aug. 1st applications for bills to be paid on Tuesday, Wednesday, Thursday and Friday were accepted as to about 39 per cent. of the amount applied for at £99 17s. 5d. and applications at higher prices were accepted in full. Applications for bills to be paid on Saturday at £99 17s. 6d. and above were accepted in full. (£170 million (maximum) of Treasury Bills are being offered for Aug. 8th. For the week ended Aug. 9th the Banks will not be asked for Treasury deposits.

NATIONAL SAVINGS (£ thousand)

	(£ thousand)		Totals
	Week Ended July 27, 1946	Week Ended July 26, 1947	Mar. 31 to July 26, 1947
Savings Certificates:—			
Receipts	2,300	2,750	88,850
Repayments	3,400	2,450	47,500
Net Savings	<i>Dr 1,100</i>	300	41,350
Defence Bonds:—			
Receipts	2,168	1,925	31,400
Repayments	...	743	12,059
Net Savings	2,168	1,182	19,341
P.O. and Trustee Savings Banks:—			
Receipts	12,790	17,230	217,512
Repayments	12,204	14,916	222,840
Net Savings	586	2,314	<i>Dr 5,322</i>
Total Net Savings	1,654	3,796	55,363
Interest on certificates repaid	544	441	9,549
Interest accrued on savings remaining invested	2,133	2,250	33,888

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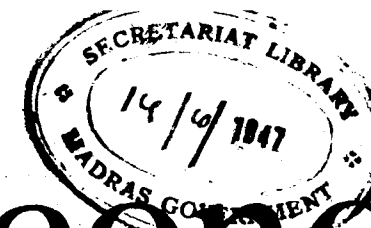
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Moral Crisis in Downing Street

SECOND thoughts about the Government's handling of the latest phase of the economic crisis are no more cheerful, after the lapse of a week, than those provoked by the Prime Minister's speech in the House of Commons. Indeed, in one important respect, the crisis has changed in its character and become more ominous in the process. Last week, it was still an economic crisis, a matter of needs and resources. Now, it has become a political crisis, a matter of confidence. Then, the chief anxiety was whether the Government had a policy. Now, there is growing anxiety whether the country has a Government.

The Labour Government and the Labour Party now find it impossible any longer to conceal from the world the fact that they are so unsure of themselves and so riven with differences that their power of decision, never very large outside those Elysian realms where nationalisation schemes are drawn up, has almost totally disappeared. The whole course they have pursued this year long ago pointed to the conclusion that the Cabinet could not make up their mind—but those who wished the Government well resisted the conclusion, since it implied such a monstrous dereliction of duty. But last week's performance prohibits any other verdict. The press is eloquent testimony to the shock. With the exception of the duty-bound *Daily Herald*, not a single paper has had anything good to say of the Government. Those organs which, like *The Times*, the *Manchester Guardian* and the *News Chronicle*, have hitherto been most friendly to the Government and to Mr Attlee personally have been the most outspoken in condemnation of them and of him. According to those reports that have run the gauntlet of the new definition of Parliamentary privilege, the Parliamentary Labour Party itself now recognises that its leaders do not know where to lead. The astonishing contrast between the forecasts of downright, drastic, ruthless action and the pitiable performance—the contrast that has so much angered the back benchers—is apparently to be explained, not by any lack of the intention to be forthright, but by the fact that, when it came to the point, the Cabinet could not agree on anything to be forthright about. So those unlucky Ministers who were compelled to speak took refuge, each according to his character, Mr Attlee in banalities, Mr Dalton in verbal rotundity, and Sir Stafford Cripps in eloquent moralities.

Subsequent events have underlined the nervelessness of Ministers. The whole episode of the Supplies and Services Bill has revealed them in an attitude of vacant indecision. The shilly-shallying over the nationalisation of the steel industry contributes to the same impression. Most of the members of the Government are by now heartily sorry that the word "steel" ever crept into the pages of "Let Us Face the Future." They dare not back out completely. On the other hand, they have no illusions about the administrative, Parliamentary and public consequences of going ahead and, for all their obstinate party rancour, they know that this is not the time to split the country wide open. They would gladly find a compromise that would enable them to tell their followers that they had done something, without in fact doing anything very much. Mr Morrison had worked such a plan

out. But the representatives of the left wing in the party and in the Cabinet, led by Mr Aneurin Bevan, will not hear of compromise. They are a small minority, but Mr Bevan is one of the few Ministers with the moral courage to resign on what seems to him to be a matter of principle and that, in this Cabinet, gives him great power. He is using it, today to insist on the nationalisation of steel, tomorrow probably to protect his housing programme against any more cuts; in either case to make mischief.

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In difficult times, the British people will always respond to strong leadership. By so much more are they likely to be dismayed by the discovery that there is no hand at all at the helm. The Government have, in the last few weeks, thrown away a priceless asset. They allowed, they even encouraged, the public to be keyed up to a pitch of rueful, but nevertheless resolute, expectation of sacrifice and effort. For the first time in this economic Battle of Britain, they were getting ready for tears and toil. When the Prime Minister rose to speak last Wednesday, there was an atmosphere of emotional tension; the nation was waiting for the word of command. The mood was punctured and deflated, and it will be very difficult ever to re-create it. The public will be very hard henceforward to convince of the reality of a crisis. If Ministers have hitherto enjoyed from the public the benefit of the doubt, they will henceforward have to fight against a tide of distrust.

A fortnight ago the view was expressed here that the present crisis was the planners' last chance. It is now unfortunately clear that it has not been taken—through no fault of the central group of permanent and temporary civil servants, who have doubtless done their best to keep their masters' noses to the grindstone of reality. But planning as practised by the present Government is now clearly bankrupt. It is true that Ministers and their advisers are busy working out a new set of estimates, targets and programmes. But these are about as pointless as the plans of the General Staff in an army where the troops no longer obey their officers. The real issue is not whether the

programme is the right one but whether, and how, it will be achieved. The Government have lost control of the situation; how can they regain it? To these essential questions it is clear that Ministers have no idea of the answers.

Something was said last week about the extent to which the nation's crisis is an economic one or a moral one and the way in which what looks like bad morale may merely be bad economics. But there is one place where the crisis is wholly moral, and that is in Downing Street. No one but a fool would pretend that he knows how to solve the nation's problems. But it is not very difficult to suggest quite a number of things that could be done and would certainly both exercise the right influence at home and give the necessary evidence to foreign observers (whose verdict will be final) that the ability and the will to recover still exist. One, which is argued in the following article, would be to start the immediate export of coal, if possible from increased production, but if necessary at the cost of domestic consumption. Another would be to make it quite clear that food imports will be cut before essential industry is allowed to stop for lack of raw material. A third would be to postpone the bulk of the housing programme to clear the way for productive capital projects—those, that is to say, that will directly result in increased production, especially of food, power and exports, within three years. A fourth would be to face the fact that these large capital projects can only be accomplished at the cost of consumption and that they can only be prevented from causing inflation by deliberately cutting the national consumption until they are wholly financed by current savings—which involves creating a real budget surplus, either by economies in expenditure or by increases in taxation, of some £400 million or more.

These things are terribly difficult for politicians to attempt. But until somebody in Downing Street acquires the moral courage to demand that they be done, and to endanger his place and his popularity to get them done, the nation will continue to slither rudderless from weak expedient to unworkable compromise.

Coal Must Come First

DURING the next few weeks developments in western Europe will offer a rare opportunity for British statesmanship. The economic conference of sixteen governments in Paris, having completed their stocktaking, will be drawing up the final reply to Mr Marshall. They will sometimes pause nervously and wonder if they are building castles in Spain. They will be tempted to conduct disputes on the side and to frame vaguely-worded compromises. They will be using a number of impressive phrases, ranging from "pooling of resources" and "co-ordination of plans" to "customs union" and even to "united states of Europe." The test will be whether they can put any reality behind the phrases. Such arrangements and engagements between governments look easy in eastern Europe, where the Russian matchmaker brings couples together in record time; in western Europe they look difficult, with the British, and the French, and the Scandinavians, and the Swiss behaving rather like stubborn bachelors and suspicious spinsters, while the American matchmaker stands aloof and inscrutable.

In such a situation bold and purposive leadership by one delegation becomes essential. Leadership in this case means not pre-eminence in stating general principles but initiative in setting practical examples. What sort of examples? Agreement to use scarce materials like coal and steel for mining equipment instead of for luxury cars; agreement to concentrate manufacturing programmes on countries where plant and labour are available; agreement to pool available timber supplies at the

cost of national building programmes. None of these, perhaps, is a very striking example of one government giving up plans and advantages to help others, but the principle of sacrifice involved in each one is very striking. And it is by offering a striking contribution to western Europe's recovery so as to bring the principle to life that leadership in Paris will be seized and held.

How could Britain make this contribution? Alone among the sixteen, it has in comparative abundance the raw material from lack of coal: every one has incurred criticism from its people, or changed the pattern of its foreign trade to buy it in new markets, or spent dollars to buy it from the United States, or intrigued politically to get it from Germany. The vicious economic circle caused by lack of coal is everywhere known in western Europe. German recovery has been critically delayed by the demands of neighbouring countries for Ruhr coal and coke which might have gone to the making of German steel or mining equipment. French recovery has been delayed—with momentous political consequences—because the coal requirements of the national plan could not be met. Timber for wood-pulp, newsprint and British houses has been burnt in Swedish homes because no British coal came. Italy has had to exchange men for French coal because it could buy no British coal. The revival of Europe's fields and farms has been held back because

there has not been the coal to produce the fertilisers. And so the woeful tale can be spun out, until it builds up into an unanswerable indictment of British failure.

The British are inclined to ask what on earth it has to do with the foreigner if they cannot export coal; forgetting that the foreigner takes it for granted that the coal could be produced. Only thirty-five years ago, before the war of 1914-18, British mines produced 23 per cent of world coal output and shipped abroad 55 per cent of world shipments. And as recently as 1938 they were still producing 18 per cent of world production and exporting 37 per cent of world shipments. Now those exports have virtually ceased, and a trickle towards the end of next year is the most that Mr Shinwell will hope for.

Nothing that Mr Shinwell has said since he left the front Opposition bench—and there is much to choose from—shows that he is aware of the momentous consequences of such a statement. There has been no authoritative voice deploring the arrival of American ships in the Bristol Channel ports—not to fetch coal but to bring it. Mr Bevin's thrice repeated public demand for thirty million tons of exportable coal with which to bargain his way in European diplomacy has never been answered by a colleague. And Mr Horner, stout advocate of doing without the dollar, has positively shied away from the suggestion that Britain could cut some of those dollar ties, simply by exporting coal to take the place of American coal now reaching France and Italy and Denmark. The foreigner, of course, concludes that British Ministers are afraid of the miners, that they cannot command their good will or loyalty.

Nor indeed has much attention been paid to the cost to Europe of Britain's failure to export coal. Only rough and round calculations are possible, even for the dollars spent on American coal; and it is still impossible to calculate what the failure has meant to such countries as Sweden, Spain, Italy and Denmark. But, in the year ending June 30, Europe received from the United States 25½ million tons of coal and coke at a cost of over \$500 million. The conclusion is inescapable: that British miners could have saved Europe \$500 million by working one hour a day more than they worked in May and June.

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What may be called the foreign political argument—Mr Bevin's argument—for coal exports of 30 million tons a year is overwhelming. But so is the currency argument. Of hardly any other British export than coal can it be said with certainty that it will be indispensable and saleable for years to come. Countries may refuse, or reduce their demand for, textiles, motor cars, machinery and other key British exports; they will not refuse coal. In 1938 (not a particularly good year), when 31 million tons of coal were exported to Empire and foreign countries, over £37 million was earned. At present prices the same amount of coal would earn vastly more. Even on the narrowest

grounds of British self-interest, the export of coal should be regarded as priority number one. If there is any truth at all in the slogan "export or expire," coal should be exported before any other use is made of it. Ideally, of course, the rate of production should be increased until it covered both exports and home requirements—and there are very few foreigners who can understand why this is not possible. But even if it is impossible, even if 200 million tons is the very most that can be hoped for, exports should still have the first call. If 30 million tons were exported out of a production of 200 million tons, that would leave for home requirements 170 million tons, against the pre-war inland consumption of about 180 million tons. There is not another country in Europe that would not count itself lucky to be able to burn 94½ per cent of its pre-war supplies of coal. Mr Bevin, by taking up Mr Marshall's challenge, has committed the country to a Western European policy as the one means of obtaining American aid and support. The essence of the operation is that there should be at least a rough equality of effort, at least a rough pooling of resources. The Continental nations will certainly say that what the British can and should contribute is coal. The Americans will agree. There is no British answer that will hold water for a moment. British coal exports will probably be, and certainly should be, an essential condition of receiving any assistance under the Marshall plan. Whether those exports are provided out of increased production or by cutting the supply of coal for warming British houses is not the concern of the Americans or of the Europeans; it is a matter that will lie between Mr Arthur Horner and the people of Britain.

Ever since the fuel crisis six months ago, British conduct of economic policy has been watched in Europe and the United States with very critical eyes. Some of the remarks made have been unreasonable; the mood and hopes of the voters who brought Labour to power have not been understood. But the main criticism has been shrewd and fair. It has taken the form of a question: why cannot the British put first, above all things, the extraction and export of their national treasure—coal?

An answer to this question must be found if the opportunity now offering itself in Paris is to be seized and held. Nothing would kill the Marshall idea quicker than persistence of the feeling that Britain, in any economic association of Western Europe, might prove a liability instead of an asset. That feeling will persist so long as the British Government shows no signs of making its basic industry perform the vital function of fueling Europe. Doubtless Congress and the American public will welcome round phrases and the general principles which the Marshall offer suggests—a declaration of interdependence, a pledge to work for economic integration and a provisional plan for self-help. But these will all ring hollow if the French will not produce food, if the Germans are not allowed to produce steel, and above all if the British refuse to export coal.

The Chairman said —



"... the Society's With Profit policies will stand comparison with those of any other office. This is particularly true when the strength of the Society as disclosed by the triennial investigation is borne in mind."

Extract from Chairman's speech, 27th March, 1947

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The Efficiency of the State

LABOUR'S second year of office has ended in the same flurry of far-flung legislation in which it has run its course. Future generations, contemplating the serried ranks of statutes on agriculture, transport, electricity, planning and a host of minor matters, may perhaps find for Mr Attlee some small niche by the side of, say, Campbell-Bannerman. This generation, paying the price in unresolved crisis, and saddled with slapdash laws crying out to be patched and tinkered into a more passable shape, might well have preferred more action and fewer Acts. Part of the blame for this contrast between grandiose schemes and poor practical performance must, of course, be laid directly on the Labour Party's ideology. But not all of it, for it has been a growing tendency of British government, under any party, to bite off more than it can chew. That the administrative machine is overloaded, in spite of the myth of excessive staffs, is today common ground between Right* and Left†. The Board of Trade, the most glaring example of overload, is blessed with no fewer than 256 senior administrative officers, from Principals upwards, concerned with a Pooh-Bah conglomeration of functions ranging from films and tourists to clothes rationing and commercial treaties. To the outsider these numbers seem formidable. And yet most of these officers are individually overworked; and from each and every one of them—at least as serious a matter—a chain of responsibility reaches upwards to the twin bottlenecks of the Permanent Secretary and the President. Is it surprising that, with the best will and highest competence in the world on the part of its officials, the Board sometimes appears to industry as bloated bureaucracy *in excelsis*? And closely bound up with this chronic overload is the fact that the Governmental machinery at both the Ministerial and official level has failed to provide for coherent and long-sighted forethought, except for the special purposes of war.

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For these defects in the administrative machine several remedies can be suggested. The first, though the least important, would be to devolve on to other agencies a certain amount of the work which now takes the time and clutters the desks of Ministers and their subordinates. A great deal of the present national control of the location of industry can be gradually demobilised as the new machinery of the Town and Country Planning Act comes into operation. The prospective Development Councils under the Industrial Organisation Act, if properly manned and given real responsibility, should be able to relieve the economic departments of a noticeable burden of work. The reform of local government might make it possible to return some of the powers of initiative and decision to the Town Halls. The Scots and the Welsh, again, are often a public nuisance at Westminster; year by year, the case for leaving them to settle many of their own affairs for themselves in Cardiff and Edinburgh grows stronger.

A more important need is to find some way in which the administrative machine can have time to think ahead. It is a favourite dogma of the "scientific" students of administration that planning and administration are separate functions to be kept apart. They would have "planning sections" in each department and a central planning staff, all as aloof from the processes of day-to-day decision as the colonels of the

Prussian General Staff were from the actual command of men. But this is a very academic concept; there is no such divorce, in civilian politics, between planning and administration, and if a divorce is insisted upon, the usual result is that nobody pays any attention to the planners. The only effective way in which forethought can be effectively brought into British civil administration is by giving the top administrators time to think. And that involves finding some way by which the burden on the Permanent Secretaries can be reduced. So long as the Minister is responsible to Parliament, and is liable to have Parliamentary questions directed at him, he must be given the opportunity of deciding upon, or at least informing himself about, many matters of detail that in a private business would be left to subordinates. And if everything must go to the Minister, everything must likewise pass through his chief adviser. But it should still be possible, by increasing the number of Departments and reducing their average size, to allow Permanent Secretaries to keep in touch with everything and still pause to think. This would, of course, involve some grouping of Departments on Haldane lines, and the various joint staffs that now constitute the Cabinet office would naturally fall into place as the staffs of the co-ordinating Ministers.

In these and similar ways, the machinery of Government could be streamlined. But it would still be overloaded; and one or other of two further remedies must be faced. The first alternative is a very substantial increase in the number of Civil Servants in the administrative grade. But though that could perhaps be done, it very emphatically ought not to be; for the supply of first-class knowledge and administrative talent is strictly limited, and a fair share must be left for other spheres of national life. It is the best men whom the Civil Service needs, and it is the best men, notably from University teaching, whom it ought not to be allowed to have to the exclusion of other claimants.

The other alternative is to cut commitments to the point where they can be handled efficiently by the existing staff, and it is highly significant that the Fabian Society's Committee should have been driven to conclude that precisely this should be done. "We recommend," they comment, speaking of non-nationalised industry,

that serious consideration should be given to abandoning any attempt to control the whole field in detail, and to concentrating on the effective control of the few things which in reality control everything else. The keynote should be guidance rather than control.

Coming from the source they do, these words deserve to be inscribed above every Minister's desk in letters of gold.

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To cut commitments is indeed necessary, but cuts, as the Fabians very reasonably point out, require a tough Minister and a sharp axe. The psychological difficulties are great. Memories of 1921 and 1931 dovetail with the general left-wing preference for state control. The Fabians themselves—and the Fabian is as reasonable a Socialist as the species permits—having logically concluded that cuts must come, add with supreme inconsequence in their Introduction that no reduction in State activity will be acceptable. Who is to force Ministers to face these obstacles? And in what fiery furnace is, say, Mr Wilmot to be hardened to the semblance of real steel?

In principle, the answer lies in Parliamentary pressure, and it is here that the question of cuts merges into the wider issue of the relations between Parliament and the Government. The

ordinary back bench MP neither has nor should have much initiative—even in more normal times—in legislation, and he has no direct control at all over administration. If democracy means control of the initiative of this kind, then Britain, as Mr Amery points out, has never been, is not, and never ought to be, a democracy. Nor does the private member make and unmake Governments, except perhaps at very rare moments of acute national crisis. That function belongs normally to Party leaders and the electorate. What he does possess is the right and duty to ask awkward questions. Parliament, in John Stuart Mill's phrase, is the nation's Committee of Grievances and Congress of Opinions, and the basic duty of an MP is to know what is going on in the Government, and to guide, focus and express public opinion and criticism at the salient points. In theory, Parliament controls the Government through the power of the purse, which in fact is not exercised. In practice, so far as it controls it at all, it does so through informed criticism and the pressure of public opinion.

But just how far does it control it? That is the crux of the matter, and to anyone who considers the progress of public policy and the legislative conveyor belt in the last session the answer is only too plain. On individual personal grievances—Mrs Jones's pension or Sergeant Jones's demobilisation—control by MPs is valuable and effective, for in these cases the member has the possibility of getting at most of the facts of the matter and, by custom, real freedom to press his point. But on policy, or in the detailed criticism of legislation, his position is quite different. In public, if not always at Party meetings, MPs on the Government's side are only too often reduced by Party directive to an uneasy dumbness. And back benchers of all parties alike are cramped within a rigid time-schedule imposed from above and, except for members of one or two special committees, are denied regular official access to a very large fraction of the information needed to do their work. In the circumstances, is it surprising that Parliament has made so poor a show of criticism and control, or that, in what should be the balanced tableau of Parliament and Government, Ministers regularly and completely steal the limelight?

The way out lies in two main directions. The first and least obvious is to develop the use of Parliamentary committees. Recent reports of the Select Committee on Estimates have shown the value of investigations of this kind alike to the administrator, to the MP anxious to use his brain and acquire real competence in particular fields, and to the public seeking for balanced judgments and up-to-date facts. The present

generation of students of politics has been brought up to regard a Parliamentary Committee system as something slightly disreputable, like the Continental Sabbath or a Reno divorce, and the idea, though old and familiar, has never made progress in this country. But that is not because it is a bad idea, but because all Ministers and all Government Departments hate it. It is the strength of the Government that has prevented the growth of the Committee system, just as it is the weakness of the Executive in France and America which has given the legislative Committees in those countries a degree of power which seems to the Englishman to be dangerous. It is natural that governments should resist the Committee idea. But it would nevertheless do a great deal to revive Parliament and to attract into politics a type of man who wants to use his time in serving the country rather than waste it in pursuit of personal ambition.

The other reform required is more time and freedom for the back bench MP to criticise and suggest. The inducement for an ordinary member to prepare carefully for a debate has been whittled away almost to nothing by the steady squeezing of the Parliamentary timetable, and it is vital that, except in genuine emergencies, enough time should be allowed to enable every member with a real contribution to offer to have his say, and alike on the floor of the House and in Committee. A convention is needed that members are not only free but expected to argue, comment and amend as their individual wisdom suggests. And just as time for the administrator to think would inevitably cut down the number of administrative tasks that can be undertaken, so time for the legislator to talk would inevitably cut down the volume of legislation.

The conclusion that the volume of the state's activities must be cut down—that is, the volume of its detailed activities—not necessarily the range of its influence—will be unwelcome to very many people. Yet it is really inescapable; the present strains and inefficiencies cannot continue. In the course of a generation or two, after a great expansion of the Universities, it may be possible to achieve a great increase in the number of trained administrators without starving every other profession in the country. Parliament may be able to work out techniques by which it can do several things at once, and yet turn the searchlight of supreme publicity anywhere it wishes. But until these things have been done, there is really no option: the state—meaning by the term Parliament and Government together—must seek for means whereby it can cut down the volume of its activities to what it can handle effectively.

NOTES OF THE WEEK

"Keep Left"—But How?

The severity of the problems that face the country is such that the great majority of people would endorse any policy that offered a real prospect of emerging from them. This does not exclude even the extreme forms of Socialism, enforced by dictatorial methods, that are advocated by the "Keep Left" school. But it becomes more and more difficult to understand exactly what it is that they are proposing. For a group of "intellectuals," their reasoning has a strangely large number of yawning logical gaps. Mr Crossman's latest speech, delivered last Friday in support of the Supplies and Services Bill, is an almost comical example of this. Mr Crossman welcomed the Bill as of "immense symbolic significance," because it meant that the Government had decided not to go "back to a pool of unemployed" but "forward to full Socialist planning." How he derived this interpretation either from the Bill itself or from Ministers' speeches in support of it was a mystery to everyone, his own front bench not least. But in any event, Mr Crossman threw away his whole argument in an aside—

This Bill gives the Government power to carry out Socialist planning, but that does not mean the planning will be carried out.

Exactly. Does Mr Crossman not realise that that is the whole point? The Government have plenty of powers to carry out Socialist planning, Capitalist planning or any other brand of planning. The question is what they are to do with their powers. The "Keep Lefters" will not convince anybody until they stop talking about the perfection they aspire to in the sweet by and by and begin saying what plans they would make now, how they would ensure that they were carried out, and how they differ from anybody else's proposals.

Mr R. W. G. Mackay is another member of the same school. He made a thoughtful speech two days earlier, in which he tackled the very real problem of how the British economy was to be adjusted, not merely at present but in the long run, to a reduced ability to import. Exports of 175 per cent of the pre-war level, he said (rightly), were impossible.

We must face the fact that we are now in a world in which we cannot rely upon the export of manufactures to the extent that we did before.

Up to this point, Mr Mackay's speech was easily the most penetrating made in the whole two-day debate on the crisis. But what is his remedy?

We must nationalise our industry, and apply Socialist methods in

* L. S. Amery; Thoughts on the Constitution. (A full review appears on page 278.)

† The Reform of the Higher Civil Service, by a Committee of the Fabian Society. Fabian Publications and Gollancz, 2s. 6d.

the doing of it, in order to see that we obtain ten times greater efficiency in our industry than we have had before.

But this, all of a sudden, is a complete flight of fancy. Why does Mr Mackay think that the application of Socialist methods would lead to any increase in efficiency? The country now knows what a nationalised industry looks like, and what sort of persons are appointed to it, and the sort of way it goes about its business. There is no apparent reason whatever for supposing that the "application of Socialist methods" automatically leads to an increase in efficiency. Why does Mr Mackay take it for granted that it does? Why does he not offer at least a little evidence in support of the point without which his whole argument collapses? Why will he not come out of the clouds where slogans have importance and come down to hard facts?

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There is still another paradox in the "Keep Lefters'" position. They, above all others, are the people who say that we ought to get rid of our dependence on dollars and stand on our own feet. That ought, in logic, to mean super-austerity. But it so happens that the two leaders of the group are Minister of Health and Minister of Food, whose reputations would suffer if there were any cuts in houses or food supplies. So the "Keep Left" position has to be that the country can be independent of dollars without austerity (except, of course, for the rich). They can square the circle only by two gigantic pieces of wishful thinking. One is the belief that "Socialist planning" can vastly increase the output of British industry in a very short time. The other is that a gigantic trade can be built up with Soviet Russia. Once again it is Mr Crossman whose wishful thinking soars furthest into the empyrean—

The market where the people will take and need our goods and sell us the food and the timber we require . . . is not America, but Russia and East Europe predominantly.

Anyone who really believes that ought to have his head examined.

It would be very refreshing to have some proposals from the Left for getting the country out of its mess that were based on facts and proceeded logically.

* * *

Storm in Parliament

It is difficult to decide who has been silliest during the stormy debates over the (renamed) Supplies and Services (Extended Purposes) Bill that have brought this Parliamentary session to a close—the Government for introducing the measure at all, the Opposition for reading into it a sinister plot to set up a totalitarian state, or those Labour back-benchers who gave some substance to the Opposition's fears by placing their own ultra-Socialist interpretation on it. What, amid all the mutual recriminations and contradictions that characterised Friday's and Monday's—and Monday night's—debates, may be taken as certain is that Mr Morrison was quite right when he said that the Government has "no preconceived notions as to precisely how we propose to utilise" the Bill. A possible explanation of why it was ever introduced in the form it was is as follows. There was some legal doubt—the Attorney-General and the Lord Chancellor differing on this—whether the purposes defined in the 1945 Act for which wartime defence regulations can be used could be stretched to cover the purposes required by the present crisis, in particular whether they would cover measures to redress the balance of trade. It therefore became necessary to remove this doubt by extending the purposes for which defence regulations—existing ones—can be used.

If the Bill had been so drafted to make it quite clear that this was all there was to it, the storm might well have not arisen. But the Government threw in, as one of the extended purposes for which defence regulations may be used, the sub-section

generally for ensuring that the whole resources of the community are available for use, and are used, in a manner best calculated to serve the interests of the community.

It may be, as the Lord Chancellor argued in the Lords in a lucid, reasonable speech, that these words were only intended to give Ministers some discretion in marginal cases which might not be quite within the scope of the more closely defined purposes. It may be that they were intended to echo a famous sub-section of the Emergency Powers Act of May, 1940, in an attempt to revive the Dunkirk-cum-Battle-of-Britain spirit on which Mr Attlee has put so much stress. It may be that they were intended to placate the Keep Lefters inside and outside the Government. It may be that they were intended to kill these three birds with one stone—and at the same time conceal the Government's complete lack of

policy in the present emergency. All that the words have in fact done is to irritate instead of to inspire, to increase dissension instead of fostering unity. But to read into them a plot to give this Government, which has barely used the powers it has under the 1945 Act, vast new powers to set up a totalitarian state is just absurd.

* * *

Parliamentary Privilege

A minor issue of the Allighan case was decided this week, after the editor and lobby correspondent of the *Evening News* had been summoned to the Bar of the House and had apologised for refusing to tell the Select Committee of Privileges the name of the Member of Parliament who had supplied them with information in return for payment. Through the form of the questions put to them by the Committee, the two journalists were able to use in defence of their refusal their ignorance of the fact that it amounted to a contempt of the House. That refusal to answer questions put by any Select Committee is contempt of the House has now been established beyond doubt by the House's acceptance of Mr Morrison's motion to this effect, but it was also made clear from some members' speeches, in which they raised the question of professional confidence in cases other than journalism, such as that of doctors, lawyers or priests, that the House would probably take a lenient view in a particular case if it deserved it on ethical grounds.

The major issue raised by the whole affair, the personal conduct of Mr Allighan, who supplied the *Evening Standard* with information, and Mr Evelyn Walkden, who supplied the *Evening News*, will not now be judged by the House until next session, and ought not therefore to be commented upon meanwhile. But it is perhaps permissible to say, since the Select Committee was itself divided on this, that many people are unhappy about the opinion of the majority of its members that proceedings of private party meetings are subject to the same rules of privilege as proceedings of the House itself. Surely the minority view, held by Lord Winter-ton and Mr Reid, that leakages of information on what occurs at such meetings are a matter for ordinary party discipline, is much more tenable. The evidence of the expert witness—in the person of Sir Gilbert Campion—to the Select Committee on this point certainly cannot be held to support entirely the majority view. What, in brief, one wonders is whether—the conduct of Mr Allighan and Mr Walkden again being left aside—the question of parliamentary privilege would have arisen at all in this case if it had concerned the minority party instead of, as it does, a party with a large majority, which happens to hold its meetings within the precincts of the Palace of Westminster and which happens at this particular moment to be increasingly sensitive about the dissensions within its ranks.

* * *

Coal Talks in Washington

In recent weeks it has become more and more widely realised that the only reasonable context in which to consider Germany is that of the Marshall offer. In any assessment of the possibilities of European self help, coal is the first consideration and it is in the Ruhr that the biggest increase can almost certainly be made soonest. At the same time, unless the reconstruction of Germany is subordinated to European interests, the political objections of Germany's neighbours would quickly outweigh the economic advantage gained. Logically, therefore, the conference on increasing coal production in the Ruhr should be taking place in Paris, not Washington, but no doubt the European Powers will be prepared to waive logic if they are offered some hope of more coal.

The British and American deliberations in Washington are likely to establish one fact very rapidly. Coal production depends above all upon the restoration of the Ruhr as a functioning industrial community. Criticism of British management in Washington has abated recently. More sober—and more expert—American investigators have reported that in the despair and hardship prevailing, the miracle is that any coal has been produced at all. The talks will therefore tend to concentrate upon incentives in the broadest sense—more food, more clothing, more housing—and the British are convinced that it is now useless to confine these advantages simply to the miners and their families. Work depends to a great extent on the general morale of the community and general measures must be taken to restore it.

But if more of the world's scarce supplies are to be pumped into the Ruhr, they can only be paid for in dollars. The financial

arrangements of the fused zones, which were not due for reconsideration until December, will inevitably come up now, for the British are in no position, strictly speaking, to bear the existing burden and will certainly be unable to increase it. This fact strengthens the American position in any changes they may wish to make on the side of organisation and management in the Ruhr. They are known to dislike the British insistence on the need to socialise heavy industry, and are also anxious to bring back some of the old German managers in order to increase efficiency. What the Americans appear to forget is the political outlook of the miners themselves and the extent to which political discontent can lower production, quite apart from economic factors.

* * *

Ruhr Miners Take Heart

Once again, for the first time in four months, coal production in the Ruhr is rising above 230,000 tons a day. Last Saturday's output was 234,836 tons against 226,700 tons on the previous Monday. Clearly the miners had decided to work harder, stimulated by the prospect of the food parcels and full rations promised in the new scheme of group inducements. There is no question of food already received having increased their capacity to work; it is the attitude that has begun to change. How important the attitude is, and how big a part political and other considerations may play in determining output, was shown again last week in admissions by the miners' own leaders.

Six hundred delegates representing 90 per cent of the mine-workers in the British Zone met in Essen to appeal against any proposals to transfer the Ruhr mines from German hands. Their principal resolution was that the Land North-Rhine Westphalia should become trustee of the Ruhr mines for a future German state, and it included the threat—it can be called nothing else—that increased coal production was unthinkable if mineworkers were not represented on democratic administrative boards for their management. It is as important to realise that such threats and claims are made and can play their part in keeping production low as it is to press the miners' claims for better food. American plans for the future management of the Ruhr often seem to overlook this psychological factor, partly because genuine concern for and sympathy with the miners' living conditions and state of health has overlaid understanding that they are Germans first and Europeans second. The leaders of the Ruhr miners occupy a key position in the events of the next few months in western Europe. To persuade them that there may now be a loyalty wider than that which they showed towards Germany during the war is a task that will tax British and American statesmanship.

It is persistently reported that Mr Bevin has already agreed to postpone for five years the public ownership of the mines. American opinion has been understandably ready to argue that American opinion has been understandably ready to argue that neither French nor British output since mines were nationalised shows that public ownership increases production. German democrats argue in return that there must be some guarantee that the Ruhr will not fall back into the control of its old masters, and that if such guarantees are not given there will be many Ruhr converts to Communism. It would be unseemly for British statesmen to turn a German threat against American statesmen; but the Strang Mission now in Washington might well seek some formula of trusteeship which would satisfy both Americans and Germans.

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Steel for Germany—Coal for France?

One point on the agenda of the coal talks in Washington raises the central controversy in any plan for European reconstruction. A general recovery in the Ruhr is impossible without an increase in steel production. So much is generally admitted, but in abandoning the restrictive clauses of Potsdam the British and American administrations in Germany have swung in the other direction and suggested a figure of 12 million tons of steel as the target for German industry. The reason for their doing so seems to be that in abandoning the Potsdam figure they have not lost the Potsdam approach, which was to restrict German industry, branch by branch, on the basis of a steel production of 5.8 million tons a year. The revival of the different sectors of German industry thus appeared—rather artificially—to depend upon fixing a much higher figure for steel and working out, on that basis, a new general level of industry.

Military Government, conferring in isolation in Berlin, did not, however, realise the international repercussions of announcing its new plan. The French instantly took alarm, for to them the figure of 12 million tons of German steel a year prejudged the

issue which chiefly engages them—the expansion of French steel by the export of German coal to France rather than the expansion of German steel by the export of French ore to Germany. They do not deny the need for a German steel industry, but they argue that France's industry must be larger and must be revived first. At present they claim that only 65 per cent of their steel-making capacity and 55 per cent of their potential output of iron ore are being utilised for want of coke, and that 9 million tons of iron ore have already accumulated at the iron mines. They therefore argue that any increase in German coal must be used only partially to revive German steel. Its main task—inside or outside the Marshall Plan—must be to increase the output of steel in France.

Ever since the figure of 12 million tons for German steel reached the press, the French have been in a watchful and resentful mood. Their anxiety increased when last week the answers on Western Germany's resources and requirements returned to the technical committees in Paris by the British Commander-in-Chief were all found to be based on a steel figure of 12 million tons. Mr Marshall has promised that a conference shall be held in the near future—probably in London—to enable Britain, France and the United States to explore the difficulty. The best hope is that for the moment the fixing of the final figure can be postponed, but in the last analysis the decision between enlarging French or German steel capacity will have to be faced.

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Balkan Storm Centre

All over Europe hangs an atmosphere of tension and uneasiness. Nobody believes that there will be a war, but nobody believes that there will be peace either, and so the Continent in general is suspended in a state of unhappy truce. But in one corner of Europe the situation has drifted beyond the state of uneasy equilibrium. In the Balkans—needless to say it is in the Balkans—a situation is developing which looks perilously like war. The attacks of the guerillas across Greece's northern frontier continue unchecked and the strategic plan is disturbing, with first a thrust into Greek Macedonia, then an attempt to reach the port of Dedegatch and cut off Greece from Turkey. At the same time the Russians have started to throw out hints that they may break off diplomatic relations with Greece and the Bulgarians and the Yugoslavs have agreed in their latest treaty to concert measures against "Greek provocation." Thus there are present in the Greek situation many elements which in the past, in comparable situations, have meant a drift to war.

The Americans are aware of this danger and have been attempting to use the Security Council as a means of countering it. Last week, they proposed that a United Nations Commission should be set up in Northern Greece to check the incursions of the guerillas. This very sensible suggestion was immediately vetoed by Mr Gromyko, although nine of the eleven members of the Security Council voted in its favour. But if the Russians expected the Americans to follow the melancholy pattern of the last two years by simply accepting the veto, they were quickly disillusioned. The Americans have now made the most strongly worded statement on policy in Greece that they have yet put forward. Mr Herschel Johnson told the Security Council that the Americans feel that the time has passed when they have "to appease the threat of the veto." They are prepared to put the issue before the Assembly and to invite like-minded nations to join with the United States in concerting action to safeguard Greece's security.

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America Blows Hot and Cold

This new statement of policy probably means that the United States will propose to the Assembly the setting up of a Border Commission in northern Greece, and will invite other nations—in particular Britain and France—to co-operate in its working. This policy, although perfectly sound in itself, is probably insufficient to restore order in northern Greece. Will the Americans go further and see that the new Commission's authority is not flouted as were the earlier efforts of the United Nations Commission of Inquiry?

Mr Herschel Johnson's statement rather suggested that the United States might be ready, in an emergency, to send troops to Greece. In fact, so widespread were the rumours that this was the case that, with one of those bewildering *volte faces* to which American diplomacy seems so prone, Mr Royall, the Secretary of War, was put up to announce that there was no intention of sending American forces to Greece.

This statement is all the more unfortunate in that there is clearly an element of sheer opportunism in Russia's Balkan policy—of kicking at the Greek door to see if it is open. There is not much likelihood that the Russians would take the risk of battering a closed door down, but uncertainties such as those which have been expressed in American policy this week must convince them that the Greek door is not closed after all.

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The Transport Commission

Hard on the heels of the signification of the royal assent to the Transport Act came Mr Barnes's announcement of the names of the five full-time members of the British Transport Commission. The Chairman is to be Sir Cyril Hurcomb, until now Permanent Secretary of the Ministry of Transport. The other members are Lord Ashfield, Chairman of the London Passenger Transport Board, Mr. John Benstead, General Secretary of the National Union of Railwaymen, Lord Rusholme, General Secretary of the Co-operative Union, and Sir William Wood, President of the Executive of the LMS Railway. The names of three part-time members are to be announced later, and it is promised that one of them will be a representative of Scotland. One of the others must surely be some one with experience of the road transport industry, which is at present unrepresented—except by Lord Ashfield's rather specialised experience of metropolitan road passenger traffic. And it would be strange if the eighth seat were not filled by a financial expert.

If these forecasts prove to be correct, they will give one negative cause for satisfaction, since they will leave no room for the Chairmen of any of the subsidiary executives. There was a risk at one time that the Chairman of the Railway Executive would also be given a seat on the Commission. This, it need hardly be said, would have been a disastrous mistake. It is already the outstanding defect of the structure that the Act sets up that the Executives are far too independent of the Commission, and if the Chairman of the Railway Executive were himself to be a member of the body that purported to instruct him, he could be certain that he would never be instructed against his will.

It is no disrespect to the other members to say that the main burden of the Commission will fall on Sir Cyril Hurcomb and Sir William Wood. No better example of the virtues of the British Civil Servant could be found than Sir Cyril, who is one of the very select few who excite the admiration of all who see them at work. Sir William Wood has risen to the top of the largest railway company in the country; he is a man of great energy, quickness and determination.

But the supreme importance to the new structure of transport of the personnel of the Commission requires something more to be said. Both Sir Cyril and Sir William are consummate administrators, tireless in the pursuit of detail and assiduous in attendance at committees. But the Commission's job is not to administer anything; it is to think out what is meant by the co-ordination of transport, to determine how the nation can get a better transport service at lower real cost, and to impose the results of this reflection on the Executives. Or again, the whole *rationale* of the Transport Act is that there is something new to be done to transport, something that is not being done now. But Sir Cyril represents Things As They Are on one side of the fence that separates government from industry, and Sir William represents Things As They Are on the other side of the fence. All in all, Mr Barnes's appointments are so "safe," they reflect such an obvious determination not to upset anything, that one wonders more than ever what the Government thought it was accomplishing by its Act.

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Telescopes to Blind Eyes

The depressing subject of Mr Isaacs grows no less gloomy with time; and the best that can be said for his Department's policy is that it may perhaps be less disastrous to productivity than the habits of Mr Shinwell, Mr Bevan, or the Chancellor of the Exchequer. Tinkering with odd half-hours and Saturday morning work is all very well in its way, and may even end by producing results of real value. But the basic reasons for low labour productivity lie elsewhere. The fact that the remedies for the neglected causes might prove embarrassing to the Government is an explanation, but not an excuse. First, there is the astonishing failure of Mr Dalton (or is it a failure?) to realise the close connection between low PMH, declining stocks, and inflation. It is no use expecting workers to work all out, or managements to push production to the limit, when stores are emptying and lack of materials or components causes work in

progress to accumulate on the floor. And it is no use expecting stocks to accumulate or the flow of components to be adequate until the demand for finished products has been brought into closer relation with the materials available; until, that is, the Treasury begins to take inflation seriously.

Secondly, there is the Government's decision to neglect the most obvious means of finding workers for the bottlenecks. The National Coal Board is merrily occupied in finding billets for ex-company secretaries. Would it not be as well to inquire when, if ever, it proposes to pass on, with Mr Bevan's help, to the more useful if less congenial task of concentrating its labour force in the more productive pits? And does even Mr Isaacs genuinely believe that the direction of labour will today produce the results which might have been expected from an effective wages policy? Direction more drastic than under the new Control of Engagements Order, which is discussed in a note on p. 292, was certainly more or less accepted during the war—more for men, less for women. But that was because the emergency was of a special kind—and, logical or not, the distinction between the popular view of war and peace emergencies is a hard fact to be faced—because it was strictly limited in time, and because it was, in practice, almost universal in the age-groups concerned. None of these conditions applies today; and on the other hand, the fact that the Order does not apply to managerial, executive, and professional workers maintains a glaring form of class distinction. In the circumstances nothing is less probable than that the attitude of directed labour will resemble that of the typical munition worker. It is far more likely to resemble that of the Bevin Boys, whose method of conscription was universally and rightly regarded as too haphazard by all except the vested interests which forced it on the Government. The Government has sold the worker's birthright of freedom for a mess of pottage; and its bargain would at least be more satisfactory if it were as likely to take delivery of the pottage as of the mess.

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The New Era in India

British rule in India came to an end at midnight on Thursday. The decree is *nisi* and not absolute, for one or other or both of the new Dominions may decide to remain within the Commonwealth beyond the transitional period during which the Governors-General will have special powers for effecting the transfer. But from August 15th executive power in India will definitely belong to Indian Governments with no control any longer from London. The decisive step has been taken and there is no going back on it. Britain has formally divested itself of the remainder of its former sovereign or paramount authority over approximately 400 million people—one of the two most populous territorial units of the world—and has done so while there was still time to choose freely and before any violent upheaval has presented the dilemma between surrender to force and sanguinary suppression. It is an honourable and dignified conclusion to a chapter of history which began with the East India Company's first trading settlements and reached its climax of magnificence with the great Delhi Durbar of 1911.

Just as sometimes, looking back to the perilous autumn of 1940, we may suddenly feel astonished at realising that we are still alive and that there is no swastika over Westminster, so also, looking back a couple of years, it is a cause for congratulatory surprise that we have come through the final crisis of the British Raj in India without the breakdown, confusion and general hostilities which seemed to be impending. There has, indeed, been bloodshed in local communal strife, and massacres which have been terrible for those directly concerned. But the great catastrophe has been avoided; the ship has been navigated into the open sea. The credit for this on the British side goes specially to Mr. Attlee and Lord Mountbatten. Mr Attlee's service on the Royal Commission which went to India in 1927 has been invaluable to him as Prime Minister, for he brought to his consideration of the problem of policy a comprehensive knowledge of the Indian background. The Cabinet has also had the benefit of Sir Stafford Cripps's long study of Indian questions, though his approach to them has sometimes been unduly doctrinaire. Mr Attlee's policy has been fully in accordance with the principles of his own party, but it has been adjusted to facts with the skill which makes the difference between success and failure in politics. Yet success could not have been achieved from London without the right man in New Delhi. It was the most fortunate wisdom which appointed Lord Mountbatten, with the experience of South-East Asia Command behind him, to the office of Viceroy. He has deserved well of both Britain and India.

Politics and Food in India

All the governors of provinces in India have placed their resignations in the hands of the Viceroy with effect from August 15th. Three—two British and one Indian—have been retained in the provinces in which they were already serving, and in other provinces—the total number now being raised from eleven to thirteen by the partition of Bengal and the Punjab—new appointments have been made. In all, there are to be five British governors during the transition period; they will be in Bombay, Madras, West Punjab, the North-West Frontier Province and East Bengal. These appointments are, of course, by consent of the Indian and Pakistan Governments in their respective territories and it is worthy of note that the three of them in Pakistan are in provinces where trouble threatens; Sind, on the other hand, where Pakistan is most consolidated and has its capital, will have an Indian governor. The fact that any British governors at all have been retained in the provinces is in itself remarkable, and is a tribute to the good reputation which the individuals concerned have achieved for themselves in India.

All active politicians in both Dominions are now busy getting ready for the strenuous days ahead. The outstanding absentee from the political scene is now, nominally at least, to be Mr Gandhi, who has announced his retirement from politics and his intention of spending the rest of his days in Pakistan trying to restore Indian unity. To Mr Jinnah, unfortunately, this may also appear to be a form of politics, and it is hard to believe that Mr Gandhi desires altogether to disappear from the news; he may shun the conference rooms of New Delhi, but he has not lost his capacity for fasting.

For many millions of Mr Gandhi's fellow-countrymen, however, fasting to-day is involuntary, and is likely in the near future to overshadow all other problems of India. The prospects of the food supply have become very serious, and have been made more so by partition; for one of Pakistan's first acts has been to withhold food exports from Sind to the Indian Union. The latter is becoming more and more dependent on food imports, which are difficult to obtain, and use up India's foreign exchange resources to the exclusion of the purchases for capital development planned by Indian economic leaders. These conditions inevitably increase bitterness of feeling about the freezing of the sterling balances and diversions of Burmese rice under international food supply regulation. India is setting out on the road of independence with very formidable economic difficulties looming ahead, and it is to be hoped that, as the more acute political and constitutional problems are disposed of, the energy of the new Governments will be concentrated without delay on the fundamental question of increasing agricultural production.

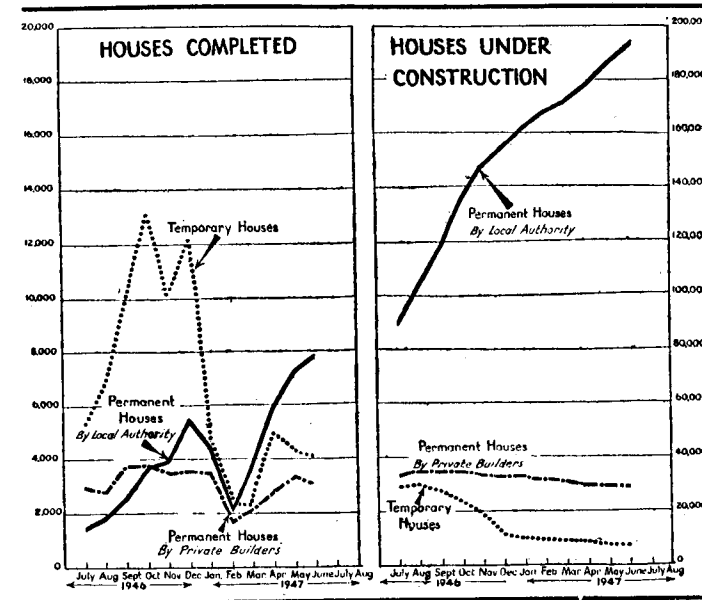
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Housing on the Block

With the axe—whether Mr Bevan's or another's—poised in the air above the housing programme, the latest published returns are of mainly historical interest. They show, for the period to the end of June, the steady persistence of the familiar features of the previous monthly figures. About as many houses were finished in June as in May; houses were still being started all over the country; and the number started was still slightly greater than the number completed, so that the total under construction rose once more to a new high level. Certain features of the returns are commented on in a letter to the Editor on page 277.

The question today, however, is not of the continuance of these trends. Mr Bevan has made a good beginning in a new direction with his decision to concentrate in the mining areas the majority of the aluminium houses now coming out of the factories. Before the economic crisis is over it will certainly be necessary to go much further along the same lines. The farming areas and steel towns will need much higher allocations than in the past; and even within the priority areas, much more care will be needed to ensure that houses go to the districts where they will do most good. It is a little disturbing to find, from the June returns, that nearly three times as many temporary houses have been allotted to the South Wales mining districts as to the entire Nottinghamshire coalfield, where PMH is nearly twice as high and aggregate output is already three-quarters of the Welsh figure. The North Midlands as a whole produce nearly 70 per cent more coal with 13 per cent fewer workers than South Wales; and not even the powerful political pull of the Labour Party's Solid West should prevent the appropriate housing moral from being drawn. The problem of redistributing the building labour force will have to be met, with or without the advice and consent of the TUC, by heavy bonuses for transfer to the priority districts; and it is

quite probable that, to release enough men and materials for priority work, it will be necessary to suspend construction on a good deal of work elsewhere. It will hardly be logical for Labour Members, continually harking back to wartime methods of planning, to complain if in the present emergency many housing schemes suffer the fate of their predecessors in 1939. But logic



is not everything, and least of all since many of the severest cuts would fall on Labour strongholds such as Birmingham or London; and the present battle within the Cabinet is an uncomfortable reminder that housing will be hard to keep in its rightful place near the head of the posteriority queue. Mr Bevan, to judge by his statement on Wednesday, is still undefeated on the issue of whether housing is to be cut at all.

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The Boys in the Back Room

The report of the Select Committee on Expenditure, dealing with the £69 million allocated during the current financial year to scientific research, gives a wide survey, but one which necessarily leaves much unilluminated. The reason for the dark spots is obvious when it is realised that over £60 million of that total is spent by or on behalf of the Services, including a substantial sum on atomic research. It is true that a further £11 million, in the shape of Government grants to the universities, is at least partly devoted to research purposes; but the disproportion, were the world even comparatively sane, would be striking enough nevertheless.

Disproportion apart, the scientists' relation to the Government is by no means satisfactory. First-rate work requires freedom; not only that freedom to publish and discuss results and methods which may for reasons of security be denied to the awkwardly placed workers on atomic fission or—one surmises—certain aspects of bacteriology, but freedom to work in directions apparently unpromising, to follow up "hunches" without having to justify them in triplicate, to come and go between laboratory and conference, and to do, in short, a lot of things which by usual departmental standards look suspiciously like waste of time. This is a point raised several times in the Committee's report; it takes little imagination to read, between the lines, what the scientists actually said about it.

The problem of harnessing natural-born anarchists—who may certainly do their best work as part of a freely co-operating team, but not as regimented units under traditional Civil Service discipline—is matched by the problem of financing them. The Committee notes that pure research may yield enormous dividends economically justifying heavy expenditure; but there must always be the temptation to concentrate spending on the type of project whose results can be foreseen in the fairly near future—a temptation translating itself for the individual scientist into a choice between monastic austerity in the pursuit of knowledge and comparative affluence in less exalted fields. If this temptation has not hitherto proved overwhelming, it is less because of any positive wisdom than because British industry, with some honourable exceptions, has been willing to muddle through its technical problems without scientific help in a way which fills Americans and others with astonishment and pity. The Barlow Report pointed out the need both for a larger crop of scientists and for a

closer liaison between science and industry. If the day ever comes when scientific qualifications are valued in Great Britain as they are in the United States, the dilemma of Governments and universities will grow more rather than less acute.

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Progress at Geneva

There is irony in the fact that, just as world trade is withering under the paralysing influence of the dollar shortage, encouraging news should be coming from the Geneva tariff negotiations. The deadlock over wool between the United States and Australia has been broken. After the enactment of the new wool legislation in the United States, the American delegates in Geneva offered the Australians a 25 per cent reduction in the import tariff on wool. This is exactly half the extent of America's maximum permissible concession, and is not as much as the Australians had hoped for. But the offer is expected to provide the basis for an agreement on this crucial issue. When it does so it will open the way for completing a number of other negotiations which had been held up by this particular deadlock.

Most important of all, the offer should allow the negotiations between the United States and the United Kingdom to be completed without much difficulty, since the only important points which remain at issue in these negotiations are American demands for concessions on preferences, which could only be granted with the consent of the Pacific Dominions and South Africa. It can now be claimed for Geneva that the conference will have achieved a greater reduction in tariff obstacles to international trade than has been effected in any comparable period in the past. It is doubly unfortunate that this achievement should, in the existing circumstances, be so empty a victory.

The other part of the Geneva negotiations, namely the debate on the proposed International Trade Organisation Charter, has felt the impact of the dollar crisis far more directly. The all-important fifth chapter of the Charter, that dealing with commercial policy, and in particular the crucial Articles 26, 27 and 28, which deal with quantitative import restrictions and the circumstances in which discrimination can be applied to restrictions of this kind, are now in the centre of the battle. The efforts of the British delegation are bent on giving this section of the Charter the greatest possible elasticity for the immediate future, postponing for at least five years the application of the doctrine of non-discrimination. There will be plenary sessions of the preparatory committee on the 18th and 19th of this month, and it is possible that any remaining differences on these fundamental issues may then come into the open. The present timetable is to get the Charter discussions finished within the next week or so, to end the tariff negotiations on September 10th and to ring the final curtain down on the meeting on October 1st. Most of the delegates will then barely have time to pack their bags before they are off to the World Conference at Havana, where the ITO is to be finally launched.

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Twilight of the Gods?

In November, a conference of the Governors of the African Colonies will be held in London to exchange ideas on colonial problems, and in the first half of next year a conference of unofficial members from the Legislative Councils of those territories will meet here for the same purpose. The idea of colonial Governors conferring in London, or anywhere else, on matters of common interest is a recent one. In the bad old days, when colonial rule in Africa was mainly concerned with maintaining law and order, the Colonies were isolated, not only from the Colonial Office, but also from one another. A strong-minded Governor, as the King's personal representative and commander-in-chief of the local armed forces, was encouraged to formulate the details of policy as broadly delineated at Westminster and to carry them out. Assisted by a small executive council, he was at the same time First Minister in the Cabinet and head of the local Civil Service. Except in times of emergency, Governors were generally too jealous of their powers to wish to discuss common problems. Today, the growth of democratic institutions has somewhat mellowed their attitude to co-operation. Improved sea and air communications have reduced the feeling of isolation, and the advantages of co-operation between Colonies are beginning to emerge. But it is now recognised, as it has for the last few years been recognised in the West Indies, that the African peoples themselves should have the opportunity of discussing mutual problems through their unofficial representatives, without a Governor as chairman, and it is the recognition of this fact that

makes next year's officially-sponsored conference of unofficial representatives so significant.

The powers of colonial Governors are considerably less than they were twenty years ago in most Colonies; but except in those Colonies on the verge of dominion status, the Governor, through his personality, ability and general attitude, still largely moulds and directs the pace of progress. The announcement last week of the appointment of Governors-designate for Nigeria, Northern Rhodesia, the Gold Coast, and Sierra Leone is thus of major importance. Men have now been chosen who will direct, with the assistance of the local Legislative Councils, the destinies of four African Colonies in the next five years. Plans for the political and economic progress of these Colonies should have considerably matured by the end of their period of office. Governors will no doubt be by then even more constitutional monarchs than they are at present.

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Fifteen Russian Wives

The Foreign Secretary has stated in answer to a parliamentary question that he no longer has any hope of obtaining the Soviet Government's consent to the departure of the fifteen Russian wives who were to join the British husbands to whom they were married under Russian law during the war. No episode in Anglo-Soviet relations has been so extraordinary as this or has done so much to convince the average Englishman that there is indeed something essentially cruel and inhuman about the regime which, for no easily comprehensible reason, can thus deliberately wreck the lives of innocent people and victimise men of whom some risked their lives bringing war supplies to Russia on the Arctic convoys. This has been no affair of red tape, of a blind adherence to regulations by officials who dare not disregard them; an application has been made to the very highest quarters and its rejection has been a political act of the utmost deliberation. Moreover, since the matter was first raised, the Soviet Union has forbidden by law any marriage between a Soviet citizen and a foreigner. The Soviet Union has thus, alone among modern nations, adopted national endogamy as a legal principle; henceforth there will be not only a Soviet people, but a Soviet race.

It may seem, however, that the law prohibiting foreign marriages should at least have made it easier for the Soviet Government to have been lenient over the small number of marriages legally contracted before the prohibition, for it must have removed any fear that exit permits for the fifteen might serve as a precedent for a mass emigration of women unaccountably misled by Cupid to forsake the "happy life" of Stalin's empire. But not even the fifteen can be permitted to go. Why not? Neither the Soviet Government nor its professional apologists in this country have succeeded in producing any reason which is both respectable and convincing. The only explanation, indeed, appears to be the obvious one—that the Soviet Government will not allow any of its citizens ever to go abroad for good and escape finally from its power and control, so that they are free to talk as they please. All Soviet citizens who do go abroad are very carefully tested and selected and perpetually watched; even so, there are Krivitskys and Kravchenkos. The fifteen wives were selected neither by the Party nor by the NKVD, but by love; so much the worse for them.

Shorter Notes

Among the distractions of crisis this week's long step back towards normal is in danger of being overlooked. As from August 11th the Minister of Food has revoked the order empowering local authorities to direct caterers to supply meals to the public in emergencies created by enemy action, and enabling the sale of food in air raid shelters. This is good hearing only two years and a few months after VE Day. Perhaps the railway companies may now be spurred to remove from their carriage advertisement frames those placards urging observance of blackout regulations or exhorting passengers not to leave the train when halted between stations during an air raid.

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In the week ended August 2nd, 448 cases of infantile paralysis were notified, bringing the total for the year to about the same level as was reached in 1938 when 1,489 cases were notified in the whole year—the highest total previously recorded. Figures given in *Hansard* for August 7th show the distribution of notifications by counties and associated county boroughs during the period March 30th-July 26th of this year. The West Riding of Yorkshire had the highest total, with 153 notifications, followed by London with 113, Lancashire 85, Buckinghamshire 77, Durham and Warwickshire 55 each, Surrey 47, Middlesex 42, Kent 33 and Essex 31.

Letters to the Editor

The Economic Crisis

SIR,—In your article of August 2nd, you state that "there is really very little room for doubt that the aggregate output of the British community today is from 10 to 20 per cent higher in volume than it was in 1938." I suggest that the evidence for this view is at least ambiguous.

The total employed labour force (men and women of insurable ages) is now about 6 per cent above pre-war. The fact that the increases in the armed forces and in national and local government administration together more than absorb the increase in total employment has obvious implications. Weekly hours are shorter (and holidays longer) than in 1938. According to the Ministry of Labour Enquiries, which cover most industrial employment, the average weekly hours actually worked in October, 1946, were slightly less than in October, 1938. This was just before the movement for shorter standard hours resulted in new agreements now affecting most of our major industries; since the autumn of 1946 there has almost certainly been an appreciable reduction in actual hours worked, both for this and other (e.g., shortage of fuel and materials) reasons. Productivity per worker in many important industries, comprising an appreciable proportion of total employment, is well below pre-war. Even when allowance is made for any factors on the other side (such as the improved capital equipment in parts of the engineering industries), this general evidence strongly suggests that aggregate output cannot be from 10 to 20 per cent above 1938.

More detailed study of the available data confirms this general conclusion. The data for coal mining and building (together employing 11 per cent of the total civil labour force) need not be reiterated. The volume of exports in 1946 and the first quarter of 1947 just reached that of 1938; no more than "a normal pre-war year's work" of industrial equipment and maintenance was done in 1946. On personal consumption (about which you state that the standard in 1946 was "in the aggregate and on the average . . . already as high as in 1938"), the "National Income White Paper" for 1945 shows that "consumers' expenditure in

real terms" (measured by the National Cost of Personal Consumption at 1938 prices) was 14 per cent less in 1945 than in 1938. The "White Paper on National Income" for 1946 does not give the corresponding calculation, but the data which are given suggest that, at best, in 1946 we still barely reached the standards of 1938; the "Economic Survey for 1947" confirms that "the amount of goods sold (in 1946) is probably not more than 10-15 per cent below [my italics] pre-war." As we had also an increased population, the average standard would show a still bigger decrease. These calculations necessarily omit any allowance for deterioration in quality, a matter of considerable significance, neglect of which can vitiate the whole picture. It is well known that the statistics of output of coal and of consumption of beer are appreciably inflated, as compared with pre-war, by the inclusion of material which formerly would have been excluded; the reduced durability of various consumers' goods represents a considerable loss in the real value of output; while the deterioration in the quality of services hardly needs comment—although increased expenditure on services accounts for a substantial part of the increase in personal expenditure between 1945 and 1946, which is usually taken as representing a rise in real standards. Nor, to quote the 1945 "National Income White Paper," do any "of the figures make allowance for the loss of satisfaction caused by restrictions on consumers' freedom of choice." Production for the consumer reflects the maldistribution of resources (particularly of manpower), and is, in fact, heavily weighted in favour of those things he does not want and against those which he does.

It is, of course, true that the national income is in a healthy condition. But any simple deductions about national prosperity or economic welfare from this fact are misleading. The warnings of Marshall and Professor Pigou on this point were probably never more apposite than to-day; for many reasons, it is no longer possible to believe (what was never more than a rough first approximation) that "the two concepts, economic welfare and the national dividend, are thus co-ordinate, in such wise that any description of the content of one of them implies a corresponding description of the content of the other."

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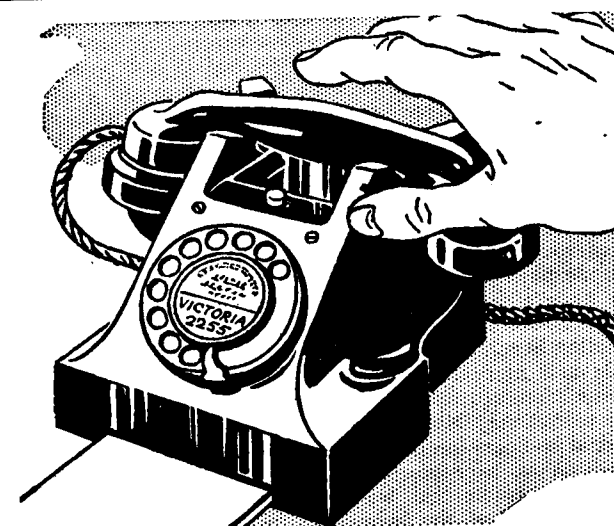
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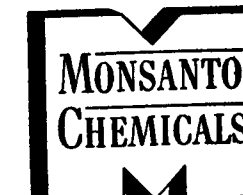
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SERVING INDUSTRY WHICH SERVES MANKIND

While it is possible to agree that part of our present difficulties arise from over-ambitious programmes (particularly of capital construction), and inflationary demand generally, it is surely a false diagnosis to state that "It is not the output of the British economy that is mainly wrong. . . . It is not the supply side of the equation that is at fault, but the demand side." Not only is this dichotomy too sharp, but I suggest that it is manifestly untrue that all is well with output either in the aggregate or in the particular pattern. Granted that "greater abstinence" can play its part in reducing inflationary pressure and thereby also help to put the supply side right, and that specific measures to increase output are likely to be frustrated if inflationary pressure is not reduced, to accept your diagnosis means not only acceptance in the main of the present low output, but also acquiescence in measures (from the refusal to allow entry of new apprentices into the building trades to the adoption of a still shorter working week) which can only exacerbate our problems.—Yours faithfully,
Gonville and Caius College, Cambridge S. R. DENNISON

[Part of Mr Dennison's letter is taken up with denying what we never asserted. For example, we never said that the production of manufacturing industry was higher than in 1938; we carefully said "the aggregate output of the community." That the community is producing too many services and too few goods may well be true. Or again, we would not deny that standards of quality have deteriorated. And we should be very surprised indeed if any regular reader of *The Economist* could read into any of our recent articles any belief in the "healthy condition" of "national prosperity or economic welfare." What we were trying to assert was that the volume or quantity of the national income is not deficient, that it is not the volume of production that is at fault but its distribution. The country is producing in large volume, but the wrong things. Some of the evidence in support of this is as follows:—

1. The net national income at factor cost in 1938 was £4,671 million and in 1946 £7,974 million. For the real magnitude in 1946 to be lower than in 1938 would involve assuming a rise in the general price level of more than 70 per cent, which is difficult to reconcile with known facts, especially when it is borne in mind that it is the whole of output that is in question.
2. According to the National Income White Paper, personal expenditure on consumers' goods and services valued at 1938 (market) prices was slightly higher in 1946 than in 1938, and personal consumption was almost certainly a smaller proportion of total output than in 1938, in view of the increase in Government expenditure.
3. *The Economist* Index of Business Activity provided before the war a fairly close measure of the movements of the real national income. Of the 14 weighted components, five, with total weights of 16 out of 42, would probably now be found to be more than 15 per cent higher than in 1938, and a further two, with weights of 12, between 5 and 15 per cent higher. One, weighted 4, would be at about the pre-war level, and only two, weighted 3, definitely lower. For three components, weighted 7 (Postal Activity, Shipping Movements and Building Activity) the data do not furnish, on a hurried inspection, a fair comparison. EDITOR.]

SIR,—Others will doubtless be commenting on your leader, "Articles Seven to Ten," from the standpoint of principle; may I make just one point, on the plainest ground of practicability?

What do you do about Canada? This country could doubtless survive economically, if the worst came to the worst, and we suspended altogether our trade with the United States. It would be extremely unpleasant, but it could be done. But the imports we get from Canada are absolutely essential; we have got to have some means of paying for them, and at present we are only doing so to quite a slight extent. Is it really thinkable that we should bring pressure to bear on Canada to compel her to take measures restricting her imports from America in order to take our goods? Surely it is most doubtful if we could do it, even if we tried; and the mere attempt to do it would poison relations between every pair of the "North Atlantic triangle" on whose willing and unforced co-operation most of the hopes of the world depend.

And yet we have got to find a way of paying Canada. It is hardly conceivable that we can possibly pay her unless some substantial part of the payment is made directly. We have got to get our prices low enough to compete with the Americans on the Canadian market. At present US exports to North America have risen in an even greater proportion above the pre-war level than US exports to Europe; we ought to be able to displace some of those exports, and if we do so by the normal channels of trade Canada (and even the more sober minds in the United States) would have no cause to do anything but bless us. But consider the cut in prices which we shall need in order to displace US goods in Toronto or in Winnipeg! It cannot be done without a devaluation of the pound.

Sir, we have learned to expect from your paper an open-mindedness which is one of the best things left in the public life of this country. Surely you cannot go on shutting your mind to this issue much longer. It cannot be denied that the pound is overvalued, not perhaps in relation to price-levels, but relatively to the work which (now that we have lost our foreign assets) it has to do. And now, of the two arguments which have universally been advanced to still the voices of the devaluationists, both

are losing their force. Devaluation would stimulate internal inflation; we know that, but at last it has been agreed among sensible people that strong steps against internal inflation must be taken in any case. Devaluation would turn the terms of trade against us; but what turns the terms of trade against us is not devaluation as such, but the stoppage of the gap in our balance of payments—if the gap is to be filled (as we all want it to be filled) by increasing exports. The more exports we push on the world, the less favourable will our terms of trade be, as compared with what they might have been otherwise. We do not now want to reduce imports in order to turn the terms of trade in our favour—the old (and admittedly defensible) protectionist argument. We want all the imports we are likely to get, even if we have to get them on unfavourable terms.

I would admit that devaluation is not the only remedy in the field of commercial policy which we need to consider. When we have devalued (of course, we can only devalue by agreement with the Americans), then would be the time to seek some alleviation for the commercial provisions of the loan agreement. It would, incidentally, be much more sensible for the Americans to make such alleviations if they saw that we were not proposing to rest the whole weight of our trade recovery upon them—a weight which they, most certainly, cannot bear.—Yours faithfully,
Nuffield College, Oxford J. R. HICKS

[What have we done to deserve the accusation of a closed mind on the subject of devaluation? In our opinion, it is all a matter of timing. A point will come when the advantages of letting the pound find its "natural" level will begin to outweigh those of keeping its value up. That time may be approaching very fast. But we doubt whether Mr Hicks is right in thinking that it has yet arrived.—EDITOR.]

SIR,—I was greatly interested to read in your issue of August 2nd a letter by Mr Derek E. Hill-Smith suggesting an alteration in the \$-£ exchange rate as a remedy for the worsening of the terms of trade to this country. What Mr Smith seems to advocate is an appreciation of the pound in terms of dollars to cheapen the essential imports from the United States.

The "escape clauses" of Bretton Woods were mainly, if not exclusively, intended to deal with the opposite case: a country wishing to devalue its currency. In short, Mr Hill-Smith's proposal would amount to Britain asking the United States to devalue the dollar.

This suggestion does not appear to be very realistic. According to the theory of purchasing power parity, which Mr Hill-Smith seems to follow, the country whose price-level has relatively

From *The Economist* of 1847

August 14, 1847.

WE had the gratification last week of recording the unopposed return of Mr Villiers for South Lancashire; and this week we have the additional gratification of announcing the similar return of Mr Cobden for the West Riding of Yorkshire. . . . Their election . . . fixes the throne of free trade over the prostrate monopoly of the landowners. . . .

The real opponents to free trade are the persons who by office are bound to maintain old institutions. Nestled in every crook and cranny of the Treasury, and every other public office, there are found persons who adhere pertinaciously to old forms and old practices—whose life is one mill-horse routine—and who, on habit and principle, oppose almost every change. Sometimes they are called the Tadpoles and Tapirs of the Government, sometimes the bureaucracy; but they are always distinguished by preferring dead forms to living interests. The progress of free trade is, in a great variety of modes, destructive to their power. It wounds their self-love. They are the organised host who oppose the onward march of the people. Now, free trade, having some of its own followers filling the high office of statesmen, has an advantage over them; and fortunate will those statesmen be, assured of power and popularity, who shall disregard the advice and the pretensions of the subordinates of all the public offices, and shall resolve to do things and have them done on the principles of free trade. . . . Far more . . . for the tranquillity of the country will depend on the course of the Ministers than on the character of the Parliament. The country has spoken out in favour of free trade, and though some men in office may for a time thwart it, causing much confusion and injury, no one can finally arrest it, and, therefore, their highest duty and pleasure should be, to give, as speedily as is consistent with safety, effect to the wishes of the people and the necessity of the age.

risen should devalue, provided that the existing exchange rate corresponded to the true position before the rise in prices occurred.

It seems, however, obvious that the present rate of \$4.03 to £1 would never be maintained in a free exchange market, and there is ample suggestion that a "realistic" after-war rate would be rather in the region of some \$2.50-\$3.00 to £1. A country with less goods to export than to import cannot afford a high rate of exchange. In spite of the rise in American prices the £ seems to be still overvalued at the present rate.

If there are any British exports to the United States the demand for which is inelastic, is not the best way out to raise their price, instead of affecting all British exports to America by altering the rate of exchange?—Yours faithfully,
H. TYSZYNSKI

33 Wetherby Mansions, S.W.5

SIR,—You are surely in error in your article when you claim that the convertibility Articles (7 and 8) of the American Loan Agreement are relatively unimportant compared with the non-discrimination Articles (9 and 10).

The convertibility Articles seriously increase the draining away of our dollar resources in two ways. They cause us to lose dollars at a rate exceeding that of the total deficit in our balance of payments (we have to supply dollars to the full extent of the sum of the deficits with individual countries—which is larger than the net adverse balance with all countries). Secondly, they increase the total deficit in our balance of payments by providing other countries with an incentive to cut down their imports of British goods, because their favourable balances with us can be turned into dollars.

I suggest that the convertibility and non-discrimination Articles are equally injurious to the economic recovery of Britain.—Yours faithfully,
A. J. PETTIT

The Housing Programme

SIR,—In the debate on housing in the House of Commons on July 28th, Mr Bevan made the startling revelation that "we are at the present time stacking bricks on site" and that "we are having to close down in certain brickyards because they cannot get orders." Now this surplus of bricks does not result from our great success with the brick production programme, for the average monthly output of bricks in January to May of this year was only 330 million, compared with an estimated production of 442 million per month for the whole year planned in the "Housing Programme for 1947" (Cmd. 7021). It merely results from the fact that we have been even less successful in the house building than in brick production.

In view of this apparent superfluity of bricks on an achievement of only 75 per cent of programme it is of interest to look at what has happened in other housing materials and components. It will be seen from the accompanying table, which gives such figures as are available, that in many components the percentage achievement of programme is higher than for bricks; in some indeed the programme has been exceeded by a substantial margin.

PROGRAMME AND OUTPUT OF BUILDING MATERIALS AND COMPONENTS
(Monthly Average) (Thousands)

	Unit	Programme 1947 (Cmd. 7021)	Output, Jan.-May, 1947 (Cmd. 7152)	Output as Percentage of Programme
Bricks	Number	442,000	330,000	75
Cement	Tons	135.0*	102.0*	76
Plaster gypsum	"	18.3	13.7	75
Plasterboard	Sq. yards.	923.0*	663.0*	72
Drain pipes	Tons	39.2	32.5	67
Soil pipes	"	4.6	2.6	57
Rainwater goods	"	6.7	6.2	93
Manhole covers and frames	"	3.8	3.0	79
Baths	Number	33.3	27.4	83
Lavatory basins	"	81.2	74.9	92
Sinks	"	63.0	53.1	84
W.C. pans	"	100.0	89.2	89
Cookers	"	77.5	65.7	85
Fires (solid fuel)	"	62.3	68.7	110
Wash boilers	"	44.3	52.4	118
Ceiling roses	"	333.0	1,218.0	366
Ceiling boxes	"	541.7	453.0	84
Plugs	"	708.3	402.0	57
Sockets	"	916.7	1,055.0	115
Switches	"	541.7	682.0	126
		1,383.3	1,108.0	80

* Weekly Average.

The proportion of supplies going to new house building varies from item to item and it cannot of course be assumed that there are excess supplies in all items where production is 75 per cent—the figure for bricks—or more of programme. But there can be little doubt that stocks of some of the items are accumulating and will continue to do so at present rates of output.

Lack of balance of this sort is inevitable when component supply is planned in relation to an unrealistic target programme. The only remedy for it is to reduce the housing programme to what it is really expected will be achieved and to arrange component supply to correspond to requirements at that realistic level. It is of course always attractive in planning to pursue the policy of building up large stocks of components in order to make distribution easy, and to guard against possible lapses in production in the future, but it is seldom realised that to have components for which there are no houses is just as much of a waste as to have houses for which there are no components.—Yours faithfully,
ELY DEVONS

Economics Research Section, Manchester University

Indonesia—The Real Issues

SIR,—I will not discuss the article from your correspondent about Indonesia in *The Economist* of July 26th. I only want to point out that a number of facts are untrue.

1. The issue of the struggle in Indonesia is not between a capitalist Holland and a socialist Indonesia. With the aid of arms, which the Japanese have given for that very purpose, a number of so-called politicians tried to seize power and even to suppress the liberties of the other peoples of Java. Dutch, English, Chinese goods are taken away. If your correspondent calls this nationalisation, Goering had a right to call his robbery of European treasures of art nationalisation too.

2. The KPM shipping line has not the bulk of a huge industry in its hands. In Indonesia goods were produced to the advantage of the Indonesians and of the Dutch, who brought justice, freedom, health, security and science to the inhabitants. It is, in my opinion, not state socialism when a small minority steals these goods, sells them below the world price, puts the money in its own pocket, or threatens to burn these goods in order to levy political blackmail. It is not state socialism to destroy the rights and freedom of several peoples and to enslave them. In the Island of Madura starvation and wholesale death prevail. But, to repeat the words of your correspondent, "this sense of urgency is not shared by the republicans."

3. The Republicans did not bring freedom from fear any more than other points of the Atlantic Charter. On the contrary, the Japanese terror was mere child's play in comparison with the new one. Thousands of hostages are still in camps. Every Indonesian movement is suppressed. Those are the simple facts which can be checked by everyone. The supposition of your correspondent that at the Hague die-hards are living who want to restore an old-fashioned Colonial system is pure nonsense. The politics of the Dutch have been, for more than twenty years, aimed at co-operation with the true nationalistic spirit of the different Javanese peoples, a co-operation, now fully existing in East-Indonesia, where the inhabitants have a deadly fear of the so-called Republic.

4. The article of your correspondent is an expression of the decline in our moral standard. England became a great nation because it did not support robbery, terror, blackmail, murder; and it has the duty to maintain this high standard. Acting thus, it cannot support the Indonesian Republic, a mere creation of the Japanese, a Japanese time-bomb. Moreover, the Republic of Djokja is not the expression of the real nationalism, with which the Netherlands always will, and already do, co-operate. Before this can be fully realised in Java and in Sumatra, peace and order have to be restored.—Yours faithfully,
Haarlem, Holland H. A. LUNSHOF

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Books and Publications

Government and Governed

"Thoughts on the Constitution." By the Rt. Hon. L. S. Amery, CH, DCL Oxford. 8s. 6d.

MR AMERY'S book is an attempt, by a philosophical Conservative of immense practical experience, to express the genius of British institutions. In four chapters devoted respectively to the nature of the Constitution, the future of Parliament, the organisation of the executive and the development of the Commonwealth he presses home his thesis that the distinguishing feature of the British Constitution is the balance it preserves between the principles of government and consent. It is not, for all nineteenth century theorising, a democratic constitution, because at every point it recognises the primacy of government and assigns to the people and their elected representatives the negative function of choosing between alternative policies worked out by others. This preserves us from the dangers of the multi-party system, with its insistence on the need for a mathematically precise reflection of popular opinion; from the chaos which results from members of the legislature being allowed to interest themselves too actively in public expenditure; and from the Continental dogma that virtue resides in numbers. It also explains why British statesmen, nurtured on the Duke of Wellington's doctrine that the King's Government must at all costs be maintained, are willing to accept almost any sacrifice of principle rather than leave the country ungoverned for a week-end.

The traditional balance between the initiating and guiding element in the constitution, which Mr Amery calls the Crown, and which in practice is the Cabinet and the criticising, inquiring and choosing elements which Mr Amery calls the nation, and which is embodied in Parliament, is, in his opinion, being rapidly upset. The Cabinet, borne down by departmental duties, has little time left over in which to guide policy in any accurate meaning of the phrase. He advocates a small inner Cabinet of Ministers free from particular departmental responsibilities and concerned solely with co-ordinating and directing the activities of their colleagues. The trouble with the popular or consenting element in the constitution is that its functions are being steadily diminished. Mr Amery does not think that this is due entirely to the Commons being overworked. There is urgent need for an efficient committee system for the scrutiny of indirect legislation, but the real enemy is want of specialised knowledge. If the life of the nation is to be faithfully reflected in Parliament, Mr Amery believes that Parliament must contain more elected representatives of professional interests. At the same time, when Parliament has to delegate it should do so, wherever possible, to elected professional bodies with power of subordinate legislation, such as those granted by Statute to the Church Assembly. Professional interests are probably not left in the cold under the present system to quite the extent which Mr Amery suggests, and the Government's numerous advisory bodies, drawn from both sides in industry, occupy an important, though informal, place in the constitution. The problem is how to combine specialised knowledge with genuine representativeness. We must get away from the idea that there is anything wrong in being a vested interest, and recognise that pressure groups come into being only when legitimate interests are denied constitutional expression.

Mr Amery's last chapter is a brilliant vindication of the principle of co-operation between legally sovereign states, as against federalism. The experience gained in political and economic co-operation in the Commonwealth might profitably be remembered by the statesmen now engaged in making Europe fit for dollars. Altogether this is one of the weightiest and most penetrating essays in political theory which has appeared in this country for many years, and it should be long studied and admired by students of the constitution.

Savings Banks History

"A History of Savings Banks." By H. Oliver Horne. Oxford University Press. 18s.

It would be hard to find better instances to illustrate the curious relations that can subsist in the United Kingdom—and probably nowhere else—between the state, private commercial enterprise, and movements for social reform than are contained in the history of the Trustee Savings Banks. By origin those banks are the products of the social reforming zeal (and the manifest need) of the Napoleonic War period. From the first, legislation was

required to protect their depositors and to make them workable. In the mid-nineteenth century, when they showed signs of stagnation, the state set up what appeared to be a formidable rival to them in the Post Office Savings Bank. After their earliest decades, they were in competition in some degree with commercial banking interests, which were jealous especially of the virtual subsidy which they received from the state (in the shape of a high rate of interest on their assets lodged with the National Debt Commissioners) during the greater part of their history.

Thus, the historian of these banks has a task of some difficulty, as well as an excellent opportunity to chart some of the most interesting cross-currents of opinion and policy of the last century and a half. It was fortunate that the late Mr Horne, whose long association with the banks gave him an unrivalled knowledge of their more recent history and structure, was also a sufficiently able historian to take advantage of this opportunity, and to make his book, which was in any case bound to be a standard work for the specialist, a valuable one for the general student of economic history.

The social and economic background is well drawn wherever it is relevant; a useful amount of biographical information is given on the main personalities; and the central economic and political issues involved in each of the successive stages of development and legislation are admirably analysed. The Trustee Savings Banks Association is to be congratulated on its initiative in commissioning this work.

Feminist Stocktaking

"Women: Their Professional Status." A World Survey, Issued by the British Federation of Business and Professional Women. 78 pages. 10s.

LIKE its predecessor, World War II has had for a by-product a wide forward surge of feminine emancipation. The most obvious changes in status, the winning of the vote and the formal opening of the professions, were in most countries already accomplished fact; while more women have achieved citizenship and more professions have been opened, the greater change has been in the weakening or breaking down of the informal barriers, the conventional discriminations and habitual mistrusts. The British Federation of Business and Professional Women, by publishing this résumé of the International Labour Organisation's study, "The Law and Women's Work," provides a convenient survey of the formal and legal situation, the results, so to speak, of the essential preliminary site-clearing operations. It is an excellent little book, in which one can illuminatingly follow some particular problem—say, that of maternity provisions for married State employees—from country to country. In the pre-war Italian civil service, for instance, the full pay drawn during maternity leave was supplemented by a special allowance "for active service." Sweden, giving somewhat longer leave, paid only one-third salary. Mexico, Belgium, Brazil, Bulgaria, and France paid their women teachers at full rates for varying periods; New South Wales, Great Britain, and Greece reduced the pay by varying proportions; Tasmania and Rumania had leave provisions amounting to temporary suspension without pay—a sort of maternity fine.

A really adequate study of the professional position of women would, of course, have to go far beyond even the fullest and best-amination of such extra-legal barriers as the restriction of training facilities; beyond even the assessment of convention and prejudice. It would have to look for light on a wider question: how society should be organised in order that women should be enabled to make their full contribution, economically and civically as well as biologically. The fact that the biological function is so unevenly divided between the sexes means that women's contributions—in other fields must be unequal likewise, and the old-line feminists—so often themselves celibate or childless—might as well resign themselves to that fact. But there is no reason why that inequality should be as great as it now is, or even as it still would be were every merely negative barrier of law and convention thrown down. Nothing much can be done about the curse of Eve; but its subsidiary after-effects are another matter. It will be interesting to see whether any subsequent publications of the Federation cast any light on these positive changes, which one can envisage as ranging from the multiplication of nursery schools to the growth of a proud independence, in the masculine mind, with regard to the darning of socks.

AMERICAN SURVEY

Can Wallace Stop Stassen?

(From Our US Editorial Staff)

OF next year's Presidential candidates, two have the advantage of holding no public office at the moment and have been able to spend their time in preparations for next spring's party conventions. Both have travelled widely and spoken often within the United States; both have taken trips to Europe. The two are Harold Stassen who, contrary to the tradition of modesty, has firmly announced his candidature, and Henry Wallace, who shyly allows others to press his claims.

Often the only way of judging a candidate's capacity for the Presidency of the United States is to watch his growth after new experiences. To be a good President it is necessary to be able to learn quickly. Presidents, unlike Prime Ministers, have not had, when they take office, the long training of years on the back benches, more years in minor jobs and periods of great administrative responsibility in Cabinet posts. There is no such hard road to the Presidency. The traditional journey from log cabin to White House is not a long, long trail but is accomplished by magic carpet with few stops on the way. Most Presidents come from one of two sources, governorships of States—good, but miniature, training grounds—or the Senate, a strictly legislative body which can provide no experience in administration. A few have held Cabinet appointments but, in the United States, the whole executive responsibility rests with the President. Cabinet officers have no authority which is not delegated by him; they are his staff officers—not members of a Committee.

Mr Stassen, always a Republican, has been Governor of Minnesota, a valuable experience but not as exacting as the governorship of New York, from which Mr Roosevelt came (and Mr Dewey hopes to come). Mr Wallace, the son of a Republican Secretary of Agriculture, became a Democrat and has himself been Secretary of Agriculture, Vice-President and Secretary of Commerce. During the most trying war years he was, to some extent, in Mr Roosevelt's confidence. His career should have provided better training than Mr Stassen's and he should have been able to make better use of his European trip. It is now clear that he has not done so.

Mr Wallace seems to have learned nothing in Europe and his speeches since his return have been no different from those he made before leaving. Everything he has said in the last three months suggests that he is still obsessed with nostalgia for the 1930's rather than with plans for the 1950's. He has appointed himself Roosevelt's heir and reverently parades his "FDRdipus complex" at every meeting. "I came here in 1933 to join a team," he said in his last speech in Washington. "The man who put the team together and made it work is gone." Having established his ancestry, filial piety leads him to attack the present President on behalf of the late one. Nothing that Mr Truman does can be right for Mr Wallace. Mr Truman, after all, has the job which he might have had (if Roosevelt had died

a few weeks earlier) and which he considers to be rightfully his.

The most curious of his recent caprices has been his handling of the Secretary of State's Harvard address. He made two major speeches—one at Newark and one in Washington—in the first two weeks after the launching of the Marshall Plan. He made no reference to it in either, and even admitted that he "had not studied it in detail." By that time he must have been the only man in the world with aspirations to statesmanship who had not. Instead, he continued his attack on the Truman Doctrine as a more vulnerable example of the Administration's foreign policy and preferred to ignore the Marshall Plan in the hope that it would never reach adolescence. His eventual grudging praise for it (as a "great advance" on the Truman Doctrine—in the course of a vicious attack on Mr Bevin) did not come until he had presumably lost hope of it dying young. Since Mr Molotov left Paris he has returned to deep silence.

Henry Wallace is now a Presidential candidate before anything else. His desire to reform the Democratic Party from within, so often expressed, means his intention to do the job himself. He wants the Democratic nomination next year but he knows that he cannot get it. The only thing he can do is to defeat Mr Truman by splitting the party and letting the Republicans in. Then he hopes to collect the pieces and run in 1952. His campaign was started in California at the end of July by Mr Robert W. Kenney, himself an unsuccessful Democratic candidate for Governor of that State. A meeting of Wallace delegates from eleven western States to be held at Denver in the autumn is the next step. In his efforts to disrupt the Democrats he has the support of the Communist Party, who, if they cannot elect their own man, prefer to have a diehard Republican as an object for attack. He seems to have little support from the other members of the "team" which he joined in 1933 and has now left in the lurch. Mr Harold Ickes, who might well lay claim to a share of Mr Roosevelt's mantle, asked some weeks ago *à propos* the Marshall Plan: "Where do you stand, Mr Wallace?" There was no answer.

*

Mr Stassen has shown different qualities since his return from Europe. He has the reputation for being stolid and pedestrian. If so, his feet seem to be a sound pair. By comparison, Mr Wallace is a lark without wings. Mr Stassen made less noise in Europe because he went to learn and not to lecture, but he came back with a better idea of the problems. As soon as Mr Dean Acheson had stated the European dilemma at Cleveland, Mississippi, in May, he said, in a speech at Jefferson, Iowa, on May 21st: "I believe that for the next ten years we should devote ten per cent of our total national production of goods to building for world-wide peace." In June he told the graduating class at Swarthmore College that "there is currently more danger from mistakes and errors of American world economic policy than from any other major question in the country." Mr Stassen's approach to all problems is economic while Mr Wallace's is political. Mr Wallace suggests a dramatic meeting of Mr Truman and Mr Marshall with Mr Stalin and Mr Molotov; Mr Stassen can offer only a ten-year programme of American help.

But, while Mr Wallace can jump from branch to branch, singing the praises of free enterprise and calling Communism

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"grand and glorious" in the same speech, Mr Stassen remains a Republican—not merely a member of the Republican Party. His distrust of Socialism is deep—and sincere. He believes nationalisation to be a political question which Britain should decide as she likes when she has the time. As he does not admit that it provides any solution of the economic crisis, to which the energies of all Ministers should be devoted for the present, he does not think she has the time now. He is not, like most of his party, opposed to all controls. He would be willing to impose them in the United States to make the Marshall Plan work. If he were President, aid to Europe might have temporary strings attached. They would not be ropes, as his dislike of dictatorships extends to himself.

From Phrases to Figures

(From Our US Editorial Staff)

MR ATTLEE'S speech outlining the steps by which Britain proposes to start meeting its dollar difficulties, has begun to bring more precision into the American concept of what the Western European situation is, and what it will require. The fact that the British loan is practically exhausted, while British recovery is hardly begun, has underlined the importance of keeping in separate compartments from now on credits designed for rehabilitation and credits designed for relief.

The British loan, on a single country basis, was designed as a dual purpose instrument to cover expenditures both for current consumption and for capital purposes; on a multiple-country basis, and with more emphasis on current relief, so was Unrra. The extent to which both sets of funds were used for current account is recognised to be in considerable part the result of miscalculation as to the real extent of war damage and disruption, the rise in the US price level which correspondingly diminished the purchasing power of the credits, and inability to get delivery of US products because of the competitive demand of the domestic market. But the difference between a gift and a productive investment remains. Americans are willing to make both. They do, however, want to know which is which.

American bankers, industrialists, economists and journalists have recently visited Europe in fair numbers. Some have seen things with their own eyes—others appear to have been led around by "Seeing Eye" dogs of one breed or another. Those who went over and saw what they had decided to see, are now sharing their conviction that the US is being led up the garden path. The basis of their conviction varies: Europe is finished anyhow; socialised economies are incapable of efficient production; European management is hide-bound; failures arising from political sources in the socialised sectors of the European economies, or from private sources in the capitalistic sectors, will stifle plans for rationalisation which have been waiting for years—decades, even—to get off the paper they were written on; no overall assessment, economic or political, has been made of what is, or what is not, possible. The balance sheet recently proposed by *The Economist* as the planners' last chance is thus rapidly becoming a first condition of any plan that will require the American industrial economy to make contributions to European recovery.

The alternative to vague charitable appeals is to present a bill of particulars. The Monnet plan, even though its speed

Harold Stassen could be elected next year if he could be nominated. He has the Republican National Committee to beat, a stiff-necked and unadulterated group, who have been caught napping once—by Wendell Willkie in 1940—and do not propose to be caught again. His chances will be bad if Mr Wallace splits the Democrats and makes it certain that any Republican, however, reactionary, will win. They will be good if Mr Truman's popularity grows and the Republican National Committee is sufficiently frightened to allow Mr Stassen to be nominated. It used to be said that everybody was against Mr Roosevelt except the voters. It may be that in 1948, everybody will be for Mr Stassen except the delegates to the nominating convention.

to date in getting off paper may be disappointing, has the merit of a precise proposal. With comparable data for Italy, the Low Countries, the Western Zones of Germany, and Britain, it ought to be possible to estimate by how much specified equipment could be expected to induce revival by, say, a year after installation. And so on for a few years ahead. Such a gauge of workability, however inevitably rough, would give a solid basis for forecast and review.

Another point on which current negotiations may soon give more precision is the essential unity of the British and the European problem. Mr. Marshall's emphasis that loan negotiations between the British and American Governments can concern only the loan, the Ruhr negotiations only coal, the level-of-industry negotiations only level-of-industry, underline the assumption that no inclusive arrangement can be undertaken with Britain by herself; Western Europe, Britain included, must work as a whole or the whole goes under.

A third point on which there is new precision is the probable volume of credits under the Marshall Plan. The present rate of US exports, \$16 billion a year, is due in any event for decline. The largest magnitude currently discussed for the Marshall Plan is an annual rate of \$5 billion. The tendency has been to think that the Marshall Plan would press further demands on US productive capacity. It now begins to be seen that while a gradual decline in exports would provide the mild relaxation of inflationary pressure for which everyone longs, a rapid fall to a level more like that of the 1920s could be very much too much of a good thing, and make the long prophesied recession a vivid fact.

The film situation is illustrative. If an axe, rather than a tax, had been applied, the economic facts would not have been surrounded by the present emotional high tension. Film revenues from Britain have been equal to about 15 to 20 per cent of the industry's receipts and the stock market took stock accordingly, with some shares falling 3 points in 2 days. Similarly bearish trends, developing elsewhere, may well become a major factor in the business community's attitude both toward the Marshall Plan and toward the entirely possible necessity of reinstating priorities and allocations machinery, on the American side, for such basic commodities as steel, if orders based on credits under the Marshall Plan are to provide deliveries of producers' goods without destructive delay.

That is the point at which some of the overall assessments and some of the political and economic initiative proposed so earnestly to Europeans by Americans become applicable on the American side. Such assessments are necessary if the Marshall Plan is to function as a method of rehabilitation. They concern the construction of an economic area workable in its own right. If they can be prepared with realism and presented with clarity they can be seen and understood for what they are, alternatives to semi-permanent handouts compounded indiscriminately of rehabilitation and relief.

American Notes

Special Session?

Predictions that a special autumn session of Congress would after all be called have been widespread in the past week, following conferences of State Department officials in Paris. The talks were held on August 5th and 6th between Mr William Clayton, Under-Secretary of State for Economic Affairs, and the three principal US Ambassadors in Europe, a fairly general view being taken that all concerned favoured such a session. It may be taken for granted, however, that no such decision has been reached in Washington where the State Department is harassed by a timetable of conferences which threatens to put a severe strain upon key officials. These talks will in the near future embrace not only the general problem of Ruhr control, and the special dollar problem attaching to control of the Western Zones, but negotiations for modification of the loan terms for Britain, the special report from European Ambassadors on possible short-term aid to Europe (which is regarded as very slight, indeed), the report from the Committee of European Economic Co-operation, as a blueprint for aid under the Marshall project, and which Washington expects to have by the close of this month, and, lastly, reports from Geneva on the International Trade Conference.

If that schedule is not enough, the State Department has also to meet demands from Rio de Janeiro where the United States and the Latin American Republics have begun their long-delayed effort to establish by treaty the "hemisphere defence" measures agreed at Chapultepec in 1945.

On the British loan terms, discussion of which has quite naturally filled a large proportion of the news and comment space in the national press, Washington still seems to be baffled by its precise powers in the absence of an immediate appeal to Congress, with Mr George Marshall, and Mr John Snyder, Secretary of the Treasury, offering divergent views. It is also generally reported that a postponement of "convertibility" was actually offered to London in July, and rejected by Mr Dalton, and there is now a disposition to assume that this British view was based on incomplete and obsolete data, and that a meticulous presentation of accounts will be necessary before Washington makes a decision.

While the burden of this preparatory work falls on the State Department, the key figure in overall policy is still Senator Vandenberg whose task will be, in effect, to pilot the Marshall project through Congress whenever it meets. The Senator is taking part in the Rio Conference, along with Mr Marshall, who is chairman of the conference. The two statesmen will have plenty of immediate problems on hand, for the Latin American countries are no less fearful than Europe of the "dollar gap"; some of them are resentful of US post-war policy on tariffs and quotas, and most of them are disappointed because Congress has so far refused to ratify President Truman's plan for standardising military equipment within the Americas, and for the provision of equipment and assistance. Additionally, the uneasy friendship between Washington and the Perón regime is very far from concealing the view that Argentina is still far more concerned with her challenge to US leadership than with more general security problems. Some skilful work may be necessary to avert an open breach.

But, however preoccupied they may be with continental problems, Washington is sure that discussions between Mr Marshall and Senator Vandenberg will, in fact, cover a world range, and that at least one formal declaration by the Secretary of State will embrace the general foreign policy of the United States. A good deal of significance is attached to a recent comment by Senator Vandenberg:—"The problem is here." He is known to be concerned by the lack of domestic response to news from Europe and is understood to have urged that the Administration must act quickly to arouse public support for the Marshall proposals. Until that has been done, Mr Vandenberg is understood to have expressed the view that no useful purpose would be served by assembling the House Foreign Affairs and the Senate Foreign Relations Committees for preliminary discussions before Congress takes over.

First Challenge

The Taft-Hartley Labour Act is meeting with a rising barrage of criticism from responsible quarters even before it has become fully operative. There is, for example, considerable ambiguity in the section which extends the legal ban on contributions by corporations for election campaigns in order to cover similar

campaigns financed by the general funds of labour unions. The new Act specifies all "expenditures" apart from "contributions," and apparently establishes a position where no union may be allowed to publish a newspaper at regular intervals, and give editorial comment, for or against particular candidates, unless it can prove that expenses are not met from general funds. Some unions are now openly inviting a contest on this issue of press freedom.

A more direct challenge has been made by the Foreman's Association of America which has now filed a complaint against the National Labour Relations Board in the Federal Court. The plea is that specific sections of the Act should be declared unconstitutional as "discriminatory and capricious," and that the whole Act should be invalidated as "a flagrant attempt to destroy political association and the freedom of the press." The Labour Board has been enjoined because, under the new Act, it has been obliged to dismiss petitions by foremen's unions for collective bargaining status. These special unions are not outlawed, and foremen may retain membership within a union organised for their own use, or as part of a rank-and-file movement. But this right of membership depends in turn upon the policy of individual employers—and the relative strength of the unions concerned. The case will almost certainly be fought up to the Supreme Court.

Unions meanwhile are scurrying to consolidate their position before August 22nd when the Labour Act becomes fully operative with a complete ban on the closed shop, and with drastic regulations necessary to enforce "union shops," and other security measures. And the unions are finding that their bargaining powers at this time are very strong indeed. Mr John L. Lewis "rode out" on the Taft-Hartley Act with a flat refusal to accept the "no-strike" clause in the contract with the mine operators. Now, a brief tussle between the Ford Motor Company and the United Automobile Workers has closed with another victory for the unions. There are some nice legal points involved in this procedure, for while the Taft-Hartley Act establishes the right of employers to sue for damages in the event of contractual failure by unions, it nowhere specifies that employers must sue for breach of contract. On the other hand, outside parties might still, presumably, make claims on unions for damages in the event of action that could be construed as an "unfair labour practice" within the specifications of the Taft-Hartley Act. These points are rather abstruse today. The whole concern of industry seems to be centred on watching and waiting, and the verdict seems to be:—give the unions a year and find out how things go. Two conclusions emerge: it is more than ever certain that this Act will bury both the Labour Board and the courts in an avalanche of petitions and litigation; secondly, the Act, even for the big and tough unions, may be very awkward when employment conditions are no longer so rosy.

* * *

Deflation in Technicolor

Latest reports from New York suggest that Hollywood is still hopeful of a "compromise arrangement" which may dull the edge of the economy blade disclosed in the House of Commons last week. The initial reaction, however, was one of "anger and bewilderment" and the protest meeting held at once in New York must have matched in excitement (though scarcely in pleasure) the annual gatherings wherein the film impresarios ladle out Academy Awards on a strictly protectionist basis.

The film—or motion picture—industry has been the first in the United States to scent the approaching dollar famine. Hollywood has never disguised the importance of the British market, which accounts for about one-half of foreign rentals, in turn accounting for something like 40 per cent of the gross revenues derived from films. Apart from the British market itself, other western European countries still contribute a fair quota to Hollywood revenues, though there are severe limits on dollar remittances. Much nearer home, a golden post-war market in Latin America is also threatened by exchange troubles.

It is not possible to get any precise breakdown of foreign revenues among the main producers. But foreign rentals altogether produced about \$70 million in 1946, a year in which gross incomes of six leading producers were nearly \$900 million, and net revenues less than \$120 million.

The blow has fallen upon the film producers at a time when they are worried also by purely domestic factors. They believe that they may well be facing a period of sharp adjustment from the present high level of consumer expenditures on entertainment. They are aware that costs have been inflated during war years, and that they operate in an industry where the heaviest costs are apt to prove very stubborn, at least in the early stages of decline.

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They are also worried by the competition of television and by the fact that it is at present quite impossible to assess the longer-term prospects of this new, and now formidable, competitor.

Beyond all this, the industry has incurred the righteous anger of the anti-trust section of the Department of Justice. Although the film industry does not figure among the industries which rank for automatic inclusion in every anti-trust report by Congressmen, it has for long resisted government efforts to separate ownership between production, distribution and exhibition. The courts have so far upheld this resistance, but have agreed with the government that producers should not enjoy the advantages of "block booking" (a system whereby independent exhibitors take a given quantity of films and possess only nominal rights of selection) or of price-fixing. This case is now before the Supreme Court.

A short period of relative adversity will scarcely bring permanent damage to Hollywood. It will deflate salary lists, and give the efficient producer a chance to prove his worth. From the long depression of the 'thirties, the industry emerged with more modest ambitions and a more defensible capital structure. And war profits have swollen cash resources.

* * *

Business Profits

The current high level of corporate profits formed the peg for a typical Presidential warning to industry in the mid-year Economic Report to Congress. "It must be recognised," said Mr Truman, "that a high volume of profits is necessary to make provision for the increased cost of buying for inventories and capital equipment, and the decreased value of existing reserves. Even after these allowances are made, it is evident that business profits are in many cases more than adequate to permit price reductions or wage increases or both." The record is certainly good:—

	CORPORATION PROFITS (\$ million)	
	Before Taxes	After Taxes
1939.....	6,467	5,005
1940.....	9,325	6,447
1942.....	21,098	9,433
1944.....	23,841	9,928
1946.....	21,140	12,539

The importance of corporate profits may be gauged by the fact that over the first half of the current year business expenditures on new plant and construction were running at an annual rate of \$25 billion—by far the greater part of which was being financed from current earnings and accumulated liquid assets. No precise data have yet been given by the Department of Commerce on earnings for the first half of 1947, but the August report of the National City Bank declares that total industrial earnings were apparently above the high level reached in the June-December period of 1946 "although about one-third of reporting companies showed lower net profits due to costs increasing faster than sales." A very modest list from the *Wall Street Journal* (less than 140 companies) showed net profits for the June quarter scarcely changed from those for January-March, but up by no less than 84 per cent on the June, 1946, quarter, a period in which industrial strife brought considerable dislocation.

The decline and fall of Wall Street from early 1946 onwards is a remarkable feature in the light of the subsequent record. The Dow Jones Industrial Average, now around 180, has made a good recovery from 1947 lows, but it is still thirty points below the peak of 1946, and still some way below the top of the 1937 rise. At a time, moreover, when Treasury Bond yields are below all earlier standards—the first few months of 1946 alone excepted—it is possible to obtain yields averaging 5 per cent on a wide range of leading industrials and to obtain more than 4 per cent on a representative list of so-called "Blue Chips." Dividend rates, moreover, represent a very cautious assessment of distributable earnings. For the US Steel Corporation, with a current annual dividend rate of \$4, the present price is no better than \$71. The investment community is certainly conscious of the fact that, in the changing world conditions of 1947, a heavy Republican majority in Congress can no longer guarantee the stability which was taken for granted by Wall Street in 1920 and again in 1924.

* * *

Federal and State Taxes

Adjustments in the tax policies of the various States may follow from a Treasury study of the degree to which Federal and State governments now secure their revenues from identical sources. The Treasury, while not concerned with immediate policy recommendations, is seeking a much closer degree of

co-ordination, and discloses that for \$39 billion revenues of the Federal government, and for nearly \$5 billion of State revenues, more than 90 per cent accrues from identical sources:—

	RECEIPTS, EXCLUDING PAY-ROLL TAXES FOR 1946 (in million dollars)	
	Federal	State
Individual taxes.....	18,705	395
Corporate taxes.....	12,462	436
Death duties, gift taxes.....	677	143
Alcohol duties.....	2,526	466
Tobacco duties.....	1,166	199
Petrol duties.....	406	900
Admission taxes.....	415	12
Stock transfers.....	30	30
Others.....	2,584	2,338
Total.....	38,971	4,919

Specifically, the Treasury study declared that 77 per cent of Federal collections and 17 per cent of those for the States were from income taxes, and that conflicts here "can be resolved only by integration based on the assumption that both Federal and State levies would continue." On tobacco duties, it is suggested that the Federal government might increase current duties, replace State collections, and redistribute income among the States. On petrol duties, however, where the Federal government draws only modest receipts, it recommends leaving a field of revenue to the State governments alone. The complicated structure of sales taxes is held to be of "secondary importance" though Congressional study is recommended.

The relationship between State and Federal taxation policies may in the future be complicated by the widespread effort on the part of many municipal authorities to broaden their revenues through income taxes. Property taxes are the main source of revenue for city governments, but very many of them face sharp legal restrictions on their taxing powers, and with generally heavier burdens, they have sought to evade tax rate limits by tapping a new source. This process, however, is resisted by many of the State governments, and legal tests are continuing, although so far the right of city governments to impose income taxes has been upheld in the courts. For State governments, a remarkable feature of the last decade or so has been the abandonment of property taxes in favour of income and sales taxes, and specific duties upon petrol, alcohol, tobacco, and entertainments. This clearly makes them more liable to fluctuating revenues in the event of a trade setback, since many of the semi-luxuries now tapped for revenue are the first to reflect the impact of unemployment and reduced earnings, while property taxes are, in the main, sustained, unless depression is very severe or unduly prolonged. Most State governments are very conscious of their vulnerability, despite the good reserves accumulated in recent years, and they will be reluctant to abandon revenue channels without special safeguards for replacement.

Shorter Notes

President Truman has vetoed the Bill for the extension of war-time subsidy payments to marginal producers of copper, lead, and zinc. In recent months, these premium payments have assisted only to a very small degree in the case of lead and copper, although nearly two-thirds of zinc producers were enjoying subsidies earlier this year. The cost since 1942 has been \$330 million, and Congress this time proposed the payment of \$35 million annually for two years.

*

Senator Taft's open bid for power in 1948 was preceded by the long-expected announcement of his colleague in the Senate from Ohio, Mr John Bricker, that he did not "anticipate being a candidate next year." The door may still be open, but Senator Bricker (vice-Presidential candidate in 1944) will need something like a political miracle now to push him through it. While the race is still entirely open, Mr Taft's supporters claim that Governor Dewey's recent tour of the west was a relative failure, and that his chances have not been improved by Mr Stassen's denunciation of his failure to take any definite stand on policy.

*

The revised Robertson Wool Bill (accepted by President Truman and now shown of the tariff-raising and import quota provisions which brought such a storm at Geneva) will enable the US Government to offer reductions of 8 cents to 10 cents a lb. in the import duty on raw wool. On dutiable wools, current levies range from 27 cents to 32 cents a lb.

THE WORLD OVERSEAS

Economics of Franco's Spain—I

Privilege Without Planning

(From a Special Correspondent)

SPAIN'S foreign trade position has never been easy. From 1900 until the civil war there were, if one excepts the abnormal 1914-1919 period, only three years in which it had a favourable trade balance. Immediately before the civil war the difficulties were already increasing. In the 1930s the world crisis and the gradual exhaustion of the mineral resources (iron and copper in particular), which had provided a major part of exports, had cut Spain's foreign trade by about a half. Now the situation has been aggravated by the civil war, by the world war—in which productive effort had to be concentrated on paying off civil war debts to Germany and Italy—and by the ensuing shortages of raw materials and hard currencies; so that although the country is still undergoing its industrial revolution, the increase in production is not enough to check the drop in exports. Its value in terms of the peseta has naturally increased, but the actual volume of foreign trade has remained at only about 40-50 per cent of its 1931-35 level; and even to maintain this a lowered standard of living and great sacrifices are necessary. This basic problem would face any Government in Spain today, and even with the outside help that has been denied to Franco, to restore the not very high pre-war standard of life would take a long time. But the case against the present regime, at any rate as more intelligent Spaniards see it, is rather that in many ways it aggravates their difficulties and has made a most unjust division of the burden between rich and poor. The bulging shop windows, shiny new American cars, smart clothes and beautifully dressed children which strike the visitor to Spanish cities are evidence, not of prosperity, but of the Government's unwillingness to face its difficulties or to apply the principles of elementary justice by spreading the hardship.

Shortage of Fertilisers

At the root of present difficulties is the decline, owing to the civil war, of Spanish agriculture. Spain traditionally produces cereals for its own consumption, and is nearly self-sufficient, while its fruit, vegetables and wine not only satisfy the internal demand, but account for two-thirds of exports. But after the civil war the volume of food exports fell by three-quarters, while that of imports had to be doubled, affecting not only home consumption, but also the industries which need raw materials and equipment from abroad. Tables in this week's *Records and Statistics* give details. An important factor is the drop in the wheat area cultivated, accompanied by a general fall in productivity due to lack of fertilisers; the cutting off of phosphate supplies by the French in March, 1946, came on top of the world nitrate shortage. There is also the reluctance of farmers to slaughter their cattle for money they distrust. Cereals, meat, sugar and potatoes are all insufficient for home needs, and even the present cereal consumption per head, one-third below the 1931-35 average, can be maintained in an average year only by at least double the pre-war imports. Nor is there any immediate likelihood of change. Fertiliser supplies are improving, thanks to an increased allotment of nitrates and to the importation of sufficient phosphate through Egypt and the United States; but the prospects for this year's wheat crop are only average, with the area sown still 750,000 hectares short of the 1931-35 figure. In spite of the safeguard represented by the Argentine agreement, imports remain difficult to pay for and the bread ration, which last winter was twice increased on the strength of the good 1946 harvest, has had to be cut.

Familiar Vicious Circle

As elsewhere in Europe, therefore, the feeding of the country has become the main consideration, and Spanish industry, still growing up, has had to furnish a higher proportion of exports and reduce its imports. There is a general tendency to increased production, with electrification proceeding fast and textiles and chemicals playing a much bigger part than before in the country's export trade. But the statistics do not reveal the raw material shortages

or the need for machinery replacement which are central to Spain's present economic difficulties and should by rights dictate its import programme. Every Spanish industry is held back for lack of raw material. An annual deficit of about 2,000,000 tons of coal, in spite of increased electrification, affects many other industries, and in particular restricts iron and steel production to some 60 per cent of capacity. Shortage of steel last year prevented urgently needed railway wagons from being constructed, and caused half the shipyards, in spite of large orders, to be idle at the end of the year. The steel and timber shortages hold back building, while the shortage of coal means shortage of cement. Shortage of cement holds up the hydroelectric schemes that are to relieve the coal shortage—and so on.

Failure to Plan

Then the lack of imported cotton means temporary stoppages in the textile industry, at present said to be working at only 60 per cent capacity. More important still in the long run than the breaking of this vicious circle is the capital replacement which could not be undertaken during the war, and the long overdue patching up of the rickety Spanish transport system. One-third of the country's railway track is said to need re-laying; the textile industry is estimated by the Banco Urquijo (the bank whose interests are most closely identified with those of industry) to need 200 million pesetas' worth of machinery from abroad; while the hydroelectric concerns have announced that, as against imports totalling 47 million pesetas during the first half of last year, they need 250 million pesetas' worth of foreign material this year and a similar amount during each of the two to come. Such, economists feel, are the basic requirements if the country's long-term interests are to be safeguarded; to fail to plan for them now is to pin too much faith in the continuance of the present sellers' market.

It is impossible to get information about Spain's hard currency holdings, but the indications are that dollars and Swiss francs are now very short—more so than a year ago. Early last year it looked as though exports to the hard currency countries were developing well. Trade with Switzerland had gone ahead during the war; deliveries to Scandinavia were being resumed, and exports of tinned fruits, wine, cork, olives and woollen blankets ensured a favourable balance with the United States. This year, however, to judge from the figures issued, not only has the monthly average of exports fallen by about 4 per cent compared with the first half of last year, but exports sold for hard currencies are dropping in relation to those sent to Britain and the Low Countries. The Americans are showing less interest in Spanish foodstuffs. Trade with Switzerland has been handicapped not only by the closing of the French frontier, but by the competition of cheaper Italian fruit and by the falling-off of demand for various goods used as *Ersatz* during wartime. Moreover, the general rise in prices—the Chamber of Commerce index shows a rise of 4 per cent in wholesale export prices during 1946 and a further rise of 5 per cent in the first two months of this year—threatens to affect the whole export trade.

No Taste for Austerity

All this makes it increasingly necessary that an austere and well-planned imports policy should be followed. It is, therefore, astonishing to see the carefree optimism with which the Spanish Government goes to work. Petrol, which a year ago accounted for some 12 per cent of Spain's total expenditure on imports, is unrationed, and consumption has doubled since the restrictions were lifted. Havana cigars fill the shops, and in the cities there is a lavish display of large, new American cars, symbol of the present Spanish "way of life." Until the regulations were changed in May, profits of up to 300 per cent were being quite legally made on cars bought with black-market dollars. Now that possession of dollars must be justified and resale

is forbidden, the granting of import permits is to be speeded up, says the Ministry of Commerce, "for the benefit of importers who are legitimately serving their own interests, identified with the general interest of the nation," a fantastic misconception by English standards, and worth quoting as an example of the regime's reluctance to touch the interests of the well-to-do, which it regards as so closely bound up with its own. Nor is this surprising when one looks down the list of import licences and sees that an Under-Secretary in the Ministry of Commerce is down for two cars and a lorry.

The fact is that the Spanish ruling class does not understand self-denial. Just as their children are grossly spoilt and always get

Socialists of Eastern Europe

(By Our Special Correspondent)

EAST European socialism can look back on more than fifty years of history. In the eighties and nineties industry grew up in Bohemia and Silesia, at Lodz and Warsaw in Russian Poland, at Budapest, Cracow and Zagreb, in the oil-fields of Wallachia and Galicia, and in the mines of the Balkans. About the same time Marxist ideas spread from Germany into Russia and Austria-Hungary. Two separate Polish socialist parties existed in the two empires by 1890, the Hungarian Social Democrat Party was founded in that year, the Czech movement was formally separated from the Austrian in 1897, and small parties had come into being by the beginning of the present century in Serbia, Bulgaria and Rumania.

Already before 1914 a difference was visible between the Central European and Eastern types, whose centres were respectively Vienna and St. Petersburg. In both types the organised cadres were provided by factory workers and the leadership by an intelligentsia which included self-educated workmen, Jews and discontented elements from the ruling class (impoverished landed gentry or new bourgeoisie). The difference between the two types lay partly in the disproportionate numerical strength and skill of the workers in the two regions and partly in the differing intellectual traditions of Germany and Russia. The main features of the Russian movement, shared—despite their many other differences—by the "Populists" (Narodniki) of the 1870's and the Bolsheviks in the first decade of the 20th Century, were on the one hand the formation of a conspiratorial elite of professional revolutionaries, and on the other hand the attempt to win for the revolutionary movement the lower strata of the peasantry, medium and smallholders and agricultural labourers. The predominant group in the German socialist movement were on the whole opposed to both conceptions. They regarded the peasantry as a hopelessly reactionary class unsuitable for partnership with the workers, and within their own party they put the emphasis not on a "vanguard" of "conscious" revolutionary leaders, but on an elemental mass movement of educated and organised workers. Local workers' initiative was encouraged rather than unqualified obedience to a rigid central control.

The Czech movement was of the German type, and so, somewhat surprisingly, was the Hungarian, which concentrated on organising the rapidly growing urban proletariat but showed little interest in the exploited peasantry, particularly after the severe repression by the Hungarian Government of the incipient Agrarian Socialist movement and harvesters' strikes of the late nineties. The Rumanian and Balkan movements in the two questions of peasantry and of revolutionary elite were influenced by Russian ideas. This was especially true of the so-called "Narrow" socialists who formed the majority in the Bulgarian movement. The Polish party had elements of each type. The conspiratorial tradition was extremely strong in the PPS in Russian Poland, and its chief exponent was Pilsudski. In Galicia, under the leadership of Daszynski, a more reformist type of socialism enjoyed some success. Both these groups were fanatically nationalist. In the end nationalism prevailed over internationalism within the Polish movement.

Communism and Socialism

The formation of the Third International in 1919 gave majorities within the workers' movements to the Communists in the whole area except Poland, where anti-Russian nationalism was an insuperable obstacle. But when the two successive waves of revolution and counter-revolution had spent themselves, and relative normality returned, the difference between Central and Eastern

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their own way, so the Spanish Government is unwilling to deny itself and its friends the luxuries without which they think they cannot live. Friendship is a great thing in Spain, but the concessions to it which on a minor level are not so harmful—those made by one's friend in the Ministry, for example—are fatal when applied to the whole orientation of the country's foreign trade. Austerity is unknown to upper-class Spaniards, though they impose it gaily enough on the rest of the country. "The Spaniards really know how to live," says the English visitor; unfortunately for their country this is true, and their reluctance to live in any other way is at the root of the Government's failure to tackle the problems that face it.

Europe became again apparent. In Czechoslovakia the Communists remained an important legal party, but the Social Democrats recovered the majority of the workers. In Hungary and Poland only Socialists were allowed to exist, and their freedom was severely restricted. Both parties were organised on the Central European model, but both had left wings within their ranks which would have stood openly for a revolutionary policy had they been allowed. In Rumania, Bulgaria and Yugoslavia the real left movement was Communist. Communism in these three countries was during some years nominally "legal," during others formally banned, but in practice always ruthlessly repressed. Persecution only increased its prestige, and in fact even in the northern provinces of Yugoslavia, where Social Democracy of the Austrian type had had some support before 1914, the Communists gained ground. In all three countries Social Democracy was an unimportant force. The reasons are the small size of the industrial working class, the dominance of the agrarian question, and the lack of influence of German Marxism.

During the Second World War the initiative in resistance in Yugoslavia and Bulgaria was taken by the Communists, while in Rumania there was no resistance at all. In Czechoslovakia little was heard of specific Socialist activity, and at the end of the war, strengthened by Soviet prestige, the Communists emerged as the strongest workers' party in both the Czech lands and Slovakia. In Hungary the Socialists formed a more or less respectable opposition to the regime up till the German occupation of March, 1944. At the end of the war a Communist Party reappeared after 26 years. It was composed partly of left wing Socialists and partly of miscellaneous new recruits, and was led by exiles returned from Moscow. In Poland the PPS split. A right wing, the so-called WRN group, supported the Home Army and the Government in exile. It represented at that time a majority of Polish Socialists during the war years. It became increasingly anti-Soviet, and one of its leaders, Arciszewski, became Premier in London in 1945. A left wing, known as RPPS and led by Morawski, joined with the underground Communists in supporting the Soviet-sponsored "People's Army," and was then represented in the "Lublin Committee." Since the end of the war this left wing seems to have won the support of the majority of Polish socialists.

Socialist Groups Today

Today, with the exception of Yugoslavia (where only one political organisation, the People's Front, exists), all the East European governments contain socialist groups. But the socialist movements of all five countries are split into two or three sections, which can roughly be described as a right wing, a left wing and a centre.

In Poland, Rumania and Bulgaria there are right wing socialist parties which form an open opposition—the WRN and the groups of Titel Petrescu and Lulchev, of which it seems probable that the first two are now minorities and the third a majority. In Hungary there is a strongly anti-Communist group led by the old leader Peyer, which still nominally belongs to the party.

In Czechoslovakia there seems to be no socialist right wing group. At the other extreme are the left wings which, whether from conviction, ambition or fear, advocate unconditional co-operation with the Communists. Such is the policy of the governmental socialists of Nelkov in Bulgaria, and to a lesser extent of Rada-Fierlinger and Lausman in Rumania. Among the Czech socialists, the Ministers also some of the advisers of the Hungarian socialist leader Szakasits and some leading personalities of the Polish Socialist Party.

Between these two extremes is what may be called the Socialist

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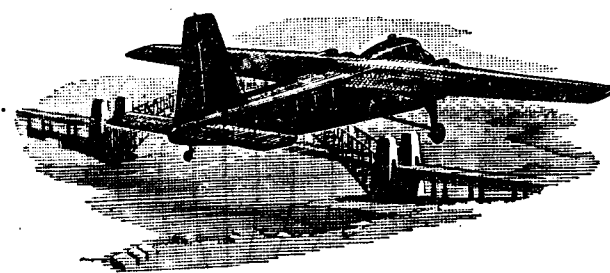
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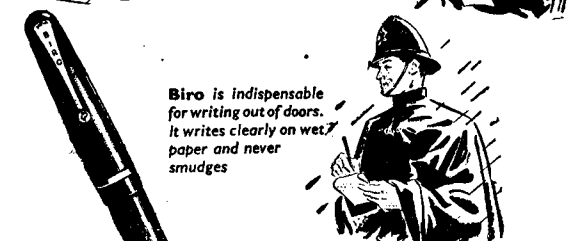
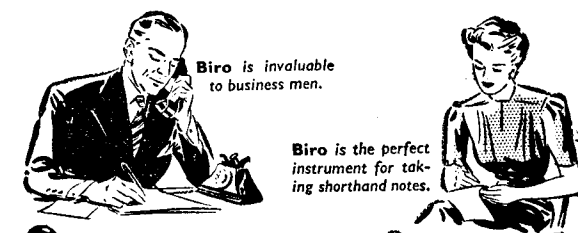
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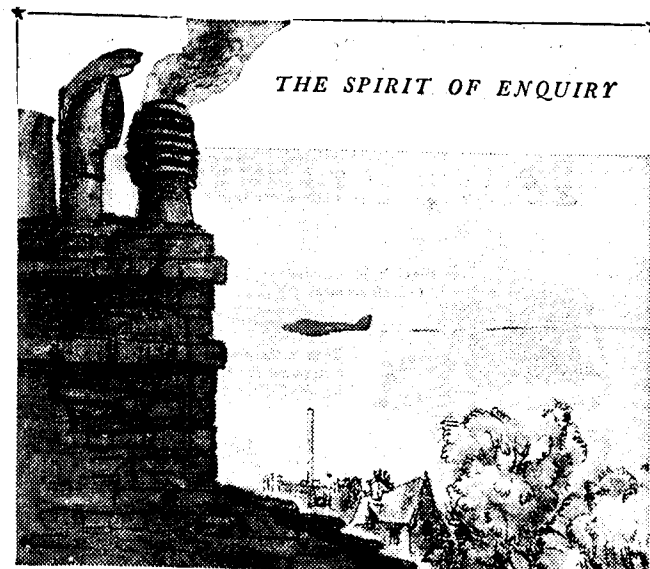
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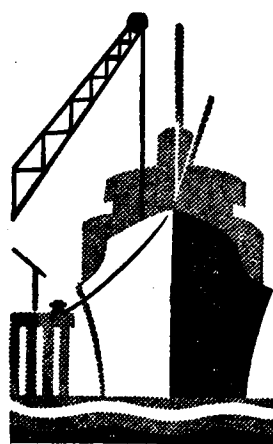


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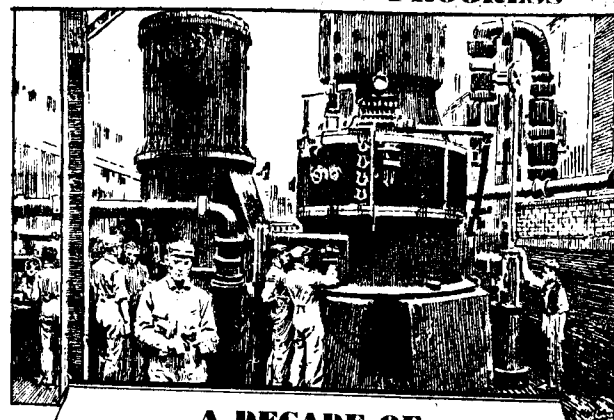
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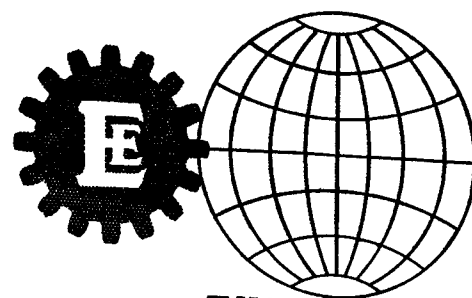
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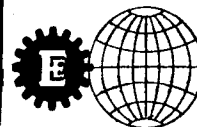
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Centre, which wishes to pursue an independent socialist policy, neither capitulating to the Communists nor being drawn into Right Wing oppositional groupings. It is men of these ideas who at present on the whole control the Czech, Polish and Hungarian parties. Some are to be found also in the official Rumanian party, but very few in the Bulgarian. In other words, independent Socialists are still a force in Central Europe, but hardly in the South-East.

The Socialist Dilemma

But the Socialist leaders are faced with a cruel dilemma. If they took a frankly anti-Communist attitude they would not only have the majority of the workers (except in Czechoslovakia), but would attract many supporters from the peasantry and urban middle class. They would form the nucleus of a powerful democratic movement, combining political liberty with social progress. But to do this they would have to sacrifice the Marxist principles which have been their creed for fifty years. Moreover, it is certain that the Communists, backed by the threat, or the actual use, of Soviet military power, would suppress them by the well-worn tricks of packed "congresses," expulsion and, if necessary, arrest of independent-minded leaders, and substitution of subservient stooges nominated by themselves. On the other hand, if the Socialists co-operate with the Communists, they lose the sympathy of all who are not Marxists and of all classes but the workers. All who fear or hate the Communists come to regard the Socialists, too, as their enemies. Opposition to the Communists is then increasingly monopolised by those who, under a thin varnish of "western liberalism," remain chauvinists, clericals, anti-Semites and Fascists and fundamentally hate any form of democracy.

In this tragic situation the East European Socialists, desperately searching for a "third way," follow with passionate interest the policy of the British Labour Government. On the one hand they are pleased when Bevin "stands up to" Molotov, on the other hand they are peevishly annoyed when a deterioration of Anglo-Soviet relations makes their personal position more delicate. They are certainly sincere in their desire to maintain comradely relations with Britain, but it should not be forgotten that this contact is two-sided. The Socialists seek moral support from Britain in their resistance to Communist pressure for party fusion, which they oppose, despite their fundamental belief in working-class unity, because they know that it would mean nothing but conquest of their party machine by the Communist power clique. Yet at the same time the Communists seek to exploit for their own purposes the contact between East European and British Socialists.

The fate of East European Socialism depends on the fate of Europe. Today Europe does not exist, because its most numerous and centrally placed nation, the German nation, does not exist. The treason of Germany destroyed Europe, hence the tragedy of Hungary, Poland and the other eastern countries. The practical execution in Eastern Europe of a socialist programme is at present monopolised by the Communist parties, which are instruments of Russian imperialism. The result is that the programmes are brutally and clumsily bungled, and that the ideas of democracy and socialism are being discredited. This process can only be reversed if a centre of attraction is created in the West, and this is only possible if side by side with Labour Britain and democratic France, a democratic Germany is created. These thoughts are in the minds of most East European Socialists today, but they cannot be spoken.

Scarce Currencies and Scarce Houses in Hongkong

[FROM OUR HONGKONG CORRESPONDENT]

THE Colony's need of a new air-port to cope with increasing traffic is becoming more urgent every day. The present field at Kai Tak, although enlarged by the Japanese, is hemmed in by hills, and does not come up to the requirements of a modern air-port. Ever since the liberation alternative sites have been considered and rejected, but a decision is still awaited on a plan which was gone into by a visiting mission of experts and has since been under discussion at home. In the meantime the number of passengers arriving and departing from Kai Tak monthly has risen to nearly 6,000, and there are now at least ten commercial lines using the

air-port on regular schedule. The quantity of freight handled during June was 24,500 kilos inward and 31,800 outward. Much of the traffic is for short trips to Shanghai, Manila, Saigon, Bangkok and Singapore, the passengers being mainly Chinese financiers and business men.

A good deal of treasure and bank-notes is brought in by air to be realised on the local exchange market. There is no ban on the importation of notes, but gold can only be admitted under licence. Although the number of passengers discovered contravening the law grows, it is probable that a considerable volume of treasure gets through undetected. A Chinese merchant who was recently charged was found to be in possession of the following:

1 lb. 10½ oz. in gold bars and leaves.
£821 in sterling notes.
US \$9,500 in notes.
Rupees, 6,600 in notes.
Straits, \$930 in notes.
Piastres, 140 in notes.
Ticals, 118 in notes.
HK \$1.70 in notes.

This is a comprehensive range of currencies for which there is an active market in Hongkong, and there is every reason to believe that exchange dealers derive much of their supply from air travellers. A different type of offence was that of a Chinese farmer who on arrival by train from Canton was found to be carrying a pot of bean curd at the bottom of which were two gold bars. His excuse was ignorance of the law, and he explained that he had recently sold his farm and having converted the proceeds into gold decided to take up residence in Hongkong. This explanation was found to be true, and the defendant was let off with a caution. His gold was not confiscated, but purchased by the Treasury at the official rate.

There has been a very strong demand for gold during recent weeks, and early in July the local price rose to HK\$340 per tael, which is equivalent to over US\$50 per ounce. From time to time rumours of the impending devaluation of the Hongkong dollar are put into circulation and result in an active market in gold at rising prices, followed by a sharp decline when the rumours are scotched. The approach of July 15th led to the propounding of many theories, mainly based on wild guesses, as to what would happen to sterling, and the general feeling amongst Chinese exchange operators was that its value could not be maintained. This led to a scramble for gold and a sharp rise in the local rate for US\$ notes to about HK\$5 per US\$1. A Government pronouncement allaying fears of the devaluation of sterling had a prompt effect, and exchange rates have subsided to a normal level.

Complaints of Overcrowding

Like every other world centre, Hongkong has an acute housing problem. Not only were there no building operations during the years of occupation, but many of the existing houses and buildings were either destroyed during hostilities or subsequently looted—and something like 70 per cent of the European type of residences suffered in this way. A further complication has been the influx of wealthy Chinese, who, with ample funds to pay "key-money," have caused a serious displacement of population. For the first time for many years past a debate took place in the Legislative Council in which most of the speeches were delivered extempore. The unofficial members united in support of a motion attacking the Government for "lack of progress" in housing the community; but the official reply was an amendment to omit the words "lack of progress" as well as every term which implied censure, and to pass the amended resolution by the weight of the official majority. While on balance the Government got the best of the argument, because bricks cannot be made without straw, the dissatisfaction expressed by the unofficial members may have done some good. It is realised that the Government is understaffed and is unable to procure the essentials for a big housing scheme; but a lot more could have been done at an earlier date after the liberation to encourage private enterprise. The miserable conditions in which hundreds of European men, women and children are herded together in hotels and boarding houses is bad enough; but thousands of locally born Chinese and other nationalities have had to double up with relatives in over-crowded quarters or have taken up their abode in ruined premises lacking sanitation. A temporary hutment scheme might very well have been undertaken, and would have eased the situation until the time arrives when building material and equipment is available. But the Government has refused to lower its standard of housing and the community has to suffer.

THE BUSINESS WORLD

Post-Mortem on Dollars

THE factual data sprinkled in the Ministerial speeches during last week's debate on the State of the Nation provide a far better picture than has hitherto been available of Britain's accelerated expenditure of dollars. For the most part the information given, mainly by the Prime Minister and the Chancellor of the Exchequer, covers only the period up to the end of June and, therefore, misses the crucial July climax. None the less, the figures covering the first half of the year carry with them fairly confident indications of the forces that were to reach their height in July.

The basic figures were those given by Mr Attlee on the distribution of the United Kingdom's total dollar deficit of \$1,620 million in the first six months of 1947. Of this the major part was represented by the deficit of US dollars in direct trade with the United States, which amounted to \$704 million; a further \$116 million represented British dollar expenditure on German account, and a further \$472 million comprised payments made by Britain in the Western Hemisphere outside the United States. These three items, representing about four-fifths of the total, account for the direct dollar expenditure of Britain. They cannot be linked with the factor of convertibility. It is true that the British current sterling deficit with countries like Argentina was almost automatically converted into dollars; but the concession that made these operations possible was not part of the unexpected cost of convertibility; rather must it be regarded as the price paid to induce the Argentine, in the financial agreement signed last autumn, to continue to sell goods to Britain in excess of the amount purchased in this country. The Chancellor gave some fuller details of this direct British dollar expenditure on imports from countries other than the United States, but his figures were for the twelve months to June 30, 1947, and cannot, therefore, be reconciled with the six-months' figures given by the Prime Minister. The figures for the full year show that dollar expenditure in Central America, mainly on oil and sugar, amounted to \$260 million, in Canada to \$220 million, and in Argentina and the rest of South America to \$135 million, making a total of \$615 million for the full twelve months, of which \$472 million was incurred in the first half of 1947. The substantial US dollar expenditure on imports from Canada is a reflection of the fact that the Dominion has slipped into exactly the same dollar problem as Britain and most other countries in the world. Mr Dalton explained that Britain is now, in deference to Canada, paying for half its imports from Canada in US dollars.

To return to the figures given by the Prime Minister, the next items representing purchases by the rest of the sterling area in the United States and the Western Hemisphere have more direct bearing on the issue of convertibility. These amounted to \$272 million for the first half of this year. The Chancellor gave some detailed figures which bore on this particular expenditure but which again do not tally exactly with the Prime Minister's. Mr Dalton showed that Britain's dollar expenditure for other sterling area countries in the six months of 1947 amounted to \$205 million as against Mr Attlee's comparable figure of \$272 million. This and other discrepancies are a measure of the haste with which this material had to be assembled. Included in the total given by Mr Dalton was a net

receipt of \$140 million from Malaya—which has thus returned to its traditional role as a big dollar earner. This credit shows that other items make a debit total of \$345 million, of which \$60 million went to Australia, \$50 million to South Africa and \$235 million to the rest of the sterling area. In the previous six months there was an actual net receipt of \$155 million from these sterling area countries, so that the deterioration in the first half of this year has been severe. The dollar deficit of the sterling area financed through the sterling area dollar pool, represents that part of the hard currency deficit of these sterling countries which has been financed by running down their accumulated sterling balances. Some of the items in this sub-total are unexpected. It is surprising, to say the least, to find South Africa figuring among the countries which have dipped into the dollar reserve in the first half of this year. It is true that the South African balance of payments with the hard currency area has swung violently against the Union in recent months, and there is good evidence that a considerable part of that deficit has been financed out of the South African gold reserves, which amounted to £184 million on July 15th, or £70 million less than a year ago. Over the same period, however, South Africa's sterling balances had dwindled from about £31 million to £9 million, a movement which brings corroborative evidence of the extent to which the South African dollar deficit was covered by recourse to the sterling area dollar pool. The South African gold reserve is still more than three times its level at the outbreak of war and there seems to be some ground for asking whether, in the prevailing circumstances, the Union need have unloaded the weight of any part of its dollar deficit on the fast failing British reserve of dollars.

To have refused to make these dollars available out of the sterling area dollar pool would, however, have involved a departure from whole conception of the sterling area principle as it was evolved during the war. As the Chancellor explained, the essence of this principle was that Britain acted as banker for the sterling area, receiving hard currency earnings from its members and paying out whatever they reasonably needed for their own trading with hard currency countries. The sterling area countries pooled their resources and stood together during the war and it would have been highly invidious suddenly to obstruct their access to the sterling area dollar pool when their operations with that pool began to flow in the reverse direction. What can, however, be held against the British authorities is the readiness with which they released balances accumulated by these countries and the tardiness with which voluntary agreements for the partial immobilisation of these balances were negotiated.

The Chancellor of the Exchequer gave some interesting information on the amount and rough distribution of sterling balances. Of a total of £3,560 million on June 30, 1947, he specified the following items: £1,700 million was either under control or being brought under control by voluntary blocking agreements; £400 million belonged to Australia, New Zealand and South Africa, with which no formal agreements were required; £760 million belonged to the rest of the sterling area, mainly to the colonies "with whom we have our own methods of arrangement"; £500 million was sterling belonging to the rest of the world, including countries in Europe. These add up

to £3,360 million, leaving £200 million unaccounted for, and though the Chancellor made no specific reference to this residue, it may be assumed that it represents those assets which have been or are being released and made available to countries which have agreed to voluntary blocking of part of their balances. A glance at the figures will show that there is considerable material on which a flight from convertible sterling could feed, and it is no doubt on part of this sterling that the exceptional dollar expenditure in July was based.

The items of expenditure so far mentioned account for \$1,564 million out of the total of \$1,620 million given by Mr Attlee as the dollar deficit that had to be met in the first half of this year. The small balance of \$56 million represents the use of transferable sterling for purchases in the dollar area by European countries. That item can also be laid at the door of convertibility or rather of the arrangements made in anticipation of convertibility. It may be assumed that this particular drain on the British dollar reserves also increased appreciably in July. With the increase in the dollar shortage throughout the countries operating transferable sterling accounts, an increasing amount of currently earned sterling was used to meet dollar expenditure.

Explaining the exceptional jump in loan drawings in July, the Chancellor pointed out that \$150 million out of the \$700 million drawn in that month would, in the normal course, have been drawn in June but was postponed until the beginning of July at

	Drawings on U.S. Credit \$ mn.	Net Spendings from U.S. and Canadian Credits \$ mn.
1946		
3rd quarter	400	210
4th quarter	200	369
1947		
January	200	137
February	100	224
March	200	323
April	450	307
May	200	334
June	300	308
July	700	538
Total	2,750	2,750

the request of the United States Government. In addition, \$40 million—a disproportionate sum—had to be found in July for the first payments for the seasonal deliveries of North

American grain. This, however, does not seriously distort the true course of actual dollar expenditure, as may be seen from the details which the Chancellor gave of monthly drawings from the loan and relative amounts of dollars expended (see table in previous column).

To complete the picture of Britain's expenditure of dollars, the following table showing the distribution of the direct expenditure in the twelve months to June 30, 1947, has been constructed from percentage figures given by the Chancellor.

UK PURCHASES IN THE USA		
Twelve months to June 30, 1947		
	\$ mn.	Percentage
Food	385	25
Raw materials and petrol..	416	27
Machinery	216	14
Ships	108	7
Tobacco	184	12
Films	62	4
Germany	169	11
Total	1,540	100
UK dollar receipts	340	
Deficit arising from direct UK-US trade	1,200	

From this mass of information the impression clearly emerges that, while the direct dollar deficit of the United Kingdom provided the main burden on the dollar credits, the multilateral use of sterling must also bear its responsibility. Symptoms must not be mistaken for causes, and the severity of the pressure which convertibility placed on the dollar reserves was merely a measure of the disequilibrium in the British balance of payments and of the generous releases of accumulated sterling made to sterling area countries. This explanation, however, does not gainsay the fact that since the root cause, namely the deficit, cannot be eradicated immediately and since the credits are near exhaustion, this particular channel through which the deficit impinged on the dollar reserves must be temporarily narrowed. There can be no doubt that in the coming Washington negotiations a partial retreat from convertibility of sterling will have to be sought. That it will be granted may be taken as certain. The Americans were fully prepared to grant it many weeks ago—when they seemed to have been far more cognisant of the true sterling position than the Chancellor of the Exchequer himself.

The Films Tax and After

ON Wednesday last week, the Treasury made an Order, revising the duty on imported cinema films from 5d. a foot to three-quarters of the "anticipated net proceeds." By this step, they settled two arguments—the first that it was administratively possible to levy an *ad valorem* duty on films; the second that bacon ranks higher than Bogart. For many months the Chancellor had argued that because the filmgoer paid good money to see what he liked, the Government had no right to interfere with his choice; then, less certain of his dollars and perhaps of his doctrine, Mr Dalton took powers in the Finance Act to impose a duty by Treasury Order; and now comes the decision, announced at the height of the crisis with every sign of haste—that 25 cents is enough for Bogart, and 75 cents must be released for bacon. That, after long procrastination, is how the British Government has elected to deal with film imports costing between £17 and £18 million almost entirely in dollars. It would have been easier to believe that it is a well-thought-out policy if the reasons for it had been explained.

Hollywood's reaction has been lofty, voluble and prompt. The new tax is denounced as a violation of the Loan Agreement. But that cannot be so, for it applies without discrimination to all foreign films (including foreign language films which never enter the mass market for which the American film caters) even

though it is primarily intended as a dollar saver. It has been condemned as "a confiscatory measure directed against a great and friendly industry." It is friendly greatness, presumably, that has led the American producers to suspend forthwith the shipment of new films to Britain. In six months or so, if this embargo lasts, there will be no new American films for exhibition in British cinemas; during this period there will be no revenue from the new tax and no dollar saving, and at the end of it, if the two sides are still at odds, British cinemas will have to make do with British films and American revivals—the latter, again, yielding no revenue from the new duty though they will cost dollars. As long as the embargo lasts, there will be no saving on films already in this country, and the Treasury Order will produce no revenue; it will hit the French film industry quite gratuitously; and it will pose some very awkward problems about the future scale and methods of the British and American film industries.

It must, however, be asserted that Mr Dalton is entirely right to try to set a limit to the total amount of dollars which Britain has to find for foreign films. The American film industry has been taking \$70 million a year; it must now make do with \$17½ million. But is there not a better way of achieving the same result? The Americans have said that they would agree to the "blocking"—or more accurately, the retention in this

country under friendly agreement—of a proportion of their net sterling earnings. But they have not been at all precise about the proportion which they would like to transfer into dollars. If 25 per cent is confiscatory, what percentage is acceptable? Will the Americans accept a limitation on all remittances, not merely on new but also on old films—of which the dollar cost for the next year or so will be quite high, and unaffected by the new duty? Will the American Government (and not merely the American film industry) be prepared to tolerate such an arrangement as falling within the canon law of the Loan Agreement? And what eventual arrangements about transferring the postponed funds are to be made? Are they to be invested here in film production or other channels? If, after study of these questions, all parties agree that “blocking” is better than the new duty, then the Chancellor should agree, but only with the most explicit assurances on each one of them.

On both sides of the Atlantic, the industry is well versed in the arts of publicity, and the shrieks and lamentations which have gone up during the past week easily qualify for an “H” certificate. But it is doubtful if the industry regards the situation with utter despair. The American producers will certainly calculate that the dearth of new films will be too much for the patience of the British public, who have come to expect a double-feature programme changed twice weekly almost as if it had been handed down as of right at Runnymede. They will wonder how the British cinema industry will remain solvent—a point on which British exhibitors have themselves expressed great concern to the Government this week. If takings suffer severely, as they will, how can a regular flow of funds from the box-office be kept up to sustain the expansion of the British film-producing industry? Is it not obvious that the Government will have second thoughts, and will settle for blocking, say, 50 cents in the \$?

In pursuing this line of thought, the great and friendly industry shows itself also to be a very anxious industry. To Britain, the total dollar expenditure on films is only 4 per cent of the whole; eliminate it, and there is a modest saving for more essential things. To Hollywood, on the other hand, Britain's expenditure on American films constitutes virtually the entire net profit of the industry, which does little more than cover its overheads and production costs in the American market—where, incidentally, the hold of the producers over the cinemas is far less developed than here. On the best view, the American industry has to face the prospect of a painful deflation, because its net income from Britain available to meet dollar expenses in America will be reduced, if not by 75 per cent, at least by some significant percentage. It is too realistic to deprive itself permanently of the British market.

Last week's trans-Atlantic gestures, therefore, will not be the last word; before very long, they will give way to more serious negotiation between the two Governments. A period for reflection will be no bad thing, for the Government has both to save dollars and to provide a new long-term framework for the British film industry, because the Cinematograph Films Act of 1938 expires in March next year.

The present Act contemplated a gradual rise in the exhibitors' quota from 12½ per cent to 25 per cent (that is, one-quarter of the total footage projected in British cinemas must be provided by British films) and in the renters' quota from 15 per cent to 30 per cent (that is, film renters were to acquire or make for distribution in the British market that proportion of British films to the total). Because of the war, the 1938 quota provisions have never been enforced; despite the fact that the Board of Trade has reduced the exhibitors' quota to the lowest permitted level of 15 per cent, a thousand or more exhibitors have failed to fulfil their quota obligations each year, simply because there were wholly insufficient British long films made. In 1941-42, only 46 of these were registered, and even last year, when the industry had recovered sufficiently to produce 107

long films, their number—apart from their average quality—was no higher than in 1939-40. The following table illustrates the dependence of the British cinema on foreign films:—

Year Ending March 31	Long Films				Short Films			
	Total	Foreign	British	Renters' Quota Per-centage British	Total	Foreign	British	Renters' Quota Per-centage British
1939	638	535	103	21.3	1,051	776	275	27.3
1940	507	399	108	25.78	715	506	209	34.6
1941	465	400	65	15.38	603	373	230	36.74
1942	503	457	46	14.83	647	456	191	23.29
1943	516	454	62	18.03	648	459	189	25.11
1944	446	376	70	24.19	467	339	128	27.1
1945	446	379	67	22.37	511	354	157	32.57
1946	447	364	83	21.56	476	301	175	36.98
1947	474	367	107	26.94	581	386	195	34.62

Nor should it be supposed that the British film-producing industry has reached a point where it can supply practically a quarter of the feature films shown in British cinemas. Any film over 3,000 feet counts as a “long” film, and well over half of the British output has consisted of such films, which rank for renters' quota, but play for less than an hour and are merely “second features.” The average quality of full-length British films has made a great advance, but in number they average not more than one a week.

It is hardly surprising that cries of alarm have gone up from the exhibitors. There are about 4,750 cinemas in the United Kingdom, of which perhaps 2,000 are reasonably modern and well equipped. Of the latter, there is a great concentration in the hands of Associated British Cinemas (nearly 450), Odeon Theatres (about 300) and Gaumont-British (about 250). Only one other circuit at the end of last year had more than 50 cinemas. In many large towns, the circuits are represented with closely competing houses. The Odeon and Gaumont groups constitute the exhibiting branch of the Rank Organisation; and they, too, control the majority of the West End cinemas. The Committee which reported on tendencies to monopoly in the film industry in 1944 found that the three circuits controlled 204 cinemas in the London release area, out of 300-360 “first-run” houses there, from which they would normally expect to derive 25 per cent of the gross takings of their whole circuits.

These figures show how closely the scale and prosperity of the British film industry is geared to the exhibiting side of the business; they also illustrate the shock which would result from any prolonged suspension of American film imports, because the industry is integrated on the foundation of large cinema circuits. The Monopoly Report pointed out that “save in exceptional circumstances, a booking by one of the three major circuits is indispensable for successful exploitation of a British feature film in the United Kingdom,” though it might with equal truth have added that circuit bookings were no less essential for the success of American films. In this passage, the Committee were examining the position of independent producers in this country, and the “gravity” of their situation in being dependent upon distribution of their product through one of the three main circuits. But because the circuits have been built on a foundation of a free supply of American films, it is their own position which now becomes “grave.” There are important minority American interests in Odeon and Gaumont-British (United Artists and 20th Century-Fox respectively) while Associated British is jointly controlled by the American Warner Brothers group and by the family of the late Mr John Maxwell; the weight of these American interests is clearly important in the present situation.

In two other respects, the power of the main circuits has been greatly extended. The first is the growing importance of their renting organisations, which apart from their own ready-made

market, distribute films widely to other cinemas. The two distributing companies in the Rank Organisation, Eagle Lion and General Film Distributors, now claim to handle more films between them than any one American distributor in this country. It is the certainty of circuit distribution in this country which makes distribution through the Rank Organisation attractive—if not indeed indispensable—to independent producers. But to a very considerable degree, they must attach themselves to that organisation at an earlier stage, owing to the shortage of studio space. Reckoned in terms of square feet, the Rank Organisation controls 32 per cent, and ABC 21 per cent of the total studio space, and few important British films have in fact been produced during the last year or two except by companies whose output is distributed through the Rank Organisation. To be fair, Mr Rank has treated producers reasonably and sometimes even generously; he has usually left them with a real measure of artistic freedom, but the independent producers are freemen who at the same time have been much beholden to the Lord of the Manorfield, often for their finance and largely for their market. And it is access to the market which can make or break the independent producer.

These are questions, however, which must at the moment be deferred, for until the dust of controversy has settled, the outline of the future shape of the British film industry which Parliament has to provide during the next six months cannot be drawn. These matters, like the future machinery of the quota, must be deferred for later discussion, which will be more profitable than it can be today. Meanwhile, there are two more urgent points for study. The first is the crucial question of dollar saving. The second is the minimum requirement of film product to keep the cinema industry going, and the public appeased instead of sated with films. That a dollar saving must be made is axiomatic; the question is whether imposing a 75 per cent tax on the net proceeds of foreign films hereafter imported is the best way of doing it. An informal arrangement with the American industry, by which it undertook to devote a proportion—say 50 per cent or perhaps even more—of its

net earnings in the British market—not merely of its earnings on new films—to film production here would not be the best recipe for the growth of a native film industry; for one thing, it would add to the great pressure on studio space which already exists. But it would be a means of saving dollars, if it could be squared with the doctrine of the Loan Agreement. As for the minimum product required to provide a modest diet of films—single feature programmes, and a reduction of cinema playing time by, say, one-half—a reasonable guess might be 175 long films a year. There is no reason why at least half should not be produced in British studios, provided that past production methods are radically revised, that the new budgets are arranged to produce films more quickly and more cheaply, and that the more pretentious ambitions of the British film industry in the American market are, for the time being, modified.

For years past, the cinema patron has been given a lush diet, and the exhibiting industry has prospered as the purchasing-power in the hands of the public grew. But a more austere future lies before the industry. Naturally, the process is distasteful. But every industry that is not absolutely vital will have to accustom itself to existing on a small fraction of its normal requirements of raw material. The press has had to do that for years past; the film industry is not the only one that will have to do so now. It can make great economies in its exhibiting expenditure; the “conspicuous extravagance” which appears to have become an accepted characteristic of the trade,” to quote the Monopoly Report again, belongs to the past. It is not for nothing that the yields on cinema shares are now as high as 8 per cent, for the day of high earnings is closing. There is no reason why, eventually, the British film industry should not restore itself to prosperity by accepting more modest ambitions, and cultivating its own garden. It may, in the end, be no bad thing that the industry should discover the virtue of producing ten modest and good films, instead of one costing ten times as much, and occupying scarce studio space ten times as long.

Business Notes

Three per cent or Higher?

Especially from the City point of view the Chancellor's speech in the House last week was notable for its omission of the customary reaffirmations of faith in cheap money and determination to pursue it. The gilt-edged market has responded accordingly. Its performance this week has outclassed even last week's. The fall accelerated again, culminating on Wednesday in losses ranging up to 2 points and carrying the undated 2½ per cent Consols down to 81—their lowest for nearly two years—and showing a capital loss of nearly 20 per cent for those “patriots” who subscribed through the tap for the 2½ per cent “Daltons” issued last autumn. It was significant of the present bear market that Thursday's recovery to 82½ restored only part of the previous day's loss. Inevitably, the latest issues of second-line gilt-edged stocks are in sorry shape. Of the £1½ million of Leicester 2½ per cent stock, 1965-70, offered at par, all but 8 per cent had to be taken up by the National Debt Commissioners. It is surprising, indeed, that they were relieved even to this extent, for the scrip is now quoted at around 11 points discount. The Kenya issue, though offered at a point under par but with the same redemption dates, fared similarly; of the £5 million of the existing stock only £282,500 was tendered for conversion.

For a movement which, according to the Chancellor's advisers, is “largely due to sentiment, rather than technical reasons,” this is a demoralising performance. But it certainly is not true that technical factors have not played any important part, and, to make sense of the Chancellor's explanation, “sentiment” needs to be construed as “fundamental causes.” Obviously, a considerable proportion of the recent selling derives from the sheer uncertainties of the ominous economic situation. For example, not all of the liquidation by industrial companies can conceivably be for the purpose of financing immediate outlays

upon plant and materials for essential services. To this extent the fall is “sentimental.” But the real demand for capital for essential purposes is now so acute (it may be noted, in this context, that exports, no less than industrial re-equipment, are “investment”), and the deficiency of spontaneous savings is so evident that the natural equilibrium rate of interest is obviously high and will remain so for some time. Underlying the sentimental reactions, this is a fundamental factor, which has begun to show itself now that artificial management of the market has been withdrawn. If the solvent of credit creation is not again to be used as a means of promoting the liquidity of the market, maintenance of a yield basis substantially below the equilibrium level must depend principally upon the strength of physical controls of real resources rather than upon purely financial devices such as regulation by the CIC. But it is all too probable that increasing shortages and bottlenecks in key materials and components, as distinct from specific licensing of the items in short supply, will come to the Chancellor's aid in the efforts which he presumably will make to mitigate the pressure on interest rates.

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Short and Long Disparities

In addition, while the technical factors have contributed significantly to the extent of the fall, a point could shortly be reached at which some of them, at least, might exert a steadying influence. Mr Dalton himself, after declaring that the ½ per cent rate on Treasury bills and the ¾ per cent on Treasury deposit receipts would be maintained, argued that:

It may be only a question of time before other prices for medium and longer-term stocks adjust themselves to the persistently-held level of the Treasury bills and the TDRs.

It would be foolish to suppose, however, that this factor alone is likely to work at all rapidly. Indeed, this week's experience has been remarkable for the further substantial weakness of the shortest dated bonds. While the medium and medium-long dated Savings Bonds have already left the 3 per cent basis behind them—yields to redemption are now in the vicinity of 3½ per cent—the 2½ year Exchequer Bonds now offer fully 1½ per cent, while 2½ per cent can be obtained on stocks with a maximum life just beyond the money market's five-year span.

In present circumstances, with the cushion which the discount houses provide in the short bond structure already fully burdened, the abnormal disparity between short money rates and short bond yields is of little account. Whether the yields on these Bonds are 2½ or 3 or 3½ per cent, the prices in such conditions are settled not, as normally, by the professional operators whose special tax position enables them to accept a fine yield, but by the ordinary body of investors, institutional or otherwise. Only when a demand springs up to relieve the market of part of its burden will the normal resilience begin to be restored. It remains true, however, that, given the present passive role of the discount market, the gilt-edged jobbers are playing safe, so that relatively small offerings have a wholly disproportionate effect upon prices. Quite a modest off-take, therefore, might once more bring the price structure within the range of determination by the professional dealers. There is no sign of this yet, but if and when it happens, the effects, on a technical plane, might be rather dramatic. And a recovery thus induced would certainly provoke rapid covering of the quite substantial bear position which is now believed to exist in gilt-edged generally.

On the other hand, it would be wrong to suppose that the technical factors can work only one way. The further the fall proceeds, the greater is the danger that selling may be provoked because positions carried on borrowed money are becoming uncovered. So far as the inner circle of professional operators is concerned, the market could certainly fall a good deal further before that danger-point was reached; and, in such a contingency, there is little doubt that the authorities would come to the aid of those who have acted by the accepted standards of prudence. It is too soon yet to guess which way the market will turn. But, if the position can be held for a time, there is at least the prospect that the war damage value payments, if not also the Argentine Rail repayments, will bring some relief—but only, of course, at the cost of a further officially-induced creation of credit.

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Equities Now

Calculations that the Government's failure to come to grips with the economic crisis would be "good for equities" because failure would mean a further increase in inflationary pressure, has completely misjudged the course of the industrial share market this week. Many investors have undoubtedly been alarmed by the noise which developed over the Supplies and Services Bill over the week-end, without pausing for much reflection whether it is the taking of power or the frank admission that the Government do not know how it will be used which is the more alarming. The strengthened position of the Government's left-wing supporters is, perhaps, a more tangible feature for distrust, for their recipes of more Socialism to meet the crisis—already evident in the whittled-down reprieve for steel—clearly bode no favour for ordinary shares.

But the key factor in the market situation is the failure of gilt-edged to preserve a defence line at 3 per cent. It was no accident that the worst day for gilt-edged on Wednesday was also the worst for equities—which reached a new low level, measured by the *Financial Times* index of industrial ordinary shares, of 118.0, compared with this year's high of 140.6. And the fall is not part of a calculated adjustment of comparative yields; it arises rather from a sharp break in market confidence regarding the future course of interest rates and also of industrial profits. There are, moreover, some signs of technical strain, though not of real trouble, in certain sectors of the market.

In contrast, the Kaffir market has shown a massive stability. This can in part be rationalised, because the South African gold mining industry is immune from fuel crises and a falling price for its product—which is more than many British industries can claim in this declining phase of the seller's market. But in part, it is also largely irrational—a sentimental flight into gold shares, to escape the threat to sterling, and even more high-flown hopes of a revision of the American gold price which has been officially repudiated in Washington this week. Even in markets like these, it takes an investor of strong mind to remain disinvested, and

many less determined ones have obviously concluded that, whatever their intrinsic merits may be, and whatever arguments exist in present fact for a rise in the price of gold, mining shares at any rate provide one of the few remaining avenues of escape from the worst. Perhaps this policy of mild despair will give way to something more rational—even, perhaps, the appearance of a partial recovery now that Parliament is no longer sitting. But many brokers who are not dissuading their clients to sell now would, in that event, certainly urge them to do so.

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The Course of Profits

Although Mr Attlee appealed to companies not to pay "high dividends" there was no suggestion in last week's debate that the Government have decided on any policy of restricting the earning of profits (apart from the general measures which they propose to divert output from the home to export markets in the national interest) or their distribution. But this may only mean that, in the hasty preparation of the general heads of a crisis policy, the details of action have been left for later consideration. If, as the result of the crisis, the left-wing group of the Government's supporters have gained in influence, they will certainly reinforce their demand that any interference with wages must be compensated by similar restrictive action upon profits. The possibility of an autumn Budget "to limit any further rise in inflationary pressure" must obviously be coupled in the investor's mind with the ready-made weapon of a simple increase in the profits tax, which lies to the Chancellor's hand, accompanied by a stiff increase in the differential tax on distributed profits. It would certainly constitute a popular political move in some quarters.

Its popularity would, moreover, be enhanced by the fact that published industrial profits are now rising rapidly. In this week's *Records and Statistics* Supplement, the profits of 428 companies whose reports were published during the first quarter of this year are analysed in the usual series of tables. They show that these companies increased their profits from £83,623,000 to £102,531,000—before income tax, but after meeting the reduced EPT of 60 per cent. A sharp increase in ordinary dividends occurred; their cash value was increased from £49,896,000 gross profits (62.6 per cent against 59.6 per cent); and the average rate rose from 15.1 per cent for first quarter companies in 1946 to 22.9 per cent for the corresponding sample of companies in 1947.

Much has already been made of these increases, but there are some points about the figures which must be stressed. Firstly, they relate to companies whose reports appeared during the first quarter of this year, and whose financial years, therefore, ended well before the interruptions to production caused by power shut-downs and the winter fuel crisis. Secondly, they register the benefit of the reduction of EPT, but do not reflect the increased tax on distributed profits which is now in force. Company reports in the second and later quarters are likely to show a further increase in profits and dividends, but the full effect of fuel and raw materials shortages will become increasingly prominent towards the end of this year. Mr Dalton illustrated the time lag in the disclosure of industrial profits in his reference to the prospective fall in income-tax receipts in 1948-49. The latest profits figures will make useful political capital in some quarters; but they are indeed an out-of-date historical record, and an uncertain guide to the future—particularly if that future should include any economic or fiscal measures specifically aimed at their restriction.

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Control of Labour

A draft version of the proposed Control of Engagements Order which becomes effective on October 1st was discussed on Wednesday by the Joint Consultative Committee, which consists of representatives from the British Employers' Confederation and the Trades Union Congress, and meets under the chairmanship of the Minister of Labour. The new Order apparently follows closely the lines of its wartime precedent. It will apply to men 18 and 40 except women with children under 15. Exceptions from the Order include ex-service men and women on demobilisation leave who will still be free to choose their employment, professional, administrative and managerial workers, dock workers, the merchant navy and part-time workers. The present Essential Work Orders covering coal mining, agriculture, building and civil engineering will remain.

This is control of labour in a very emasculated form. For it can only mean that employers will have to fill all vacancies for full time wage-earners through the labour exchanges—some-what invidious distinction between control of wage earners and non-control of salary earners. Two important sources of wage-earning labour are still outside the direct control of the Order—ex-servicemen and part-time workers. The Order will be quite powerless to bring the benefit of a reduction in the armed forces immediately to the undermanned industries. And what hope does it hold for those textile mills in Lancashire and Yorkshire which could make good use of part-time female labour which is still free to accept employment with the football pools? The whole scheme of labour direction as it stands is still dependent for even limited success on the cumbersome and slow procedure of discouraging expansion of the overmanned industries by fuel and material cuts, and a transfer of their surplus labour to the undermanned industries through the labour exchange machinery, if the labour seeks new jobs.

The Joint Consultative Council meeting also considered the progress made so far with staggered hours. There was a note of ominous doubt in their hope that staggering schemes could be started by October 1st. Progress has been made over the last fortnight in preparing schemes for staggered hours in Lancashire, but there is almost a touch of desperation in the proposal from Birmingham this week that certain Midland areas should have a day without power for those firms which cannot transfer one third of their load to night work. It may be possible to compromise a little longer on the deployment of labour, but there will be no compromise with a power shortage early in the winter when domestic loads and industrial space-heating will become an increasing burden on electricity supplies.

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India's Sterling Balances

An interim financial agreement was signed this week between the British Government and the Government of India which defines the treatment of India's sterling balances until the end of this year. These are taken at the figure of £1,160 million, which represents the sterling assets of the Reserve Bank of India. There are in addition private balances, estimated at about £30 million, for which no provision is made in the agreement. The arrangements ensure effective control over the greater part of these large sterling assets. The mechanism that is being applied is the now familiar pattern of No. 1 and No. 2 accounts. The resources which are immobilised are placed in the No. 2 account, from which agreed releases are credited to the No. 1 account, which is also fed by India's current sterling earnings. The sterling in this No. 1 account is freely expendable in any currency area. The releases out of India's accumulated balances amount to £35 million to cover the period up to the end of the year, together with £30 million to serve as a working balance. In addition, there are minor releases, such, for example, as that to meet pensions paid outside India by the Government of India or any provincial authorities. The agreement provides that such capital transactions as sales of assets in India by persons in the UK will be paid for out of the Indian balances in the No. 2 account. India remains a member of the sterling area.

The releases appear magnanimous. They certainly represent a heavy burden on the British economy, especially as an appreciable part of the £35 million current release—perhaps one-half of the total—will ultimately find its way into dollar expenditure. Harsher treatment of India would seem required by the extremity in which Britain now finds herself. But "extremity" is a relative term. Large areas in India are on the verge of real famine (not what passes for under-nourishment in Britain), and the Indian Government can plead that the dollars she earned during the war have been dissipated in keeping British stomachs full, and that a small part of the unspent balance should now be made available to avert starvation in India. The situation crystallises all the conflicting views and arguments that bear on the vexed question of accumulated sterling balances. Impressive as can be advanced on both sides—but no brief will withstand the impact of harsh and inescapable economic realities, such as the imminent exhaustion of the dollar resources with which the threat of famine in India is now being held off.

The negotiations with the Indian representatives have been conducted in a thoroughly satisfactory and constructive spirit. India is clearly doing the utmost by import and exchange control to reach equilibrium in her balance of payments. The arrangements have been made with the Government of India, but are being taken over by the two separate dominions. To have achieved this unitary, albeit interim, solution of the problem of

the balances may help to preserve the unity of monetary and exchange policy for India as a whole; if so, it will safeguard one of the most valuable assets which might have been placed in jeopardy by partition.

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The Coal Programme

A final decision has still to be taken whether the miners are to work an extra half-hour each day or on alternative Saturdays. A hitch has occurred in the negotiations between the National Coal Board and the Executive Committee of the National Union of Mineworkers on the merits of Saturday working. Against the probability of a higher output from a Saturday shift it is argued that there is a danger of increased absenteeism and the Coal Board evidently feel that with the miners already at the pit and on the surface the chances of increased output from an extra half hour's work are better than the chances of sufficient men turning up, at overtime rates, for Saturday work. Both sides have agreed to resume discussions on Wednesday next week. Time is running short, and unless an agreed scheme can be worked out then it will be too late to place it before the miners' delegate conference at the end of the week as a preparatory measure to introducing longer hours on September 1st.

It is not surprising, in view of the uncertainty of securing an increased output of deep-mined coal that the Government has decided to extend the opencast coal mining programme from the end of 1949 until 1951. Even then, it will not be possible to shut down opencast working suddenly, and operations will be gradually decelerated over the following few years. Only on such terms could contractors possibly extend their commitments. The Government considers that by extending the programme by two years, contractors will be able to plan extended operations so that output can be raised from the present weekly output of 210,000 tons to 250,000 tons weekly, taking full advantage of new excavating machinery now on order—of which \$20 million has been ordered by the Government from the United States.

Given time, the new target ought to be achieved. Available capacity is expected to increase by 50 per cent in the next two years and output per wage-earner is high—about four times that in the deep mines. On the other hand, an extension of capacity may not lead to a proportionate increase in output since the easier sites are rightly being worked first. Every possible ton of coal must be raised to keep industry going during the next few years, even without undue regard for costs, but it is unfortunate that the opencast programme cannot make its maximum contribution when it will most be needed—that is, over the critical period January to March, 1948, when many opencast sites may be flooded or unworkable. The benefit of the \$20 million worth of new equipment seems unlikely to be felt much before the end of next year, and the whole programme will be working up to a crescendo when—it is profoundly to be hoped—deep-mined coal output ought to be showing the first benefits of improved methods and increased mechanisation.

These marginal, surface supplies will probably leave behind them a monument of their cost to the community. Some 32,000 acres of land have been requisitioned and though as much as £15 an acre is to be spent on restoring their fertility, in some districts an ugly scar of clay sub-soil will remain to disfigure the surface while the once fertile overburden lies buried well beyond the reach of fertilisers.

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Britain's Gold Reserve

Two figures of the British gold reserve were announced last week. One appears in the latest *Digest of Statistics* and shows that on March 31st the gold and US dollar reserves amounted to £582 million. This compares with a figure of £642 million for the end of 1946. In the course of his speech last week the Prime Minister announced that the present gold and dollar reserve amounted to nearly £600 million sterling. The substantial drop of £60 million over the first quarter of the year is almost wholly explained by the payment of the British gold subscription to the International Monetary Fund and the International Bank. These two items alone amounted to £57,650,000. This gold has not left London, but it is earmarked for the two international institutions and cannot, therefore, be included in the British reserve—though in a very definite sense it is still part of Britain's external assets.

In the course of his speech the Chancellor went out of his way to deny suggestions that the accelerated rate of drawing on the

US line of credit might be linked with attempts to build up the gold reserve. Such, he said, had not been the case, adding that the figure of the reserve at about £600 million "has stood substantially stable with only minor fluctuations for a little over 12 months." The Chancellor added: "These reserves are not the reserves only of the United Kingdom, but are the reserves of the whole sterling area including our friends of the sterling dominions."

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The Fund and the Crisis

The first hint of a serious item in the agenda for the second annual meeting of Governors of the Fund and Bank in London next month was thrown out by the Chancellor of the Exchequer in his speech during the State of the Nation debate last week. Among the various lines of defence that would remain to Britain after the exhaustion of the dollar credits, Mr Dalton listed the possibility of drawing on the International Monetary Fund. But he mentioned this item only to reject it almost out of hand. The Fund, he argued was never intended to make long term loans or to correct anything so fundamental as the dollar famine from which the world is now suffering. Britain's right of access to the Fund is limited to the equivalent of £80 million a year for four years, but such recourse would be expensive, as the rate of interest rises as the period of the advance extends.

For the time being, therefore, the Chancellor stated that he had thought it right to abstain from applying to the Fund and to hold the facilities available at that institution in reserve. But he added that he intended "to take up with the other national representatives on the governing body of the International Monetary Fund next month . . . the question of whether we should not extend and modify, so far as the constitution permits, the purposes for which the Fund may be used." A debate on this subject is certainly overdue. It is true that the Fund was never conceived to meet a situation such as exists today. But had that situation been foreseen by the optimists who gathered at Bretton Woods it is reasonable to assume that some provision would have been made—whether by tightening up the scarce currency provisions, or by some altogether new articles—to meet it.

To see the IMF—the chosen instrument for "promoting exchange stability"—playing an almost entirely passive role in the international exchange crisis that is now engulfing the world is hardly conducive to creating the necessary goodwill and confidence which the new institution will need if it is to satisfy the great purposes for which it was founded—and for which, after all, such heavy hard currency expenditure has been incurred.

* * *

Report on Lace

The Lace Working Party, whose report has been published this week, have investigated an almost undocumented industry and have produced a detailed and meticulous account of all its aspects. Quite obviously the Working Party have asked the right questions and if some of them have not been completely answered, that is no fault of theirs. The lace industry, though small, is exceedingly diverse, and correspondingly difficult to describe—and to prescribe for. It consists of at least six different sections; each employs at the most a few thousand workers and each has its own problems. It is hardly surprising, therefore, that the Working Party's 67 recommendations do not constitute a comprehensive scheme for the post-war development of the industry.

A summary of the recommendations and a selection of the statistics in the report will be found in this week's issue of the *Records and Statistics* supplement. The "standard" working party recommendation for a development council with a tripartite constitution (which has now been written into the Industrial Organisation Bill) is missing from the report. The several branches of the lace industry are too specialised for such a general supervisory body. Instead, the report recommends that a review of the industry's progress in five years' time should be undertaken by a body similar in composition to the working party. They consider that a compulsory levy should be raised, partly on each of the sections and partly on the industry as a whole, to finance a co-operative market research, to establish a Design and Fashion Centre and for scientific and technical research. The labour problem should be attacked by improving the conditions in the mills, by fixing standards for the spacing of machinery and by juvenile and adult training schemes. There is also undoubted scope for improvement in the inadequate statistics which the working party found. The consumer's interest should be protected by a trade mark certifying that standard specifications have been satisfied in the product; this should apply to the Plain

Net section, but similar arrangements for other sections ought to be encouraged.

Recommendations for improving production fall under two headings. First, the working party have been impressed by the small extent of investment in new machinery since the 'twenties. Owing to the limited technical development of lace machinery over the last 25 years there is no call for an immediate scheme for large-scale re-equipment. But greater attention to the maintenance of lace machines and to the installation of up-to-date auxiliary machinery is necessary. A list of the industry's machinery requirements should be drawn up and machine-builders should reserve sufficient capacity to meet these requirements before catering for export markets. Second, recommendations have been made to stimulate output. The suggestions here include the setting-up of spinning mills in development areas, where labour may be obtainable, to provide cotton yarn, the imminent shortage of which the working party views with great disquiet, and the adoption of the Scottish method of labour deployment throughout the Lace Furnishings section. This method, which has already been accepted in principle by both sides, has given the Scottish lace industry a notably higher output per head than the Midlands industry.

* * *

The Problem of Productivity

The lace industry is small, and by many standards some of its sections are backward. Employment in 1935 was 17,600. It fell to 14,310 in 1939, and was as low as 6,630 in 1945 following the wartime concentration scheme. Falling employment has brought with it an ageing labour force and, in the Midlands at least, acute competition for labour from other industries. Firms are small, often employing two or three machines and only a score or so of workers. But the working party have not discovered any conclusive evidence that the larger firms are more efficient than the smaller ones. They have been able to show, however, that in the Scottish Lace Furnishings section, with its better arrangement of the labour force and its more forward policy of renewal and replacement of machinery, Scottish lace workers have achieved an output 20 to 25 per cent higher than Nottingham workers. Such disparities illustrate the scope which may be found in other sections of the industry for increasing output by the better use of labour, by investing in up-to-date ancillary equipment—and perhaps even by re-grouping mills both horizontally and vertically, which might stir up the managements, eliminate redundant capacity and strengthen their financial resources. The report, however, has little to say on such sterner measures.

The Working Party estimate, very tentatively, that in the temporary absence of Germany from world markets, an increase of 10 to 40 per cent in the volume of exports compared with 1938 may be expected in the next five years, and thereafter an increase of 10 to 20 per cent. Allowing for a 20 per cent increase in the home trade, total demand may be between 15 and 30 per cent higher than the average volume of 1933-38 in the short period obviously wide, but the trend of future exports is particularly difficult to infer from pre-war data because France, the main competitor in world markets, was able before the war to gain a temporary advantage whenever the franc was devalued, while post-war trends have to be based on the assumption, precarious though it may be, that there will be some degree of exchange stability over the next few years.

Over the whole industry the report estimates that no more than 75 per cent of the average labour force of 1936-38 will be available to meet this potential increase in demand. To close the gap, an increase in productivity per worker of about 30 per cent will be necessary, which must mean about 50 per cent for many firms—a phenomenal target. In Scotland the industry is comparatively well placed for its labour supply, but in the Midlands, where the higher productivity is urgently required, labour can only be won in competition with the engineering industry and the undermanned hosiery and boot and shoe industries. It is difficult to see how the labour force can be restored and a large increase in productivity achieved without a radical change in the industry's traditional methods, and solutions which involve a profound overhaul of long-established production arrangements are sometimes even more difficult than those which involve the introduction of new technique.

* * *

The Encircling Gloom

Surely never before was there a Chancellor with such a capacity as Mr Dalton for mistaking honest criticism and objective analysis for obstinate and doctrinaire opposition. *The Economist*,

ne declares, "will have their gloom. They live on it"—gloom which foresaw, many months ago, the troubles which now beset both Government and people. Mr Dalton, happy man, dwells in that same gloom but does not perceive it. Nowadays, the much-abused financial scribes are less fortunate, for their constitutions support neither songsters in the heart, nor the habits of the ostrich. But even they sometimes catch a glimpse of summer sunshine—why does it always shine brightest in years of crisis? A fortnight ago, amid its encircling gloom, *The Economist* so far forgot itself as to find one shaft of light—in the figurative surpluses of the Exchequer Return—and the Chancellor's fledgling swooped of the truth is that the little bird must still look elsewhere for its mate. Even that bright shaft pointed back towards gloom, for surpluses are more deceptive even than the sunshine amid Mr Morrison's "summer showers"—thus he described the dollar crisis only four weeks ago.

It is hardly necessary any longer to explain that fully nine-tenths of Mr Dalton's vaunted surplus is either derived from purely inconsequential internal accounting or, if not strictly internal, is none the less devoid of anti-inflationary significance. The Chancellor himself now always describes his surpluses both in their nominal and their adjusted form. His own adjustment last week reduced the "record" figure (for the first four months of the financial year) from £266 million to £21 million—before taking account of the large outgoings "below-the-line." And even *The Economist's* fleeting songster pointed out that the surpluses were making no impression upon the Treasury's effective borrowings and floating debt. The disparity between the ostensible receipts and genuine repayment of debt is, indeed, quite remarkable. In the financial year to date the total floating debt has been nominally reduced by no less than £598 million, but the reduction in the outstanding totals of tender Treasury bills and Treasury deposit receipts—which measure the really significant portion of the debt, the portion which is financed mainly (but not exclusively) through the banking system—has amounted to a mere £61 million. Yet in the same period, assuming the dollars to have been wholly spent, the Exchequer secured (in addition to its revenue surplus, if any) no less than £437 million of below-line receipts in sterling through drafts on the dollar credits—excluding the draft of £37½

million announced this week. Given these inexplicable discrepancies, it is small wonder that no headway is being made in the reduction of the huge total of bank deposits.

Just to make sure that the circle of gloom is really complete, let it be said that this is not the full song of the siren surpluses, or even its most significant part. Suppose it could be argued that, after all adjustments, there was a genuine surplus in the sense of an excess of moneys extracted from the pockets of the people over the expenditure of moneys which are likely to be spent by their recipients. Even then it would unhappily be true that a part—admittedly an imponderable part—of the relative buoyancy of Exchequer receipts would reflect simply the inflationary course of the whole national economy in these past twelve months or so—including the inflationary profits derived from the stock market boom engineered by a Socialist Chancellor who even now strives to contend that domestic financial policy has no relationship to the country's external plight. There is a lot to be said for gloom. We shall evidently need more of it before we encircle this songster's world of make-believe.

* * *

World Bank Loans

Two more loans have been announced by the International Bank for Reconstruction and Development in the past few days. The first is a loan of \$195 million to the Netherlands and the second a loan of \$50 million to Denmark. The Dutch loan falls considerably short of the \$535 million which was applied for, but as in the case of the recent French loan, which was cut to 50 per cent of the amount applied for, the way has been left open for further instalments later this year and in 1948. The terms on which the loan is being granted correspond closely to those on which the French loan was made.

In the case of the Danish loan, the rate of interest will be 4½ per cent, including 1 per cent commission, which is to be devoted to a guarantee fund, and the capital will be repayable over a period of 33 years after an initial five years during which no amortisation will be made. The Danish loan is earmarked for the purchase of agricultural and industrial raw

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materials, fuel, feeding stuffs and ships. The next important operation of the Bank will probably be the second instalment of the French loan, namely another \$250 million, the proceeds of which have largely been earmarked for purchases of US coal. In fact, it might be said that the proceeds have already been spent by dipping into the French gold reserve far more deeply than would have been done had there not been some assurance that the draft would be in part reconstituted out of borrowing.

* * *

Cable and Wireless

Attention has naturally centred on the financial features of the first report submitted by the Government-appointed board of Cable and Wireless (which is examined in detail in this week's *Records and Statistics* supplement), but an equally significant factor from the compensation aspect is the stress laid on restoration and development of cables in the group's communication system. In addition to reopening the Java service, restoring the direct routes from India to the Far East, and the cable chains from Singapore to Hongkong and London-Rio de Janeiro-Buenos Aires, much work has been done on further restoration and modernisation. Nine ships are already engaged on this work, two more are to join the fleet and another is under construction. The application of multi-channel cable technique and the design of equipment to facilitate inter-linking of cable and wireless circuits is being developed "as an essential feature of the system as a whole."

The importance to shareholders in the company of this emphasis on cable development (not, of course, to the exclusion of wireless development) lies in the fact that a large proportion—about four-fifths—of the book value of the physical assets is represented by the cables system. The gross figure, in fact, amounts to £25.7 million, based on the 1928 valuation, and this includes certain cables (e.g. the West Indies route) which have been abandoned. Against this must be set specific reserves of about £4,000,000 for renewal of cable assets. In weighing up compensation possibilities the position is, broadly, that the £30 million capital of the company is represented by a net worth (after deducting specific reserves) of £35,875,431, of which £13,436,951, say 9s. per £1 share, is represented by net current assets. To assess the net worth at no more than 20s. per share would, therefore, amount to taking the communication assets, having a gross book value of £27.6 million, at only £16.5 million.

Although the Tribunal has to address itself to assessing "net maintainable revenue" it is interesting to note that analysis on these lines supports the view generally held, on the basis of the 1946 earnings, that the arbitration award might exceed par. On the other hand, hopes should not be pitched too high, because though 5½ per cent was paid for 1946 the operation of the 4 per cent standard dividend provisions naturally tends to pull excess earnings back to the level necessary to sustain the standard rate. In gross terms the 4 per cent rate would take only £1,200,000, against earnings before tax of £3,448,887 last year. The increase in receipts from messages and wayleaves of almost 10 per cent in 1946 compared with the previous year is another useful factor.

* * *

Compensation Possibilities

Assuming that the anticipation of something above par for the shares of the operating company is, on such grounds, reasonable, the shareholders—that is to say, principally, Eastern Telegraph and Cable and Wireless (Holding)—will between them hold upwards of £27.4 million of compensation stock plus other net assets, after deducting outside liabilities and outside shareholdings of some £15 million, mostly represented by general investments and other liquid items. Evidently, therefore, whatever the arguments may be against winding up the group, difficulty of liquidating the assets is assuredly not among them, for a more straightforward proposition for a liquidator could hardly be imagined.

It is difficult to see how the Eastern Telegraph and the Associated Telegraph companies can carry on under their tightly drawn memoranda there is nothing they can do outside the telegraph business, and from this they are, for practical purposes, excluded by the 1928 agreement with the operating company. Acting in a purely fiduciary capacity, as trustee for Cable and Wireless, with the object of avoiding the possibility of prejudicing some of the foreign concessions is not regarded as being sufficient to give the company a legal basis for existence, once the compensation has been settled. Winding up, or schemes of arrangement which will leave the telegraph companies in being while distributing the bulk of their assets, looks probable in the circumstances. The judgment

on the abortive winding-up petition strongly implied such an outcome.

In that event the question arises how far the equitable interest of the holding company (which holds virtually all the Eastern Telegraph ordinary capital) would be diluted by the assumed right of the preference capital to participate *pari passu* on a winding-up. Enquirers at the company's office have been warned that, according to legal advice, the company would be within its rights in distributing its surplus to the Ordinary shareholders prior to liquidation. Other interested parties have found that leading opinion is not unanimous, and as no one would willingly embark on litigation it is thought in market circles that a compromise solution is likely. At its maximum, the holding company would lose about £2,000,000 to the Eastern Telegraph Preference shareholders.

The position of the holding company is also under active consideration. Here also the big battalions are massing. This company's memorandum is drawn much more widely than that of Eastern Telegraph, and the chances of a successful petition for a compulsory winding-up order are not rated very highly. However, nearly £17 million of 5½ per cent Preference capital would be an embarrassing burden whatever the future structure of the concern. The Ordinary shareholders are also in a strong negotiating position because of the distribution of voting rights. A scheme of arrangement embodying a reduction of the amount and dividend rate on the preference capital, sweetened by an allocation to holders of a share in the equity, and combined with a substantial capital return to the Ordinary stockholders is said to have been informally discussed: but further moves must permit no award.

* * *

Role of the FCI

Even the untutored in astrology needed but one glance at the constellation beneath which the Finance Corporation of Industry came to birth to know that the company was destined to face delicate questions in its relationships both with the Government and with the City. So it has proved. It has been accused—on a superficial view, not without some justification—of competing for business with existing financial institutions instead of confining itself to the role of financier of last resort—the provider of facilities which others would not or could not furnish. On the other hand, precisely because this was its appointed role, many have supposed that its duty was to provide finance for propositions which could be justified only by extra commercial considerations, and that by acting thus it would become a channel for Government subsidisation in the field of finance.

At the second annual meeting last Wednesday the new chairman, Lord Bruce, had something to say on both these issues. Obviously, to refer to specific cases would have been both invidious and unprofessional, so that it was not to be expected that Lord Bruce would drive his points home by particular illustration. But it is good to have his assurance that neither of these common assumptions is justified. On the first point, the "impression that the Corporation was competitive with existing sources for the provision of capital . . . is completely erroneous. . . . Our mandate is quite clear in this respect and is carefully observed." It is worth noting, however, that the fact that in some cases the Corporation has told applicants that they will surely be able to find finance elsewhere, and has been right in its judgment, is not in itself a complete rebuttal of the charge of competitive activity; for it is in the business of issuing, which may arise as a sequel to finance provided rightly and non-competitively by the Corporation, that the danger of overlap with traditional mechanisms is greatest. It is here that the fine boundary-lines will have to be most delicately drawn.

On the second point, Lord Bruce emphatically denied that the Corporation was a "philanthropic institution" with "an obligation to finance projects irrespective of the ultimate financial result." Obviously, it is intended to work on commercial lines, but, as Lord Bruce pointed out, it "was not formed to make extravagant profits." That ought to mean, however—though the chairman did not expressly say so—that if it secures sufficient business to enable it to build up adequate initial reserves, the high gearing of its capitalisation, combined with the low rates at which it can borrow should enable it eventually to lend quite economically on rather more favourable terms than could with equal safety be offered by existing agencies. Therein might lie a long-term justification for the Corporation's existence, but the element of rate-cutting which might be implied would raise issues of even greater delicacy than those which concern it now. As

yet, however, even Lord Bruce is undecided whether the FCI can find a permanent place in the machinery of the City. In the meantime, it finds its justification—and it is a sufficient one—the financing and financial sponsorship of the massive programme for the Welsh tinplate industry, quite apart from the other unspectacular and anonymous transactions in which it is engaged. As for the unfortunate case in which it was obliged to appoint a receiver because a borrower suffered from the cancellation of a Government contract, it is much to be hoped that, if the issue is settled by an *ex gratia* payment by the Government, it will be made quite plain that the Corporation is being treated simply as any other *bona fide* lender might be if its case in equity was sound. Unless precautions are taken to disclose all the facts, a settlement on these lines might simply foster the false impression that the Corporation is a vehicle of Government policy and subvention.

* * *

War Damage Value Payments

Owners of war-damaged properties which rank for "value" payments as distinct from "cost-of-works" payments have long been restive at the delays in the settlements of their claims. No blame for that attaches to the War Damage Commission, for the release of these monies, like the payment for damaged chattels, was deliberately deferred by the Government with the object of mitigating inflationary pressures. The Commission, for its part, has been striving to ensure that all formalities would be completed so that it would be able to pay out rapidly as soon as the Chancellor sounded the all clear. This he has now done, and the opening date for payments under Part I of the War Damage Act has been fixed for November 10th next.

Yet, owing simply to the dilatoriness of property-owners, a substantial proportion of the claims will not now rank for payment in the first batch. The cases in suspense are those in which the properties are subject to more than one proprietary interest. Despite repeated requests, in only one-fifth of such cases have the several owners agreed upon and notified the Commission of their respective shares, yet without such notification no further action upon the cases can be taken. This hold-up is the more regrettable because the Commission, to accelerate the handling of the whole bulk of claims, has arranged for the computations and accounting to be undertaken under contract by special machine methods. The contractors will be able to deal, for payment in the first batch, with most of the single-owner cases, and, if the volume of completed cases justifies it, the Commission is prepared to arrange a second bulk payment in mid-December. To rank for that payment, owners who have not yet properly documented their claims will need to do so by October 1st at latest (they have already missed their chance of the first payment). If they delay beyond that date, when machine methods will no longer be available, the time-lag after submission of details will be at least eight weeks. The penalty in such a case will be well-deserved, for it really is the deplorable that, in these days of outcry against the size of the Government service, public money should be wasted by the negligence of property-owners in safeguarding their own interests.

* * *

Railway Safety and Efficiency

A run of exceptional accidents early last year promoted widespread questioning about the safety and efficiency of the British

railway system after its exhausting wartime efforts. Sir Alan Mount's report on railway accidents in 1946 shows that these accidents could not be ascribed to any general and remediable cause, but there followed later in the year a number of derailments which showed only too clearly that arrears of permanent way maintenance had become so serious that speed restrictions over many sections of track had become necessary in the interests of safety. Similar deficiencies of track maintenance were revealed last month at the enquiry into the Grendon derailment on the L.M.S. Trent Valley line. Last winter's severe weather and shortages of all kinds of track materials and equipment have increased the time lag in overtaking these arrears of maintenance—which required at the end of last year 400,000 tons of rails and 10 million sleepers. Railway operating standards have been seriously run down, speed restrictions have been widely applied and the increased occupancy of the track has reduced its operating capacity.

It seems highly probable that in the revised capital investment programme to which Mr Attlee and Mr Dalton referred without detailed explanation last week, the railway system will be a residuary claimant for the materials it needs. If top priority for materials is to be restricted to cases where immediate output can be obtained for export the railway service will stand very low in the queue, and will be forced to continue its policy of make do and mend to keep services going, leaving the arrears to pile up. Mr Morrison recently uttered a warning about the shortage of goods wagons and the probable delays to the movement of coal and other essential supplies during the coming winter unless more wagons were manufactured and repaired and their rate of turn-round improved. But even if some increase in the total carrying capacity of goods wagons is realised, its more efficient and speedy handling will depend on a great improvement in the state of tracks and locomotive power, and this cannot be achieved for many years to come.

Travel on British railways is still among the safest in the world, for even last year's increased fatalities among passengers amounted to only 1 in nearly 1 billion miles of travel. But safety is being achieved at the expense of speed and comfort. Last year 34 passengers were killed in train accidents and 61 seriously injured, a higher number than the average of the six war and black-out years 1940-45, when 30 passengers were killed and 42 seriously injured annually. The total number of deaths to passengers, railway servants and other persons last year was 466, compared with 355 for the average of the years 1930-34. Of last year's total no fewer than 151 fatalities occurred to railway servants working, walking or standing on the permanent way. There was considerable turnover of permanent-way staff last year—the Essential Work Order was withdrawn from railway undertakings last summer—but inexperience is not the only cause, for a number of casualties occurred among men of long experience.

* * *

Competition in Radio

The application of electronics to industry made rapid progress during the war, particularly in the field of radio and television. In that expansion, the British radio industry and the various British official and academic research institutions played an important part, which will be in evidence at the radio exhibition at Olympia in October. The exhibition should be a timely display for foreign buyers, for the radio industry has expanded considerably over the last eight years—the value of its

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exports increased from £1,800,000 in 1938 to £7,400,000 in 1946—and much has been expected from its contribution to the export drive.

But the opportunity is fleeting. As the accompanying table shows, the United States radio industry's exports have also expanded during the war and during the first four months of 1947 they have increased at a phenomenal pace. Between January and April, exports of radio equipment totalled \$31.2 million, or say £7,800,000, compared with British exports totalling £2,200,000. By far the largest increase in American exports has been to South American republics—from \$7,800,000 to \$23,600,000 between 1939 and 1946. Britain's exports are about evenly divided between the Empire and foreign countries. Evidence is accumulating that many countries are now classing radio equipment for domestic uses as a luxury and are cutting down import licences to conserve their dollar resources—a development of small comfort to the British export trade, since convertible sterling now also ranks as a scarce currency.

In these circumstances, the British industry will have to display every advantage of price and technical excellence to win and hold its export markets. This point gives topicality to the recent report on British radio research by a committee of the Institution of Electrical Engineers. The report covers radio research in its widest sense, including fundamental research, and the application of research to the entire field of electronics and telecommunications equipment. The committee propose that radio research should be strengthened by three measures: first, by putting more money and equipment at the disposal of academic radio research; second, by increasing the inducements to research workers and laboratory mechanics to specialise in radio; and third, by closer co-operation between research at the universities, in Government departments and in industry.

BRITISH AND UNITED STATES RADIO EXPORTS.

	United Kingdom (£'000s)			U.S.A. (\$'000s)		
	1939	1946	1947 (4 mths)	1939	1946	1947 (4 mths)
Receiving sets, etc.	356	3,312	1,443	10,449	23,233	18,725
Valves, etc.	349	1,777	448	3,001	4,592	4,295
Miscellaneous	627	2,114	385	6,031	11,812	8,145
Total	1,332	7,400	2,276	19,481	39,637	31,175

The manufacture of radio equipment makes comparatively small demands upon materials and manufacturing labour, but it is crucially dependent on a highly skilled cadre of technicians and workers. These are conditions in which British competitive power ought to be seen to best advantage. In many fields of radio manufacture, especially in the field of navigational aids and television, Britain has been pre-eminent; but the technical fight

is becoming tougher and the hope of a geometric increase in British radio exports is rapidly fading.

Larger American Cotton Crop

Last week the United States Department of Agriculture announced an estimated cotton crop for this year of 11,844,000 bales. Spot cotton promptly fell in New York from 36.19 cents to 34.45 cents a lb. This estimate compares with a crop of 8,640,000 bales last year and about 9 million bales in 1945, and is round about the average of the war years' crops. The increased crop was bound to cause an automatic reaction in the market, which is not a little nervous about the ability of the world's textile industries to absorb larger quantities of American cotton when dollars are rapidly running out. The Deep South, as well as Europe, has a direct interest in the success of the Marshall offer.

Taking the world cotton situation as a whole, there is little reason to anticipate a sudden break in cotton prices. During 1945-46 world cotton consumption amounted to 24 million bales, some 3,000,000 bales in excess of production and world stocks on July 31, 1946, totalled 23.7 million bales—only slightly higher than the pre-war stock of 22 million bales. Since last year, world cotton textile production has made further strides in the United States, India, in neutral countries which stimulated cotton textile production during the war because they were unable to import from long-established sources of supply, but also in ex-occupied countries in Europe. An increasing world output must have drawn further on stocks, for last year's American crop of 8,600,000 bales was the lowest for many years and reduced crops were taken in Argentina, Brazil, Egypt and India.

But should a recovery in crop yields be forthcoming this year from South America and the East, there will be a strong likelihood that countries short of dollars will try to obtain cotton from those sources taking American cotton only when other sources of supply have been exhausted. There are, of course, obvious limitations to this policy, within the post-war framework of non-discriminatory trade, and the savings in dollars are not likely to be large. But a gradual switch-over from American to Brazilian cotton has been noticeable for some time, for instance, in the case of this country where Brazilian cotton had taken the place of American cotton as the main constituent in stocks by the end of June, 1946.

Sugar Prospects

In the present world food shortage, it is encouraging to discover at least one commodity where output is expanding to meet demand. The world production of sugar is expected to cover consumption requirements next season, although the potential consumption of countries hitherto self-sufficient and also of importing countries will not, of course, be met for some time. The

following summary of sugar production and consumption has been issued by C. Czarnikow Ltd.

WORLD SUGAR SUPPLIES
('000 tons raw value)

	1937-38		1946-47		1947-48		Potential Consumption
	Pro-duction	Con-sump-tion	Pro-duction	Con-sump-tion	Pro-duction	Con-sump-tion	
Exporting countries	14,337	3,570	13,430	4,163	13,348	4,179	4,501
Self-sufficient countries	9,959	9,480	7,885	7,987	8,281	8,590	11,227
Importing countries	4,792	15,247	4,581	12,679	4,857	13,585	17,233
Total	29,088	28,297	25,894	24,829	26,486	26,354	32,961

There is, of course, some overlap between the seasons; in particular the apparent million-ton gap between production and consumption in 1946-47 does not denote a surplus, as some part of this quantity will not enter into consumption until the following season. World consumption is still at a low level owing to rationing in many importing countries; this is partially due to the inadequate world supplies, although more generally the lack of foreign exchange, and particularly of dollars, has forced many countries to limit their requirements to the level of their indigenous production. Exporting countries have increased their sugar consumption to 600,000 tons above the pre-war average while Mexico and Argentina, which were formerly self-sufficient, have also expanded their requirements. Taking these factors into consideration, it has been estimated that consumption in rationed countries has been reduced by 5,000,000 tons, including 3,500,000 tons for Europe and 1,000,000 tons for Japan. The potential consumption of 33 million tons of sugar makes allowance for the increase in world population since 1937 and for expanding consumption per head.

To satisfy these requirements, world production must increase and consuming countries must also have access to sufficient foreign exchange. Cuba was the chief cane producer in 1946-47 with 5,300,000 tons, India second with 3,300,000 tons, followed by the United States (2,200,000 tons) and Brazil (1,200,000 tons), out of a total world cane crop of 17.2 million tons. Supplies from Java and Formosa are on a very restricted scale compared with pre-war and the present troubles in Indonesia make it doubtful if the

200,000-ton stock said to be available there, will in fact be disposable.

The United Kingdom's sugar allocation for 1947 totalled 2,273,000 tons, of which 1,432,000 tons were allotted from Cuba, St. Domingo and Haiti and the remaining 841,000 tons from the British West Indies and domestic production. Recently, the Ministry of Food has purchased 230,000 tons of the Cuban 1948 crop for delivery in the early months of next year, as well as the 1947-48 Haitian and St. Domingo crops, although 50,000 tons of the latter are reserved for "free" exports. The price in each case is given as 27s. 10d. per cwt. f.o.b. But for the stringent dollar position of the United Kingdom, there would be reason to expect a further increase in the domestic sugar ration during the coming year. In present circumstances, however, this must await an expansion in available supplies from "softer" currency areas.

Shorter Notes

Those who wonder what the export targets mean and how they are to be achieved will study with no little interest Sir Stafford Cripps's explanation in the course of his speech in the economic debate last Thursday.

Let me deal with exports, assuming for a moment that we can get the necessary production. The right hon. gentleman said that, taking our figure of 140 per cent., it will mean, including coal, 200 per cent. Figures that have so far been published are over-all over 1938. When we reach a figure of 110 per cent it means over all, including the fact that we used to export coal, but do not do so now. Say it is a figure of 140 per cent, then we must not multiply that figure up and say it ought to be 200 per cent or we shall get out of relation with the statistical figures which there are. What we are aiming at is 140 per cent.

The new economic metaphysics of targets and forecasts are becoming very difficult for ordinary comprehension.

An application by all companies taken over under the Argentine rail purchase to sanction the scheme of arrangement to compensate the holders of the 56 classes of debentures, notes and shares will be heard in the Vacation Court on August 21st. Compensation funds will be available 30 days after the sanctioning of the scheme, to which only one shareholder has apparently entered an objection.

SECURITY PRICES AND YIELDS

A fuller list containing 370 securities appears weekly in the *Records and Statistics Supplement*. Notes on the following company reports also appear in the Supplement; Cable and Wireless, Ltd.; Guest, Keen and Nettlefold; Textile Machinery Makers.

Prices, Jan. 1-Aug. 13, 1947								Prices, Jan. 1-Aug. 13, 1947												Prices, Jan. 1-Aug. 13, 1947					
Name of Security		Price, Aug. 6, 1947	Price, Aug. 13, 1947	Net Yield, Aug. 13, 1947	Gross Yield, Aug. 13, 1947	Last Two Dividends		Name of Security		Price, Aug. 6, 1947	Price, Aug. 13, 1947	Yield, Aug. 13, 1947													
High	Low			(n)		High	Low	(a)	(b)	(c)															
British Funds														Other Securities											
103½	100½	Conversion 3½ March 1, 1948-53	100½xd	100½xd	1 2 9	115½	100	(d)	(d)	(d)	Australia 3½ 1965-69	102	100½	1 3 4											
103½	100½	War Bonds 2½ August 1, 1949-51	101½	100½	1 0 7	105½	90½	(d)	(d)	(d)	Birmingham 2½ 1966-71	92½	91	3 0 8											
102½	98½	Exchequer Bonds 1½ Feb. 15, 1950	100½	99½	1 1 9	142½	113 9	40	c	50	c	Argentine 3½	101	101	3 9 4										
105½	99	War Bonds 2½ March 1, 1952-54	100½xd	99½xd	1 10 9	232½	118 11	5	a	25	b	Anglo-American Corp. 10s	115½	122½	4 1 8										
105½	97½	War Bonds 2½ March 1, 1952-54	99½xd	98½xd	1 16 4	42½	35	10	c	15	c	Anglo-Italian Oil £1	192½	187½	3 4 0										
108½	101½	War Loan 3½ (after Dec. 1, 1952)	102½	102	1 12 2	42½	35	25	c	40	c	Assoc. Port. Cem. Ord. Stk. £1	68½	68½	4 7 3										
106	97½	War Bonds 2½ Aug. 15, 1954-56	99½xd	97½xd	1 12 11	42½	35	25	c	40	c	Austin Motor 'A' Ord. Stk. 5s	36½	36½	5 10 4										
106	99½	Funding 2½ June 15, 1952-57	100½	100	1 10 10	245½	185½	120	b	15	b	Barclays Bank Ord. Stk. £1	77½	77½	3 12 3										
108½	100½	National Def. 3½ July 15, 1954-58	101½	100½	1 12 9	114½	88½	8	a	12	b	British Oxygen Ord. £1	191½	192½	2 12 0										
109½	100½	War Loan 3½ Oct. 15, 1955-59	102½	100½	1 12 8	58½	44½	7	c	9½	b	Courtaulds Ord. £1	96½	93½	4 5 4										
108½	98½	Savings Bonds 3½ Aug. 15, 1955-65	100½xd	99½xd	1 14 0	29½	24	8	c	8	c	Dorman Long Ord. £1	46½	46½	3 5 4										
105½	96½	Funding 2½ April 15, 1956-61	98	99½	1 13 2	52½	48½	12	c	15	c	Dunlop Rubber Ord. £1	26½	26½	3 5 4										
109½	99½	Funding 3½ April 15, 1959-69	101	99½	1 14 5	53½	41	3	a	7	b	Imp. Chem. Ind. Ord. Stk. £1	70½	69½	4 6 4										
122½	110½	Funding 4½ May 1, 1960-90	112½	110½	1 7 5	49½	40	7	c	10	c	Lanes. Cotton Ord. Stk. £1	45½	44½	4 8 11										
110½	98½	Savings Bonds 3½ Sept. 1, 1960-70	100½xd	98½xd	1 15 0	57½	47½	5	a	10	c	Lever & Unilever Ord. £1	51½xd	50½xd	4 10 2										
104½	93½	Savings Bonds 2½ May 1, 1964-67	95½	94	1 15 2	77½	51½	10	c	12½	c	London Brick Ord. Stk. £1	61½	58½	4 5 2										
123½	110½	Victory Bonds 4½ Sept. 1, 1920-76†	112½xd	110½xd	1 9 3	84½	73½	(d)	(d)	(d)	L.M.S. 4½ 1st Pref. Stk. £1	74½xd	79½xd	5 1 3											
111½	97½	Savings Bonds 3½ Aug. 15, 1965-75	100½xd	97½xd	1 14 11	36½	32	2½	a	4½	b	P'chin 'N'ord. Stk. 10s	59½	55½	4 10 11										
117½	106½	Consols 4½ (after Feb. 1, 1957)	108½	106½	1 9 5	68½	47½	5	a	20	b	Prudential 'A' £1	32½	32	2 6 4										
115½	103½	Conversion 3½ (after Apr. 1, 1961)	105	103½	1 13 11	39	30	169½	174½	c	c	Stewarts & Lloyds Def. £1	51½	51½	4 17 1										
100½	81	Treas. Stk. 2½ (after Apr. 1, 1975)	84	81	1 14 2	63½	49½	12½	c	12½	c	'Shell' Transp. Ord. Stk. £1	95½	94½	3 18 5										
110½	96½	Treas. Stk. 3½ (after Apr. 5, 1966)	99	96½	1 18 3	108½	91½	12½	a	15	b	Tube Invest. Ord. Stk. £1	126½	127½	3 18 5										
117½	98	Redemp. Stk. 3½ Oct. 1, 1986-96	101	99	1 14 0	147½	118½	12½	a	15	b	Turner & Newall Ord. Stk. £1	78½	77½	3 4 6										
90	81	Consols 2½	83½	81	1 14 0	96½	75½	85	b	5½	a	Woolworth (F. W.) Ord. 5s	90½	88½	3 19 7										

Redemption yields on stocks optionally or finally redeemable within the next five years are worked out on the assumption that they will be paid at the earliest date. Rates are

Redemption yields on stocks optionally or finally redeemable within the next five years are worked out on the assumption that they will be repaid at the earliest date. Redemption yields on other dated stocks assume that stocks paying over 3 per cent. will be redeemed at the earliest date (these are marked 'e'), and those paying 3 per cent. or less will be repaid at the latest date (these are marked 'f'). (n) Net yields are calculated after allowing for tax at 9s. in the £. (f) Flat yield. * Assumed average life 17 years 6 months.

(a) Interim. (b) Final. (c) Whole year. (d) Int. paid half-yearly. (e) To earliest redemption date. (f) Also a capital bonus of 2½ per cent. free of income tax yield worked on 15 per cent. basis. (h) Fifteen months to March 31, 1947 (yield basis 7.6 per cent.). (i) To latest redemption date. † Free of tax.

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Abridged Particulars

P. B. COW & COMPANY, LIMITED.

(Incorporated under the Companies Act, 1929.)

Business Established 1836.

Rubber and Plastic Manufacturers—Makers of "LI-LO" Products.

Authorised:
£500,000

in £410,000 Ordinary Stock and 450,000 Ordinary Shares of 4/- each ... Issued all in Stock:
£410,000

(Neither the Company nor its Subsidiary Companies have any Debentures, Mortgages, or Loan Capital.)

The List of Applications will open and close on Wednesday, 20th August, for an

OFFER FOR SALE

250,000 Ordinary Stock Units of 4/- each at 19s. 3d. per Stock Unit.

The Offer for Sale shows (inter alia):

- The original business of P. B. Cow & Company was established 111 years ago and is one of the oldest rubber manufacturing businesses in the world. Its more important products include diving dresses, submarine escape apparatus, mining personnel equipment, surgical utensils, hot water bottles, etc., and the well-known "LI-LO" air bed. In 1944 the directors, anticipating the coming world shortage of fabrics, devoted as much of the laboratory staff's time as could then be spared to the study of thermo-plastics and as a result of their successful research the Company is to-day one of the largest producers of plastic sheeting in the country.
- Profits for the seven years ended 31st December, 1946, averaged £148,469 per annum (before charging E.P.T. and N.D.C., interest on borrowed money, deferred repairs and Income Tax, but after deducting directors' fees and remuneration at the rates now payable) and the Directors are of opinion that annual profits should in future average not less than this amount.
- Interim accounts (subject to audit) show a net profit (on the above basis) in excess of £100,000 for the six months ended 30th June, 1947.
- Provided that their profit expectations are realised, the Directors intend to recommend an Interim of 12½% and a Final Dividend of 15%, making 27½% (which would absorb £112,750 gross) for the financial period ending 31st December, 1947. This would represent a dividend return of approximately 5.7% at the offered price.

Copies of the full Offer for Sale, on the terms of which alone applications will be considered, and forms of application are now obtainable from:—
BANKERS: NATIONAL PROVINCIAL BANK LIMITED, New Issue Department, 15, Bishopsgate, London, E.C.2, and Branches.
BROKERS: SPURLING, SKINNER, TUDOR & CO., 115, Old Broad Street, London, E.C.2, and The Stock Exchange.
REGISTRARS AND TRANSFER OFFICE: M. SAMUEL & CO., LIMITED, Shell House, 55, Bishopsgate, London, E.C.2, and from

Registered Office of the Company: 12 HAY HILL, BERKELEY SQUARE, LONDON, W.1.

COMPANY MEETINGS

GERRARD INDUSTRIES, LIMITED

TENSIONAL STEEL STRAPPING
INCREASING HOME AND EXPORT DEMANDS

MR KAY HARRISON ON THE OUTLOOK

The twenty-third annual general meeting of Gerrard Industries, Limited, was held on the 12th instant at Winchester House, Old Broad Street, London, E.C.2, Mr Kay Harrison, the chairman, presiding.

The secretary (Mr H. C. Miller, A.C.I.S.) having read the notice convening the meeting and the report of the auditors,

The chairman said: Gentlemen,—I am sorry that it is not possible for us to day to have the pleasure of the presence of Major Curling. He recently and most unfortunately met with an accident and I have been asked by him to convey to you his regrets and keen disappointment at not being able to be present. I am sure you will join with me and his co-directors in sending to him our warm and very best wishes for a speedy and complete recovery to normal health. (Hear, hear.)

The directors' report and accounts having been duly circulated, I will, with your permission, take them as read; and in dealing with the accounts I propose in the customary way not to comment upon all the individual items and to limit my remarks to those which are of particular significance.

BALANCE SHEET ITEMS

Referring to the balance sheet and the liabilities side, the general and dividend equalisation reserve is unchanged at £35,000, a sum which is, I think you will agree, substantial in relation to the issued capital. I might with advantage point out that this reserve has been built up within only the last seven years, and I submit it well reflects the wisdom of the conservative financial policy of your board.

The provision for National Defence Contribution and profits tax at £3,000 is made up of £1,500 in respect of profits tax calculated on the profits now under review and a like sum representing the previous year's provision for National Defence Contribution in respect of which the assessment of liability was still pending with the authorities at the date of closing the present accounts.

Similarly, the item provision for income tax of £20,500 is made up of £8,500, being estimate of liability calculated on the profits shown in the present accounts and £12,000 representing the previous year's provision in respect of which the tax computation has not been agreed with the authorities.

Turning to the assets side of the balance sheet the item shareholding in subsidiary company £28,000 is unchanged. This refers to Gerrard Safe Seal (Overseas), Limited. You will observe that the annual accounts now include for the first time a consolidated balance sheet and on this I will make some comments later.

TECHNICOLOR, LIMITED

Investment in Technicolor, Limited, at £29,087 is the same as last year and represents the cost of our holding of 45,320 "B" shares of £1 each fully paid, that is, a par value of £45,320. In each of the two immediately preceding years we have received a dividend on this investment and you will be gratified to know that these have been followed by the payment of a further dividend at the rate of 7 per cent., the gross amount of which—namely, £3,172—is included in the present accounts.

It gives me pleasure in saying that the Technicolor organisation, the owners of that well known and now very extensively used technicolor process, has made very notable progress, particularly in the last few years,

and the trading results arising therefrom have been eminently satisfactory, and to this I would like to add that the Technicolor Company is embarking upon a programme providing for a substantial increase in output.

RESULT OF YEAR'S OPERATIONS

Adverting now to the profit and loss account, embodied in the directors' report, it will be observed that the trading profit is £24,918, as against £25,394, showing a small decrease of £476. Inquiries and demands of customers compared favourably with the previous year but deliveries by suppliers of raw material were not up to our sales requirements, due to short supply conditions of steel, our staple raw material. During the year, in common with other industries, our material costs and running expenses were higher than in the preceding year, and in the light of such circumstances you will, I hope, regard it as satisfactory that the trading results are approximately equal to those of last year.

The net profit for the year after provision for income tax is £14,903, compared with £14,787 last year, and after including the balance brought forward there is a total sum of £17,863, of which £4,034 has already been distributed as an interim dividend thus leaving the sum of £13,829 for appropriation. As the next item of business at this meeting I am submitting a resolution authorising the payment of a final dividend of 10 per cent., and a bonus of 5 per cent., both less income tax, which will absorb £6,051, and leave a balance of £7,778 to be carried forward to the current year as against £2,960 brought in.

As previously mentioned, a consolidated balance sheet is now before you and your directors took the opportunity of making this arrangement which is in accordance with modern accounting practice and anticipates one of the amendments of Company Law made by the new Companies Act which received the Royal Assent last week. I do not think there is any need for me to say anything in amplification of this consolidated statement beyond making the observation that, after allowing for proposed appropriations, the net floating assets of the group amount to £66,152, while reserves and surplus amount to £46,686.

SELLING PRICE POLICY

Having now dealt with the accounts it is fitting that I should refer on this annual occasion to our main activities as manufacturers and distributors of tensional steel strapping products which are of a specialised nature and supplied for the purposes of reinforcement and security in transit and safe delivery at destination of all types of packages and containers. The inward raw material supply position, generally speaking, was somewhat easier than last year but, although more favourable, it did not permit us to satisfy all the requirements of our customers.

The year has been unfortunately marked, still by, as I have previously mentioned, still further increases in costs of steel, which we have been reluctantly compelled to pass on, in part, to our customers. On the subject of rising costs, it is our policy to maintain selling prices unchanged wherever possible and, if this is found to be not practicable, to restrict any increase in selling prices to the lowest workable proportion; a condition of

inflation is unsound and harmful to the nation's economic well-being, and I submit that buyers and sellers should jointly combine in an effort to combat inflationary tendencies.

Our business during the year was gratifyingly on a much larger and progressive scale in comparison with preceding years, and such business is now conducted exclusively by the subsidiary Gerrard Safe Seal (Overseas), Limited, as indicated at the last annual meeting. Much has already been done in re-establishing our overseas connections after the dislocation during the war. We have been inundated with export orders and inquiries, but it has not been possible to cater for all these requirements on account of the nation-wide steel shortage. In such circumstances we hope there will be an improvement in the supply position to permit us to take full advantage of the prevailing overseas demands for our products.

DISADVANTAGES OF STATE OWNERSHIP

Last year my colleague, Major Curling, when presiding, made some comments on the subject of nationalisation, and in view of its extreme importance I tender no apology in making this further reference and wish to confirm the views he then expressed. State ownership in itself cannot solve our industrial problems, the principal being the achievement of a substantially higher output per man-hour or man-year, call it what you will, which is a prerequisite for immediate and sustained national recovery. Management by the State, judged from modern business standards, is costly and its degree of efficiency, if any, is below that attained or attainable under conditions of private enterprise.

State ownership in the most simple terms denotes a supreme monopoly from which no appeal will be possible and in my opinion negatives requisite fundamental elements in business such as sound economy, incentive, enterprise and alacrity in administrative action and decisions; without these and other factors in play it is difficult, if not impossible, to envisage any satisfactory condition of industrial economy which will permit traders to compete successfully in world markets, and this the more so having regard to the years ahead when a sellers' market has changed to that of a buyers', a process of which there are already first signs in some trades.

IMPORTANCE OF COAL

I am sure you will understand it is not possible for me to make any worth-while forecast of trading results for the current financial year, having regard to the difficult supply position. Being manufacturers we are naturally dependent upon a constant inflow of raw materials, particularly steel, to enable us at all times to maintain and extend the "Gerrard" service to customers of all categories, including, in large measure, manufacturers and distributors of foodstuffs and ancillary materials.

It is therefore our earnest hope that the Government appeal for increased production will be successful in the first instance in the now nationalised sphere of coal; here is the key to recovery, for the non-availability of coal in sufficient quantities will result in large and small producers not being able fully to operate their plants according to capacity, and thus being faced with limitations in their productive ability to cater for the pressing and almost insatiable demands of this postwar era. Given a permanent and progressive improvement in the fuel position supplemented by an easement in taxation burdens, indirect as well as direct, and a halt in the implementation of any further nationalisation projects and industry restored by stages to a position of freedom from Government controls, then, and only then, in my opinion, will there be any solid foundation for an enduring national industrial recovery.

The report and accounts were unanimously adopted.

PARKER'S BURSLEM BREWERY, LIMITED

FACTORS AFFECTING OUTPUT

CAPTAIN DOBSON'S REVIEW

The annual meeting of Parker's Burslem Brewery, Limited, was held at the George Hotel, Burslem, on the 8th instant.

Captain G. W. Dobson, O.B.E. (chairman and managing director), in his speech, said: You will recollect that I told you last year that we had had a 15 per cent. cut in our output—made in May, 1946—which is still in being, so it has operated during the whole year. Moreover, in August, a 10 per cent. reduction of gravity was imposed and was not, until May last, restored. These two cuts have had the effect of causing a further shortage of supplies and making a weak beer still weaker neither of these effects are to the advantage or satisfaction of our customers, and although the gravity reduction has now been restored, the amount of malt available has not been increased and, therefore, if we make the beer stronger we shall have to reduce the quantity brewed. This would be a serious matter when supplies are already so curtailed as to close our houses for so many days a week.

FUEL CRISIS

To crown these blows, we had a fuel crisis in February and were informed by the Government that we could only have about a quarter of the coal we needed. The deliveries of this meagre amount were often delayed and/or not delivered, and, with our stock very soon exhausted, we had to do the best we could with what fuel we could obtain from anywhere.

To add to our troubles, as you will remember, the electricity was cut off during the greater part of the day, and since we are dependent on electric power for our brewing and bottling, it was impossible for us to carry on our activities. To obviate any such recurrence, we have installed our own electric generating plant, which will carry half the load that is required on the brewery. This, I hope, will prevent us from being put out of action again. It is an expensive proposition, but it is a safeguard which I think we are bound to take.

LOWER OUTPUT

All these factors have contributed to cause the bulk output of our beer to be considerably less than last year, through no fault of our own, and I am bound to say that I feel that the Government have handled the beer question very badly. In my opinion—and I notice that Mr. Walter Scott, at Ansell's annual general meeting, held the same view—in some ways we brewers are in a position to judge these matters as well as, if not better than, Whitehall. If there was an adequate supply of beer in the country, we should have far less labour troubles and we should get better output in coal mines, in steel works, and in every form of our industrial activities.

Two years after VJ-Day we are having less beer, less tobacco, less whisky, less everything, in spite of the promises made at the General Election.

LOSS OF LICENCES

I regret to report that the renewals of three licences have been referred, and the compensation authorities have decided to close three houses. This is a severe loss, considering that we had three houses closed the year before. It seems to me unfair—since we have no opportunity, because the Government refuse to grant us building licences to put some of our older houses in good order, which we admit require alterations to bring them up to date—that they are being taken from us. The loss of these houses means that we have fewer to move

to development areas when the time comes. Moreover, as the shortage of supplies is so evident, I fail to see how any house can be called really redundant.

Continuing our policy of establishing our selves in the areas which are being developed, and not properly served with licensed facilities, we have been successful in obtaining two new licences and two removal orders.

TRADING PROFIT

The profit on trading of £313,182 is only £12,694 less than last year. This year, however, the charge for all taxation, which is the estimated liability in respect of all taxes on the profits of the year to date, is some £40,286 less than it was last year, due chiefly to the cessation of excess profits tax last December. Consequently, the net profit for the year shows an increase of some £29,000.

I think that, under the circumstances, this is a very gratifying result, particularly as during the year we have spent some £24,000 more on repairs to the brewery and plant, whilst we have also paid much the same as last year in annuities to our old employees. The large amount spent on repairs is one which, I am afraid, it is impossible to cut down, unless we are prepared to see our property deteriorate.

TAXATION PROVISION

I now turn to the profit and loss appropriation account, from which you will see that we have brought in a transfer of £50,000, the whole of the contingencies reserve, and transferred the majority of it to future taxation reserve. If you remember, I said two years ago that this reserve had then been brought up to cover our liability for the current fiscal year. I am now advised that, in conformity with the recommendations of the Institute of Chartered Accountants, it is considered good finance to cover our liability up to and including the year 1948-49, i.e., to cover our liability for taxation on all the profits we have earned up to the date of these accounts. To do this, it is necessary to bring the reserve for future taxation up to some £164,140.

The question of the appropriation of the profits has caused your directors much consideration and, as a result, we have decided that the stockholders are entitled to a share of the greater profits, and we therefore recommend that the final dividend on the ordinary stock shall be 25 per cent., making 30 per cent. for the year.

THE OUTLOOK

The current year shows no diminution in the demand for our goods, and since we have been able to brew more beer in the last three months, by using the malt that we were unable to use during the winter stoppages, we have shown a creditable increase, both in draught and bottled beers. This does not mean that I am very optimistic over the prospects. The fuel situation for the winter is, I am credibly informed, worse than it was this time last year. The supplies of barley may or may not be further rationed: it is impossible to say even from month to month what the position of our grain supplies is in this country, whilst it is too early to make a forecast of what hops there will be.

Already there are signs that money is not so plentiful and if, when winter comes, factories and industry in general have to go on short time, the money available for beer will not be there and we shall be bound to suffer a loss of trade.

The report was adopted.

ZINC CORPORATION, LIMITED

EXPANSION POLICY

The thirty-sixth ordinary general meeting of the Zinc Corporation, Limited, was held, in London, on the 7th instant, Mr. John R. Govett, the chairman, presiding.

The following is an extract from his statement, circulated with the report and accounts for the year 1946:—

In the statements I have made during the past few years the lack of manpower at Broken Hill has been a topic which has largely set the background to my remarks. This time last year I was able to tell you that since the termination of hostilities men had been returning steadily. This has continued throughout 1946, and we have been able to increase very substantially the number of men employed in and about the surface and underground workings of our property.

RESUMPTION OF DEVELOPMENT

With the easing in the manpower situation we have been able to resume on a full scale our plans for the development of the ore body. A comprehensive campaign has been carried out and encouraging results obtained. Cost of production shows an increase due to the increases in wages which follow the higher prices for lead, plus the increased costs of all supplies and services essential for the working of the mines, but in all the circumstances your directors consider the figures reasonable.

The prices realised for the company's products have been: For six months in 1947, £61 18s. 6d. per ton lead; 3s. 9.4d. per fine ounce silver and 98s. 5d. per ton zinc concentrates, as compared with £37 1s. 3d., 4s. and 87s. 7d. in 1946 and £25 4s. 3d., 2s. 7.5d. and 60s. 6d. in 1945 respectively.

THE BROKEN HILL CORPORATION, LIMITED

The Corporation has recently formed a subsidiary company, The Broken Hill Corporation, Limited, the objectives of which have already been announced.

Last year I advised you of the programme of exploration which we were undertaking. The highest priority is being accorded to the Broken Hill district. The evidence to date entitles us to consider that our enterprise will be well rewarded, and the Corporation has already joined forces with the D'Arcy Exploration Company, Limited, and with the Vacuum Oil Company Pty., Limited, in the search for both natural gas and oil.

The higher range of metal prices so far experienced this year justifies us in expecting the profits for the current twelve months to be in advance of those realised for 1946, notwithstanding the considerable increase in the royalty charge and overall taxation which our gross profits will attract. While we believe we are entitled to expect a continuance of reasonable prosperity for our industry, we desire to emphasize that the directors' policy and programme of operations are definitely not built upon the full maintenance of the current or recent level of metal prices.

Quite outside the conditions of supply and demand which normally govern prices, there are other major factors affecting or soon likely to affect commodity markets which may have a not unappreciable influence on metal values in the not distant future.

We are confident in a world level of prices which will fully justify the expansion programme we have undertaken. We have a great mine, a fine body of employees and an excellent management, and if reasonable market conditions are experienced all concerned—the State, employees and members—should be well satisfied with our results.

The report was adopted.

GOVERNMENT RETURNS

For the week ended August 9, 1947, total ordinary revenue was £55,773,087, against ordinary expenditure of £34,544,604 and issues to sinking funds £340,000. Thus, including sinking fund allocations of £3,871,384, the surplus accrued since April 1st is £283,112,658, against a deficit of £304,851,411 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1947-48	Receipts into the Exchequer (£ thousand)			
		April 1 to Aug. 10, 1946	April 1 to Aug. 10, 1947	Week ended Aug. 10, 1946	Week ended Aug. 9, 1947
ORDINARY REVENUE					
Income Tax	107,300	303,282	286,494	11,457	10,750
Sur-tax	80,000	13,786	15,580	370	300
Estate, etc., Duties	155,000	53,420	61,863	2,810	2,300
Stamps	57,000	11,550	16,750	300	1,700
D.C.	202,000	111,591	71,783	5,025	3,806
E.P.T.	1,000	133	55	...	...
Other Inland Rev.	156,800	504,876	462,325	20,467	19,956
Total Inland Rev.	736,960	200,702	269,648	14,397	14,471
Customs	643,940	207,672	214,700	4,000	18,283
Excise	1,380,000	408,374	484,348	18,397	32,754
Total Customs & Excise	1,380,000	408,374	484,348	18,397	32,754
Motor Duties	50,000	8,556	9,707	1,110	1,816
Surplus War Stores	95,000	14,534	64,047	3	84
Surplus Receipts from Trading	55,000	...	25,000	...	...
Post Office (Net Receipts)	11,000	2,500	2,640	450	Dr. 80
Wireless Licences	1,000	1,760	410	...	...
Crown Lands	21,000	4,885	13,597	...	1,215
Receipts from Sundry Loans	270,000	5,834	155,679	263	28
Miscell. Receipts	345,100	951,710	121,753	40,691	55,773
Total Ord. Rev.	3,451,000	951,710	1,217,753	40,691	55,773
SELF-BALANCING					
Post Office	144,230	43,150	49,380	2,650	3,080
Income Tax on E.P.T. Refunds	49,000	84,616	7,121	3,876	262
Total	3,644,230	1,079,476	1,274,254	47,217	59,115
Issues out of the Exchequer to meet payments (£ thousand)					
Expenditure	Estimate, 1947-48	April 1 to Aug. 10, 1946	April 1 to Aug. 10, 1947	Week ended Aug. 10, 1946	Week ended Aug. 9, 1947
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	525,000	147,970	157,998	2,522	3,728
Payments to N. Ireland	23,000	5,571	7,371	696	696
Other Cons. Fund Services	8,000	3,236	3,260	...	...
Total	556,000	156,777	168,629	3,218	4,425
Supply Services	262,537	109,592	762,140	39,000	30,120
Total Ord. Exp.	318,137	125,269	930,769	42,218	34,545
SELF-BALANCING					
P.O. & Broadcasting	144,230	43,150	49,380	2,650	3,080
Income Tax on E.P.T. Refunds	49,000	84,616	7,121	3,876	262
Total	337,459	138,055	987,270	48,744	37,887

After decreasing Exchequer balances by £225,316 to £2,612,843 the other operations for the week decreased the gross National Debt by £17,137,451 to £25,467 million.

NET ISSUES (£ thousand)			
	Aug. 3, 1946	Aug. 2, 1947	Totals Mar. 31 to Aug. 2, 1947
P.O. and Telegraph	400	320	400
P.T. Refunds	500	500	500
Loans (Scotland) Act, 1944, Section 4(2)	550	550	550
Local Authorities Loans Act, 1945, Section 3(1)	3	3	3
New Towns Act, 1946, Section 12(3)	2,000	2,000	2,000
War Damage Act, 1946, Section 26(7), Post-war credits	153	153	153
Finance Act, 1935, Section 30(1), 3 per cent. Local Loans Stock	50	50	50

Statistical Summary

CHANGES IN DEBT (£ thousand)	
NET RECEIPTS	NET REPAYMENTS
2½% Defence Bds. ... 957	Treasury Bills ... 46,411
Other Debt:—	National Savings ... 1,200
External ... 2,481	3½% Defence Bds. ... 2,284
Ways & Means Advances ... 31,780	2½% Terminable Annuities ... 1,438
	Tax Reserve Certs. ... 994
	Other Debt:—
	Internal ... 28
	52,355

* Including £1,597,000 paid off on maturity.

FLOATING DEBT (£ million)

(£ million)						
Date	Treasury Bills		Ways and Means Advances		Treasury Deposits by Banks	Total Floating Debt
	Tender	Tap	Public Depts.	Bank of England		
1946						
Aug. 10	1940-0	2411-0	378-2	...	1544-5	6273-7
1947						
May 3	2190-0	2661-5	507-9	...	1463-5	6822-9
" 10	2190-0	2629-4	401-3	...	1463-5	6684-1
" 17	2190-0	2627-1	348-0	5-25	1463-5	6633-8
" 24	2190-0	2620-1	327-5	...	1463-5	6601-1
" 31	2180-0	2603-3	337-5	1-5	1463-5	6585-8
June 7	2180-0	2584-9	341-5	5-5	1463-5	6575-4
" 14	2180-0	2592-1	347-1	10-25	1453-5	6582-9
" 21	2180-0	2614-4	341-9	10-0	1453-5	6589-8
" 28	2180-0	2537-3	369-9	...	1442-0	6529-2
July 5	2180-0	2584-9	356-7	6-25	1358-5	6496-0
" 12	2180-0	2541-0	378-6	...	1368-5	6466-0
" 19	2180-0	2503-1	328-9	...	1408-5	6420-5
" 26	2180-0	2493-4	270-9	...	1408-5	6352-8
Aug. 2	2180-0	2470-4	317-7	2-5	1400-5	6371-0
" 9	2180-0	2424-0	348-4	3-5	1400-5	6356-4

TREASURY BILLS (£ million)

(₹ million)					Average Rate of Allot- ment %	Per Cent. Allotted at Min. Rate
Date of Tender	Amount					
	Offered	Applied for	Allotted			
1946						
Aug. 9	150-0	281-1	150-0	10 1-02	36	
1947						
May 9	170-0	296-3	170-0	10 1-38	44	
" 16	170-0	281-2	170-0	10 1-62	49	
" 23	160-0	284-6	160-0	10 1-45	43	
" 30	170-0	282-5	170-0	10 1-66	49	
June 6	170-0	290-5	170-0	10 1-49	45	
" 13	170-0	277-7	170-0	10 1-61	49	
" 20	170-0	282-0	170-0	10 1-65	49	
" 27	170-0	288-4	170-0	10 1-43	46	
July 4	170-0	292-1	170-0	10 1-51	46	
" 11	170-0	299-8	170-0	10 1-09	40	
" 18	170-0	294-5	170-0	10 1-39	44	
" 25	160-0	292-4	160-0	10 1-24	40	
Aug. 1	160-0	287-9	160-0	10 1-11	39	
" 8	170-0	276-6	170-0	10 1-48	49	

On Aug. 8th applications for bills to be paid on Monday, Tuesday, Wednesday, Thursday and Friday were accepted as to about 49 per cent. of the amount applied for at £99 17s. 5d. and applications at higher prices were accepted in full. Applications for bills to be paid on Saturday at £99 17s. 5d. and above were accepted in full. £170 million (maximum) of Treasury Bills are being offered for Aug. 15th. For the week ended Aug. 16th the Banks will be asked for Treasury deposits to an amount of £60 million (max.).

NATIONAL SAVINGS (£ thousand)

	Week Ended Aug. 3, 1946	Week Ended Aug. 2, 1947	Totals Mar. 31 to Aug. 2, 1947
Savings Certificates:—			
Receipts	2,400	2,900	91,750
Repayments	3,400	2,750	50,250
Net Savings	Dr. 1,000	150	41,500
Defence Bonds:—			
Receipts	1,700	1,785	33,185
Repayments	...	764	12,823
Net Savings	1,700	1,021	20,362
P.O. and Trustee Savings			
Banks:—			
Receipts	12,965	14,109	231,621
Repayments	11,814	17,263	240,103
Net Savings	1,151	Dr. 3,154	Dr. 8,482
Total Net Savings	1,851	Dr. 1,983	53,380
Interest on certificates repaid	544	495	10,038
Interest accrued on savings remaining invested	2,143	2,250	36,135

BANK OF ENGLAND

RETURNS

AUGUST 13, 1947

ISSUE DEPARTMENT

Notes Issued:		Govt. Debt ... 11,015,100
In Circulation ... 1411,771,845		Other Govt. Securities ... 1438,356,175
In Bankg. Department ... 38,475,988		Other Secs. ... 617,795
		Coin other than Gold ... 10,930
		Amount of Fid. Issue ... 1450,000,000
		Gold Coin and Bullion (at 172s. 3d. per oz. fine) ... 247,833
		1450,247,833

BANKING DEPARTMENT

Capital ... 14,553,000	Govt. Secs. ... 342,571,175
Reserves ... 3,828,828	Other Secs. ... 18,741,132
Public Depts. ... 16,239,859	Advances ... 20,709,997
	Securities ... 38,475,988
Other Depts. ... 294,889,703	Notes ... 38,475,988
Bankers' ... 93,353,818	Coin ... 2,366,916
Other Accts. ... 388,243,521	
	422,865,208

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

COMPARATIVE ANALYSIS (£ million)

	1946	1947
	Aug. 14	July 30
Issue Dept.:		
Notes in circulation	1383-4	1419-



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PRIVATE Secretary required for Managing Director merchant business. Must be highly intelligent, well educated, efficient in shorthand and typing, thoroughly experienced and qualified in all other secretarial duties. Consideration given only to candidates with outstanding qualifications and experience. Preference to applicants willing to do a spell of duty in Malaya.—Write, giving age and all particulars, to Box 766, Dorland, 18, Regent Street, S.W.1.

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N. W. CHISHOLM, London Manager,
26, Bishopsgate, London, E.C.2. August 12, 1947.

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August 23, 1947

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Inconvertible Again

SO the convertibility of the pound sterling has lasted only five weeks. Some relaxation of the strain had been hoped for in August, but it has not occurred; in the past fortnight, dollars have had to be provided for other countries' requirements in ever-mounting volume; and on Wednesday the Government took what had become the inevitable decision to suspend the obligation to make current sterling available for spending anywhere in the world—an obligation formally assumed as recently as July 15th.

There is a strong resemblance between the events of the last five weeks and the story of the restored gold standard after the last war. What was then spread over six years has this time been compressed into a smaller number of weeks. But there is the same over-hasty decision to restore one of the cardinal features of the pre-war financial system; there is the same realisation, as soon as the deed is done, that the cost of doing it is far higher than was expected; there is the same struggle to meet the obligation; and there is the same final, sudden and unilateral abandonment of the task. There are, of course, differences. The return to the gold standard in 1925 was an act of purely British pride; the return to convertibility on July 15th last was an enforced condition of the American loan. In 1925, the great majority of opinion was confident that all would be well; this time, most people had grave doubts—graver perhaps when the loan was negotiated in 1945 than they were as the fatal date of July 15, 1947, approached; for one of the unexplained aspects of the whole affair is how the British Government, in concert with their official advisers, managed to work themselves into such a state of confidence during the first six and a half months of this year. It was necessary, of course, for the purposes of the negotiations with the holders of sterling balances, to put a bold face on the affair. But the confidence was repeated as strongly in private as it was expressed in public. The private observer might have his doubts, but they were melted away by the optimism of those who had access to all the detailed information.

This is, indeed, one of the morals to be drawn from the affair—that it is possible even for expert technicians, who have all the available data at their disposal, to be very badly wrong in their estimate of probabilities. Another moral, familiar and almost equally trite, apparently needs constant re-learning—a major war is a very serious shock to a nation's financial and economic organism and too quick a return to the normal habits is likely to delay recovery.

The figures that the Chancellor of the Exchequer gave in his broadcast on Wednesday evening (as will be seen from a later article on page 331, which discusses some of the consequences of the Government's action) are enough to show why it was necessary for the British Government to act at once and why the discussions with Sir Wilfrid Eady was conducting with the American Government in Washington turned out to be merely the occasion for informing the American authorities that the obligation of convertibility had become insupportable. The Americans seem to have shown belated under-

standing of this inevitable action, taken unilaterally by the British side, but that does not mean that they accept it with any cordiality. It would be wrong to say that American opinion as a whole is uninformed about the plight of Europe or insensitive to it. The State Department, some Congressmen, and the more responsible newspapers, are anxious, sympathetic and eager to discover some method by which the inconvenient logicalities of the American Constitution can be circumvented and aid made available in time. It is a situation very similar to that of 1940-41. But, as at that time, it is the rest of American opinion that has to be reckoned with, and though there is less active hostility to Britain than at many times in the past (except among the Zionists, who probably do the British cause more good, on balance, than harm), there is equally less willingness to understand why any effort should be made to help.

Sir Wilfrid Eady has come up against a typical representative of this attitude in Mr Snyder, the Missouri banker who found himself with some suddenness projected into the office of Secretary of the Treasury. Mr Snyder has declared himself to be sympathetic to the British case, but it has also been made clear that the sympathy is of the brand that a Missouri banker is accustomed to show to a borrower who has run through one loan and now requires both to be released from some of the conditions of that loan and granted a new one. The banker will sit and listen, but the onus of proof is on the borrower and the proof had better be a good one.

It would be a waste of time to try to explain to people with this psychological approach that the fault for the present crisis—if fault there must be—is far more America's than Britain's. The loan was far too small when it was made, as the British pointed out at the time. The conditions attached to it were unworkable, as was also pointed out at the time. The sharp reduction in the real value of the loan was due to the rise in American prices, following upon the abandonment of price control in America. The world-wide dollar crisis, which hurled the convertibility provision into a disaster, is due to the fact that the American balance of payments has got out of control. Nothing could have been done about any of these things by any British action or inaction. Contributory negligence there has certainly been from the British side, but it has been of smaller importance.

But if Sir Wilfrid Eady introduced these arguments he was wasting his breath. Congress would not be impressed by them. Indeed, it sometimes seems to the Englishman that, so far from admitting any share of the blame for what has happened, the average American is determined to prove the British wrong, whatever they do. One set of voices asks why they have left matters so late, when Mr Snyder has been expecting an approach for months past. And another set of voices says that even now, it is far too early to do anything, since the British have not yet scraped the bottom of the barrel of their own ultimate reserves. Why do they not bring precise proposals of what they want? And if they did, they would be told that it is not for the debtor to do the dictation. Why do they come alone, ahead of the European queue? And if they did not, they would be told that they were sheltering behind others weaker than themselves. Why do they ask for dollars, when what they want is goods? And why do they not realise that it is useless to talk about goods until Congress has made a dollar appropriation? If they are short of dollars, why do they not live within their means? And if they stop buying American films, why does the American Government not force them to start again?

American opinion should be warned that over here, in Great Britain, one has the feeling of being driven into a corner by a complex of American actions and insidencies which, in combination, are quite intolerable. Not many people in this country believe the Communist thesis that it is the deliberate and con-

scious aim of American policy to ruin Britain and everything that Britain stands for in the world. But the evidence can certainly be read that way. And if every time that aid is extended conditions are attached which make it impossible for Britain ever to escape the necessity of going back for still more aid, obtained with still more self-abasement and on still more crippling terms, then the result will certainly be what the Communists predict, whether or not it is what the Americans intend. The crippling of the British export trades that was one of the conditions of Lend-Lease increased the dimensions of the aid that was required in 1945. And the famous Article Seven to Ten of the Loan Agreement, with their obligations of convertibility and non-discrimination, have brought the British back to Washington earlier and in worse plight than was necessary.

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Is it really the Americans' wish that this process should continue? They should be warned that, every time it is repeated, something more is subtracted from the British willingness to offer genuine co-operation in building the sort of world that Americans want. Do they really prefer a resentful dependency to a self-supporting and self-respecting friend? They should realise that the British Government has made very great efforts, and has been willing to run great risks, in agreeing with American conceptions of international economic policy. The risks of convertibility have proved all too real. Non-discrimination, if it is applied in the months to come, will be the means of starving the British people. Yet even now at Geneva the British representatives are in process of committing this country, in the proposed Charter of the International Trade Organisation, to sweeping general principles which, however excellent they may be in theory, are likely to prove in practice to be equally dangerous. No government could have put more of its own interests in pawn to pledge its good will; no other government has even tried to make a similar effort. Yet those who would search in Washington for the credit that Britain has earned thereby would need the patience of Diogenes.

For the present, the Americans still retain the power to make the British Government jump through any hoop they choose. For it is the ultimate calamity, that, for all the brave talk of standing on our own feet, the misfortunes that would fall upon the British people if there were no dollars at all are such that no British Government could face them. But this dependence will not last for ever. A time will come when, by a combination of external events and internal efforts, Britain will be able to do without dollars at a cost that will be bearable. Do the Americans, when that time comes, want the British to regard the cutting loose from America, the erection of barriers against America, as a boon so great that the highest bearable price will be cheerfully paid for it at the earliest possible moment? They can be assured that there are very many Englishmen who would regard anything of the sort as an unparalleled disaster, as the final and irreparable losing of the peace that so much common blood and treasure were spent to win. But they can also be assured that that is the way things are drifting at present.

Mr Marshall, in his great speech at Harvard in June, called on the European nations for a great imaginative effort. They are responding and, as the following article suggests, in a more far-reaching way than might have been expected. In return, Europeans have the right to ask the Americans to make an equally great effort of imagination. Let them forget, for the moment, their own conviction that their present wealth and strength are the result of superior virtue and remember the Europeans' conviction that they are merely due to better luck. Let them worry less about what they can afford to give and more about what they cannot afford not to give. Let them above all try to realise what it feels like to be in other men's shoes.

Western Customs Union?

THE proposal of a customs union embracing some or all of the Western European states has now been officially placed on the agenda of the Paris Conference. That it has arrived there at all is itself of some significance, for it was clear from the whole tenor of the statesmen's speeches when the Conference was opened early in July that nothing so far-reaching was contemplated. The task of the Conference was then seen as short-term, "practical" and specific. But two pressures have been pushing the Conference steadily along the road to wider visions. One is the fact, to which attention was called here and elsewhere at the start, that the Marshall Plan has no chance whatever of acceptance by Congress unless it can be presented as the means to the attainment of some grandiose project of a kind to catch the American imagination. The other is the discovery that some of the participating nations take very seriously the opportunity that the Conference presents for a wider integration of the economies of Western Europe—including notably the French, who are not normally the least nationalistic of people, especially in economic affairs.

The official British view was defined by Sir Oliver Franks in a public statement on August 15th. Apart from the normal difficulties that would stand in the way of any country that contemplated joining a customs union, the United Kingdom would also have to examine the whole complex of questions arising out of its special relations with the other members of the Commonwealth. The United Kingdom, in fact, would have to find out whether it could be a member of both clubs at once. There could, therefore, be no question of the United Kingdom entering into hard-and-fast commitments in the next few weeks. But if study groups were to be set up to examine the whole question, the United Kingdom would associate itself with them and would also arrange early consultations with the Dominions.

It would be a mistake to regard this as a negative statement. It is indeed far less negative than it would have been had Sir Oliver not returned to London to consult the Cabinet. The official British view has always been that a customs union in Western Europe is so obviously idealistic that it is not worth the attention of practical men, and it is something of an achievement to have brought the Foreign Office to consent to examine it. If the pressure is kept up, they may yet be pushed into finding that it is not as difficult as they had supposed.

It is important to observe that no immediate decisions are proposed. The Americans want the Marshall Plan and the idea of a customs union to be linked. But nobody is so unrealistic as to suppose that a fully-fledged customs union can be set up before the dollars begin to flow. The negotiation of such a union, as Sir Oliver Franks said, would take a long time, perhaps five, seven or ten years. But on the other hand, there is equally to be no question of uttering a few fine phrases, for confessing a few fine intentions and promising nothing, for Mr Clayton has made it clear that the creation of preferential tariff groups in Europe (without which, as a minimum, all talk of economic integration is vain) will not be attained unless there is "a definite undertaking to form an eventual customs union." What the European countries are being asked to examine and decide upon in the next few months is whether they can now enter into a commitment—what Sir Oliver calls "a commitment entered into with faith"—to form a customs union at the end of a stated number of years. We cannot forbear from pointing out that this is exactly the suggestion that was made in *The Economist* of June 14th.

There is perhaps one overriding question that needs to be asked. If a Western European Customs Union should become

a practical possibility, is it desirable—apart from all question of its technical possibility—that the United Kingdom should seek membership in it? Would it not perhaps be the wiser course for Britain to wish the project well, but to stay out of it? There should be an unequivocal answer to this. If there is to be a customs union of the countries immediately across the narrow seas, then Britain should strain every nerve to be a member of it. Politics and economics point to the same conclusion. The risk cannot be taken of the creation of a gigantic aggregation of power in Western Europe which might in the future turn against British interests. If there is to be such unification, Britain must be in a position to influence its development. Indeed, it is unlikely that it would come about at all without British participation, for the Low Countries would certainly not enter into a union alone with France, since their traditional suspicions of French expansion are not wholly dead. Moreover, by one of the accidents of history, British abstention would also presumably exclude the Ruhr, in which case the Union would lose a large part of its *raison d'être*.

Sir Oliver Franks's statement emphasised the obvious and specific difficulty that is created for Britain by the existence of the Commonwealth. It would be unrealistic to expect the Dominions themselves to enter the proposed customs union. Canada is, in economic matters, much more closely tied to the United States than to Europe. Australia, and to a lesser degree the other Southern Dominions, is evidently determined to protect home industries against all comers. The new Indian Dominions are of a wholly different economic substance from the European countries. It would therefore be a question of arranging means by which the European Customs Union could be set up without breaking the existing commercial ties between the British countries. That task ought not to prove insuperably difficult. Is it not possible to arrange for, say Australian goods to enjoy a preference on entering Great Britain, but to pay the full tariff of the Union on entering France or Holland, and for supplementary duties to be payable on re-export from England? The other members of the Union might well wish to make similar arrangements for their own colonial imports.

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But this, of course, would not really be an answer. What the Dominions would fear in the project of a customs union would not be so much that their goods would get worse treatment in the British market as that their competitors' goods would get better treatment. Before the war, for example, the principle was established that the order of preference in the British market for foodstuffs was the home farmer first, the Empire producer second and the foreign producer third. A customs union would mean that some foreigners would move up from their third place to a new place somewhere between first and second. But it would surely be possible to reassure these Dominion fears by some form of long-period bulk-purchase policy by which the Dominions were guaranteed a market for certain quantities of their produce at prices acceptable to them; though whether this could be squared with the rules for bulk-purchase contracts now being incorporated, at American instance, into the Charter of the International Trade Organisation is another question.

In general, however, it would be a sad mistake to over-emphasise these difficulties, which are peculiar to Britain, since it is likely that by far the greatest difficulties are of the kind that affect every nation alike. The existence of the British Commonwealth must not become the scapegoat for something

far more intractable—the unwillingness of sovereign nations to surrender any part of their sovereignty. In the interests of realism, it is as well not to lose sight of the fact that no customs union can exist without some sovereignty, political as well as economic, being surrendered, and also of the fact that the further gone a country is in conscious planning of its economic policy, the harder the surrender may be.

It should not, for example, be passed over in silence that any customs union involves some equalisation of standards among its members. Perhaps among the countries of Western Europe that difficulty is not insuperable, since the differences in standards of living and of output are not so very great. But if Italy is to be included, to say nothing of Eastern Europe, the question will immediately arise.

Secondly, the existence of a customs union would unquestionably set limits to purely national economic planning. If an expansion of purchasing power in one country, for example, led to a very rapid increase of imports from the other members of the union, the original policy would be at best diluted and at worst frustrated. There was a certain tendency in last Friday's discussions in Paris to assume that a customs union would apply only to customs tariffs and that import quotas would be left untouched. But if this were so for more than a transitional period, the customs union would be an empty farce. If it is entered into, it must mean a willingness to permit movements of goods between the members of the union almost as freely as within each member. And that, in its turn, must lead to some arrangements between the members, at the most to concert and conduct a common economic policy, at the least to control the repercussions of one member's policy on another. In either event, the freedom of politicians in each country to do as they wished would have to be limited. The project to establish inter-convertibility among the currencies of the group, which is also being studied in Paris, and which would be an almost essential counterpart of a customs union, raises the same question. None of the other countries will be willing to establish convertibility between their currencies and the French franc or the Italian lira until some stability has been brought into the domestic finances of France and Italy.

Thus, thirdly, it would be idle to suppose that a customs

union could ever be established within a purely economic framework. A political structure would have to be built alongside, not necessarily anything nearly as far-reaching as a federation, but solid enough to provide reliable anchorage for some of the economic arrangements. Would countries, for example, be willing to see their wartime self-sufficiency melt away under the influence of a customs union without the most binding assurance that they would never find themselves at war without the other members? It may even be found that it is, after all, a waste of time to tackle the whole complex of questions wrapped up in Western European interdependence as exclusively from the economic angle as the present prominence of the idea of a customs union would suggest. It may be that, in the end, the political arrangements will have to come first.

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There is thus no point in denying that there are formidable difficulties to be surmounted before a customs union could be created even for such a naturally homogeneous area as Western Europe. The British Government are right to ask for time to study the matter—except, of course, that they should have studied it minutely long ago. But what is needed is that it should be studied with real determination to find a way through the difficulties. Very many of them, after all, relate to the adjustments, some of them painful, that would have to be made in the transition to a new state of affairs; very few of them relate to the new state of affairs once it was established. The final answer to timidities should be to contemplate the alternatives: either that Western Europe shall remain in its fragments, slowly declining to Balkan standards, efficient only in the output of political obstinacy; or else that Western Europe saves itself without Great Britain, which would thereby be as surely excluded from the possibility of economic expansion as from that of political influence. The opportunity to advance the unity of Western Europe was not taken during the war, when all the Governments concerned were in London, for a number of reasons, of which American opposition was one. The American pressure has now moved into the opposite corner of the compass and so the opportunity recurs. It will not come a third time.

Pan-Americans at Petropolis

THE conference of 20 American nations which opened at Petropolis in Brazil on August 15th is officially limited to the preparation of a Pan-American treaty of defence, for which various drafts have already been submitted by different Governments. But, however strictly confined the agenda, the actual discussions are likely to be deflected into other channels by all the accustomed pressures and counter pressures of Latin-American politics. The most familiar is the traditional rivalry between the United States and Argentina. The Argentine Government refused American leadership during the war and abandoned its neutrality only just in time to attend the Pan-American Conference at Mexico City in 1945. At this Conference, the Act of Chapultepec was drawn up as a preliminary to the act of joint defence which is now, two years later, to be elaborated. Argentina signed the Act, but to appease its own nationalists and to rebut any criticism of outside interference in its internal affairs the Government thereafter refused to put into effect certain provisions of the Act relating to the ending of Axis activities in Latin America. Against this recalcitrance, the United States decided to try direct pressure. The Farrell regime in Argentina, based at that time on Colonel Perón and his military group, was not noticeably constitutional and the State Department permitted its Ambassador, Mr Braden,

to lead the attack upon the dictatorial government in Buenos Aires. His local action was reinforced by a decision taken in Washington to postpone the discussion of the military treaty forecast in the Act of Chapultepec until "a new Argentine Government has had reasonable time to comply with the promises made at Mexico City." Since the military treaty contained the hint of free armaments for Latin America, its withholding was a strong bargaining point.

Neither Mr Braden nor the State Department made any secret of their hope that the new Argentine Government would be "democratic," in other words, that it would not be dominated by Colonel Perón. By the time the elections, early in 1946, had given Perón his sweeping majority, Mr. Braden's neck had been stuck out so far that, short of a complete loss of dignity, it could only be very slowly withdrawn. The summer of 1946 passed therefore in a species of stalemate. The United States realised that the Perón regime had come to stay. Moreover, as the question of Communism grew more and more pressing, Perón's robust anti-Communism began to outweigh his dictatorial tendencies. Braden and his policy were laid aside. Perón, realising that he had won the Braden bout in his long battle with the United States, made conciliatory gestures. When President Truman in May 1946 laid before Congress his

proposals for an "inter-American Act of Military Co-operation," President Perón welcomed them. During the summer he announced his Five Year Plan for the industrialisation of Argentina. The needed goods and machines could only be obtained in the United States and early in 1947, he invited a private group of American experts under General Royal Lord to advise Argentina. At the same time, the Argentine Government at last took the measures against Nazi firms and agents which had been outstanding ever since the Act of Chapultepec had been signed. The way was now clear, to take up the work of pan-American co-operation at the point at which the hostility between the United States and Argentina had interrupted it. Mr Braden resigned from the State Department after going on record with his view that Communism was a greater danger than any Fascist tendencies left over from the Nazis, and President Truman presented a new version of his Act of Military Co-operation to Congress in which he proposed that the arms and defences of the hemisphere should be standardised and supplied from the United States; it was then announced that the long postponed conference to discuss this and other proposals would be held in Brazil in the course of the present summer.

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From this bald summary of the last two years, it can be seen that President Perón has scored a considerable political victory in his determined fight to assert Argentina's independence of foreign influence and to reinforce its claim to a special and leading place in pan-American politics. It is the United States rather than Argentina that has "retreated to prepared positions" by reducing the uncomfortable Braden salient. There is no doubt that President Perón will seek to maintain his advantage at the present conference and to see that no agreements are reached which could be interpreted as an infringement of Argentine Sovereignty. Typically, he has proposed that any collective action to counter aggression against the Western hemisphere must be unanimously agreed. This he maintains would give each Power "a proper sense of responsibility." Other American republics merely think it would give him a veto. The United States, backed by a number of states, including Chile and Mexico, propose rather that action approved by a two-thirds majority should be binding on the approving majority. Yet another draft proposes a two-thirds majority binding on all. Argentina seems likely to take an equally independent line on the question of standardised equipment. The Argentine Minister for War recently announced that his Government might consider the production of standardised equipment in Argentina arms factories, but did not intend to buy arms abroad or give up the policy of building its own defence industries outlined in the Five Year Plan. It is thus clear that the struggle for leadership in Latin American affairs will continue as usual under the surface of the latest pan-American conference.

Argentina's great asset in asserting its independence of United States influence and laying claim to separate leadership in Latin America is the fact that its sister republics also relish sovereign independence and are almost as jealous of it as Argentina itself. This year, this traditional asset is somewhat reinforced by a general Latin American determination to keep out of war at all costs. President Truman's offer to supply standardised weapons and to work out with Latin America a common policy of defence against aggression has made a number of governments wonder uneasily where the line will be drawn and whether they may not find themselves committed to one side in a world struggle between the United States and Russia. President Perón is shrewd enough to sense this mood and he attempted—probably not without success—to exploit it in the extraordinary broadcast he made, with every pomp and circumstance, at the beginning of July. His declaration seemed to amount to no more than a general offer on the part of Argentina to be very good provided

everybody else was very good, too; but the passage most interesting to Latin American ears was no doubt the President's offer to create and reinforce a "third possibility" between the extremes of Communism and Capitalism—in other words to form a bloc with those states that are not prepared to commit themselves to either side. The Latin American republics which have come to Petropolis wondering uneasily whether behind the American offer of standardised equipment lurks the Truman Doctrine will not be discouraged from that view by the Argentine delegation.

The weakness in the Argentine position is that the United States stands not only for a Truman Doctrine but also for a Marshall Plan. Economic questions are strictly excluded from the agenda of the Conference but they are on the tip of every delegate's tongue. The economic position of Latin America has changed radically since the last pan-American Conference in 1945 and preoccupation with the continent's immediate economic future is so urgent and so grave that the two questions—military co-operation and economic aid—will not be kept apart, however much the North Americans may wish them to be so. At the end of the war the Central and South American countries between them had between \$4 and \$5 billion in reserves of gold and foreign currencies accumulated as a result of the Allies' heavy buying in Latin America and their inability to ship goods in return. Of this about one billion, it is true, represented sterling balances or inconvertible currencies, but the free reserves were nevertheless important and remained high throughout 1946, since the world still needed Latin American products but could not yet provide goods in return. The largest reserves were held by Argentina with a figure of nearly \$2 billion. In 1947, however, the picture has started to change rapidly. The various countries have been spending their reserves freely and these have declined at the rate of over \$100 million a month. The drop is particularly marked in the case of Argentina, which has lost over half a billion dollars in the nine months ending on June 15th. The country's current deficit in trade with the United States is running at about \$400 million a year and only two-thirds of the remaining reserves are in gold and freely convertible currencies. Mexican reserves have fallen this year from \$380 million to \$180 million. Brazil's annual trade deficit with the United States is \$280 million and only \$636 million is left in reserves. Chile's reserves have been halved. The reserves of all the republics are without exception diminishing and only Cuba, Guatemala and Salvador have tiny favourable trade balances with the United States.

The governments have taken steps to limit this drain. In Brazil, importers must surrender 30 per cent of their foreign exchange to the Central Bank. In Mexico a law has been passed virtually banning the import of non-essential goods. Argentina is introducing quotas. Peru, Bolivia and Chile are each trying to make import licences available only against foreign currency earned by current exports. All the republics realise that the United States cannot go on indefinitely exporting to Latin America to the extent of over \$4 billion a year while receiving only half that figure back in imports. In short the Latin American states face, though in a less acute form, the dilemma before Europe. How can they prevent a disastrous economic collapse at home—with all the social and political unrest it might entail—when in a foreseeable time their dollar reserves will have been exhausted? Inevitably they turn to the idea of a "Marshall Plan" and Chile and Colombia are even pressing to bring the matter up officially at the Petropolis Conference.

It is this aspect of the Latin American dilemma that suggests that the Argentine Government, in spite of all its political manoeuvring, may be hard put to it to maintain a position of leadership in the next year. In spite of its great wealth, Argentina is not in a position to act as an economic makeweight to the United States. President Perón has introduced an ambitious

Five Year Plan for industrialisation which calls for the expenditure of a billion and a half dollars in the next five years on transport, ports, drainage, reservoirs, oil fields and electricity. The President has also attempted to draw Chile (with its mineral reserves) into the Plan by proposing a Customs Union offering Argentine credits for mineral development (the Chileans, scenting Argentine domination, have so far failed to ratify the agreement). Argentine credits have gone to other European and Latin American countries to the total of \$580 million. But all these efforts do not make Argentina the great source of machinery, industrial and consumer goods which all the Latin American republics so urgently need. If it became known at Petropolis that the possibility of a Marshall Plan lay behind the American plan for unified hemisphere defence, Argentina might be left in lonely eminence in its opposition to anything more binding than the unanimity rule.

Mr Marshall has made it clear that he is not offering another

The Balance of Payments—1

What Went Wrong?

THE balance of payments was invented less than forty years ago by a young official of the Board of Trade who is still very much alive. It was in those days an obscure inhabitant of the statistical menagerie. Indeed it was not until several years after the end of the first war, when Keynes took the subject up in a number of articles in the *Economic Journal*, that the balance of payments began to be familiar even to the academic fraternity. And even then it was regarded as no more than an interesting and illuminating manner of setting out, after the event, a record of what had happened in a country's international transactions, about as harmless and non-controversial as a rainfall table. It would have been difficult to imagine then that a day would come when the balance of payments would dominate the political scene, when its component items would be wrangled over in the House of Commons and when defects in the balance of payments would undermine the stability of Governments.

The ordinary newspaper reader has learned in the past few years what the balance of payments is. But he is still a little bewildered, in all the argument, over what exactly has gone wrong with it, over what governs the chances of putting it right, and over what moral to draw for the future economic policy of the country. It is proposed in a short series of articles to attempt to elucidate some of these mysteries.

The obvious starting point for any such discussion must be the balance of payments for the year 1938. In a simplified form of the version given in the latest National Income White Paper (Cmd. 7099),* the figures are as follows (in millions of pounds):

Imports of goods.....	835	Exports of goods.....	533
Govt. expenditure overseas..	16	Receipts of interest, etc....	205
Payments of interest, etc....	30	Other "invisible" exports..	200
Other "invisible" imports....	127	Deficit.....	70
	1,008		1,008

The position revealed by these figures was not particularly creditable; it is not a healthy sign for a mature country to show a deficit in its annual accounts. But the deficit (if there was one at all—there is some reason to suspect the figures of undue pessimism) was small; it was less than 10 per cent of the gross turnover and less than 2 per cent of the total overseas capital of the country. In fact, it probably did not greatly exceed the sinking fund payments and other returns of capital that were

* This version differs slightly from the Board of Trade estimates, in that imports are included at their f.o.b. values and the element of shipping, insurance, etc., that enters into the c.i.f. prices at which they are declared to the Customs is here reckoned (insofar as it is paid to foreigners) as an "invisible" import.

plan and that the discussion of economic issues must wait for the general conference at Bogota next year. The general view in the State Department is, however, that the rapid exhaustion of the Latin American reserves is due in large measure to the incompetence of the governments—to their failure to concentrate on essential goods, to keep a reasonable price level, to institute proper systems of taxation. There is also a widespread conviction that more aid should await some settlement of Latin America's large and various foreign debts. At the same time, it can be argued that the restoration of Europe—which is still Latin America's chief export market—would indirectly assist economic stabilisation in Latin America. The offer of a Marshall Plan at this Conference or in any immediate future is therefore out of the question and the response of the Latin American republics to sweeping commitments in the military field will be correspondingly cautious. Their caution is Argentina's opportunity and it will be exploited to the full.

made to the United Kingdom in the course of the year. It was certainly no cause for alarm, and if a return could now be made to a deficit of only £70 million a year, loud hosannas would be uttered on every side.

Actually, the deficit in 1946 was estimated at £400 million, as follows:—

Imports of goods.....	1,110	Exports of goods.....	890
Govt. expenditure overseas..	300	Receipts of interest, etc....	150
Payments of interest, etc....	70	Other "invisible" exports..	222
Other "invisible" imports....	182	Deficit.....	400
	1,662		1,662

How had these changes come about? It is possible, in an illustrative and not over-accurate way, to isolate each of the causes that has combined to produce the result.

The first is the change that has taken place in the volume of trade in goods, as distinct from the values placed upon the goods. In 1946, the volume of imports was only about two-thirds of the 1938 level; the missing one-third was plainly felt in the general shortage of all foods and raw materials. The volume of exports, on the other hand (including re-exports of imported merchandise) was only about 10 per cent lower last year than in 1938. If these had been the only changes that had taken place they would have improved the position by some £220 million and turned the pre-war deficit of £70 million into a surplus of £150 million. Those who, in this or other countries, feel the temptation to place the blame for Britain's balance-of-payments difficulties on some sudden improvidence of the British people might reflect on this numerical measure of what would have happened if austerity and abstinence had been left alone to show their effect.

But of course they were not left alone. The prices both of imports and of exports rose very sharply. The difference in the degree of their rise was not very great; according to the Board of Trade's estimates (referring to categories defined somewhat differently from those used in the tables above) import prices in 1946 were 210 per cent, while export prices were 196 per cent of 1938. But a point that is not always appreciated is that any rise in prices, even if it bears equally on imports and exports, works to the disadvantage of Britain, which is much more of a buyer than of a seller. Thus if import and export prices had impartially doubled between 1938 and 1946 and nothing else had altered, that alone would have been enough to add £300 million to the deficit. Of course, if the "invisible" items were also affected to the same extent, some of this loss would be

recovered. But though some of these invisible items are swollen by generally rising prices, few of them respond at once or in full degree, and some do not respond at all. In rough numerical terms, it can be said that, of the national saving of £220 million made by the great cut in imports, about £70 million was lost by the fact that prices rose and a further £70 million by the fact that they rose unequally.

The other items making up the post-war deficit can be read off the tables. Government expenditure overseas was £284 million higher than in 1938. Net receipts from interest and dividends were £95 million lower and net receipts from "other invisibles" (shipping, insurance, banking, film remittances, tourist expenditures and the like) were £33 million lower.

The full reconciliation is thus as follows:—

1938 deficit.....	70
Effect of reduction of volume of imports and exports..	-220
Effect of fact that prices rose.....	70
Effect of fact that they rose unequally.....	70
Increase in Govt. expenditure.....	284
Reduction in interest receipts.....	95
Reduction in other invisible income.....	33
	400

1946 deficit..... It should be added that in the first half of 1947, the volume of imports increased more rapidly than the volume of exports, which added to the deficit at the annual rate of about £40

Australia and the Japanese Treaty

IN order that Australia should play an influential role in international affairs two things were necessary: that Australians should be aware of the existence of the world and that the world should be aware of the existence of Australia. The first of these conditions has been fulfilled as a result of the Pacific war and the great southward drive of Japan in 1942 to Timor, New Guinea, the Solomons and the very fringe of Australia itself. Before this, Australia and New Zealand had indeed taken part in the wars of the Empire or Commonwealth, once in South Africa and twice in Europe and the Middle East; to that extent their citizens could not but know that events beyond their encircling seas might involve them at any time in military expeditions and sacrifices. But such participation in world affairs remained on the whole indirect, even after the Statute of Westminster; there was no sense of immediate danger to Australia or of need for an independent foreign policy. Australia and New Zealand had no land frontiers and no sea-power seemed to be within striking distance; between the Pacific Dominions and remoter dangers the British Navy interposed its shield, and Anzac aid in an emergency was requital for this abiding protection. That was as far as either Dominion need really be involved; world politics were for London to worry about.

But in 1942 this conception—or, rather, this instinctive attitude—was violently upset. Neither the British nor the American Navy was able to provide protection; Australians suddenly found themselves alone facing possible invasion by a swarming and cruel Asiatic enemy. The shock was greater than has perhaps ever been fully understood in Great Britain. Without any wish to sever the ties of the Commonwealth, Australia was forced by circumstances to a new independence and self-reliance, to a new consciousness of political and strategic interests in a world wherein distances which had seemed infinite had been so drastically contracted. Japan's mushroom empire has crashed in ruin, but Asia remains, a vast enigma looming on the horizon of the Near North, full of incalculable possibilities. In the island of Java alone there are six times as many people as in the whole of Australia; in the two Indias, South-

million. Moreover, prices shot up still further and still more unequally. If both had risen only as much as export prices, that would have cost the country about £35 million a year. The additional rise of import prices added a further £100 million on an annual basis. These additions would have raised the annual rate of deficit to about £575 million. Of the "invisible" items, the "Economic Survey for 1947" anticipated a reduction of £125 million in Government expenditure overseas and some slight improvement in other invisibles.

It should also be explained, parenthetically for the purposes of this series of articles, that the "deficit" as used here is by no means synonymous with the amount of dollars that the British Government requires. For one thing, the general deficit may cover a surplus in trading with one group of countries and an even larger deficit with another group. As is notorious, this has been the case. Secondly, Britain has had to find the dollars needed by the other members of the sterling area and by the British zone of Germany. These dollars provided for others amounted, in the first half of 1947, before the crucial date of July 15th, when the convertibility obligation came into effect, to £111 million. Since July 15th, as everybody now knows, Great Britain has been providing dollars for all the world.

A following article will discuss some of the factors that will determine the future course of the British balance of payments.

East Asia, China and Japan together there are about 130 times as many. There can be no return to the old Antipodean seclusion, nor yet to the old willingness to leave world affairs to Britain. With the best will in the world, John Bull, living on the western fringe of Europe, cannot see things in the same perspective as they appear from down under in the longitudes of Tokyo, Vladivostok and Shanghai. And even if he did, he might not be able in the future, as he was not able in 1942, to do very much about it.

Australia, therefore, is irrevocably concerned about the world, and especially that part of it which borders on the Pacific Ocean. But Australia's concern is not by itself enough to make Australia's voice heard. A country, or even a continent, with a population of 7,000,000 (which may be reinforced with one and a half million New Zealanders) requires to assert itself rather emphatically in the international arena if it is to make larger nations take notice of its policies and opinions. Thus to put Australia on the map in international politics has been the purpose of Dr Evatt, and he has been aided in his task by the traditional Australian lack of reverence for the hierarchies of rank and status. In the last two years Australia has become famous (or, from some people's point of view, notorious) for the public baiting of Great Powers. At the San Francisco Conference there was an excited tremor of anticipation whenever Dr Evatt's initial words, "Speaking for Australia . . ." were heard in the hall, for everyone knew then that Mr Molotov was about to get what was coming to him. At the Paris Conference, too, the delegates of the smaller European Allies listened with envious admiration to audacities of speech which they deemed it unwise to permit themselves in controversy with Great Powers.

Moreover, it was not only towards the Soviet Union, so jealous for the rights of the strong against the weak, that Australia showed this boldness—which the cynics could explain by reference to Australia's remoteness from any Soviet frontier; even for a Power on whose goodwill Australia might seem much more dependent the lash of public criticism was not spared. In Tokyo, when it proved diplomatically impossible to add Australia as a fifth to the Big Four represented on the

The Alliance undertakes the duties of Executor and Trustee and of Trustee for Debenture Issues.

proving itself to be in the main a responsible and level-headed body and its majority report may well make specific and workable recommendations to the Assembly in September, when the Report will be submitted.

The Assembly will not be unduly handicapped by procedure in dealing with the issue. Unanimity is not required for a recommendation of the Assembly, which on a major question of this kind, however, must get two-thirds of the votes. Such a majority might be secured for some positive recommendation on Palestine. And it is worth remembering that, in framing such a recommendation, the Assembly is not in any way restricted to the trusteeship provisions of the Charter. That procedure would have required the mandatory to submit its trusteeship proposals, and until that initiative had been taken, the United Nations could not act. Britain at present administers Palestine in accordance with the resolution of the Assembly of the League of Nations at its 21st and final session in April, 1946, which took note of the expressed intention of mandatory powers to continue administering these territories "for the well-being and development of the peoples concerned" under the terms of their mandates until "other arrangements had been agreed between the United Nations and the respective power." Here again there is no mention of trusteeship, and in fact there is no reason to expect that the Assembly will favour that method of dealing with Palestine, now that the whole question has reached it in such unrestricted form.

A recommendation of the Assembly will, however, in the first instance be directed to Britain. It may be supposed that, other things being equal, there would be a strong moral obligation on the British Government to give effect to such a recommendation. But other things may not be equal. If Britain were required to take the relatively simple, though no doubt momentous, course of handing over authority in Palestine on a specified date to some newly to be constituted authority—an independent Palestinian Government, for example, or separate Arab and Jewish Governments, or an international body—well and good. But if the recommendation involved some new policy under continued British administration, it would have to be very carefully examined. If it were found to involve the British Government in commitments which went against its conscience or were beyond its resources, the Assembly would have to be asked to think again. The Government would then have the choice between maintain-

ing the *status quo* pending a new decision, and firmly announcing an early date for its own relinquishment of sovereignty. The former course might be more internationally correct, but the latter is the only one which would do justice to the realities of the situation.

* * *

Turkey Woos the Arab World

The Turks, in their efforts to improve and strengthen their relations with the Arab States, have little to show for two years' hard work. They have achieved a pact of friendship with Transjordan, whose King Abdullah paid a courtesy visit to Ankara last January. And they have a similar pact with Iraq which, even though it was only a harmless affair with annexes covering frontier control, customs, extradition, port facilities, communications and water control, including a Mixed Commission for the Tigris and Euphrates, nevertheless had to wait fourteen months for ratification. The delay in its ratification by the Iraq Parliament was not directed against its text, but was a demonstration on the one hand against its negotiators, the Regent, Prince Abdullilah and General Nuri Es-Said and on the other against a presumed British plot to line up the Arabs with Turkey in an "eastern bloc" against Russia.

The reasons for the Turkish failure are complex. Of the main obstacles only one was foreseen. It was realised that the Syrians had by no means reconciled themselves to the loss of the Sanjak of Alexandretta (Hatay), the port with its hinterland handed over to Turkey by the French in the summer of 1939. But the Turks undoubtedly under-estimated the strength of Syrian feeling on this issue, and the Syrian left wing, whose attitude to Turkey is conditioned by doctrinaire friendliness for Russia, has been able publicly to suggest that the issue of the Hatay should be brought before the United Nations. Consequently Turkey's gesture in being one of the earliest powers to recognise the independence of Syria and the Lebanon earned only half-hearted appreciation. Turkey would probably be ready to make economic concessions to mitigate the damage done to Aleppo which, by the transfer of the Hatay, lost its natural seaport, but such concessions could not form part of any new treaty as long as the frontier itself is in dispute.

In these circumstances it was unfortunate for Turkey, though perhaps inevitable, that its first successes should be with the two Hashemite countries. The result was that its good intentions became entangled in the "Greater Syria" project sponsored by King Abdullah, and its new links with Iraq and Transjordan were represented by the over-sensitive Syrian Republicans as an "encirclement" of Syria. Egypt, official opponent of "Greater Syria," is also extremely jealous of its hegemony in the Arab League and will resist any move which looks like putting Turkish leadership in its place.

* * *

The New Realist

Slowly, but relentlessly, the icy wind from off the Atlantic is restoring Mr Bevan's consciousness of current realities. Steps have now been announced to concentrate resources on finishing houses at present under construction, and on additional building for workers in farming, mining, and other key industries. New licences to private builders are no longer to be issued, except for the replacement of war-damaged houses or with the specific consent of the Ministry of Health's regional officers: consent will usually be given only in the case of housing for key workers. The Minister's special appeal, a fortnight ago, to local authorities in the mining area has been reinforced with a circular to the chairmen of housing committees in rural districts and county towns. And a long overdue streamlining of the building controls has been announced. The futile attempt to maintain detailed over-licence of 67 out of the ninety items at present controlled is to be abandoned, while at the same time the control of the remaining 23 is to be tightened up. These are the right lines of advance, and Mr Bevan's example deserves to be imitated in far wider fields.

But the question remains whether these measures, sound as they are, will produce results either quickly enough or on a big enough scale; for there are still two unpleasant facts to be faced. The need to curtail public investment means that the size of the housing programme as a whole must be reduced still further; and, secondly, new homes for workers in key industries will not go up fast enough to make much difference in the crucial period of the next year or two unless far more building labour can be diverted from work in non-priority areas. From both points of view, there is an overwhelming case for cutting local programmes of new building, and even for postponing many of those schemes which are already under way. And the need for more building labour in key areas should imply either direction on a scale which will certainly not be accepted or a policy of substantial cash inducements. There could be few less popular subjects among Ministers than even so small a segment of a wages policy; but may it not be dawning today even on the Labour party that a capacity for dealing firmly with unpleasant issues is the surest way to win public respect and confidence?

* * *

Green Thoughts from East Grinstead

Last winter greengrocers caused some indignation by charging up to 3s. 6d. apiece for dubious cabbages. Actually, they were doing nothing abnormal or immoral; greenstuffs were genuinely short for obvious reasons, rationing was impracticable, there was plenty of money about, and demand and supply did their usual job. Control might have cut profits for the consumers' benefit; it might also have driven greengrocers off the market altogether. Today the picture is different, an infuriating one of scarcity in plenty; cucumbers, lettuces and cabbages ploughed back, loads of peas and apples returned from Covent Garden to the farmer, of farmers blaming wholesalers, wholesalers blaming retailers, and retailers blaming the public.

This week, in consequence, the market gardeners of East Grinstead have taken matters into their own hands. Their Direct Supply Association has been selling produce like the hottest of hot cakes at open stalls in a Croydon arcade and reports of similar action are coming in from all sides. There is, of course, a great deal that is artificial about the whole scheme. Its novelty and the publicity it has won have doubtless attracted many of the customers. Moreover, as the retailers' spokesman has been quick to point out, the achievements of unpaid labour on rent-free stalls give no fair measure of what can be done by concerns with premises and assistance to pay for. Nor are the prices paid by the customers to the direct suppliers in every instance very much below the prices asked by the shops. But the growers have

obtained a better price, and they have not had the disheartening spectacle of their produce being turned back from the market.

Clearly, all farmers cannot turn retailer without detriment to their farming, nor will free stalls be permanently available in Kennard's Arcade or elsewhere. There is no sign that the Direct Supply Association can or will supersede the normal marketing methods. But it has put the wholesale and retail trade on notice to try to make profits by low prices and higher turnover. And if produce cannot in fact be sold at a margin of less than six times the grower's price by the normal wholesaler-retailer system then that system should be reformed, supplemented—or superseded. The provision of emergency outlets in time of glut, and the revival of the old-fashioned open markets, which in so many towns have been discouraged by councils overweighted with retailer interests, would make a world of difference. The proper long-term remedies for glut, the development of canning, bottling and quick-freezing, will take time; but no priorities, happily, are needed for East Grinstead's rebellion against wholesale and retail restrictionism.

* * *

Efficiency in Westminster and Whitehall

Last week's article in *The Economist* on "The Efficiency of the State" was given two illustrations before the paper appeared. On Friday, it was announced that Mr Morrison had tabled a series of amendments to the Standing Orders of the House of Commons, and on the previous day the publication of the third report of the Public Accounts Committee revealed that at the end of 1945 there were large arrears of taxes in the Inland Revenue Department, amounting to nearly £780 million.

These arrears are attributed to the difficulty of recruiting and training the necessary staff, and a similar staffing difficulty at the Ministry of Supply led to a delay in revising the selling prices of timber with a resulting loss of £9,000,000 a year. These are merely two specific instances of the main theme of last week's article—that Whitehall has more to do than it can cope with effectively. But is its burden to be lessened? So far from there being any sign that any of its present load is to be shed, Mr Morrison's amendments to the Standing Orders would seem to imply a further pressure of legislation, which would add to it.

These amendments have a history going back two years. On August 24, 1945, the Government appointed a Select Committee to consider parliamentary procedure and to report what alterations were necessary for the more efficient despatch of business. The Committee had before it a scheme drafted by a committee of Ministers of the Coalition Government, but not endorsed by the War Cabinet, which was designed to meet the special circumstances of the transition from war to peace, when there was bound to be a heavy legislative programme. Notwithstanding the experimental nature of the proposals, the Select Committee turned down a number of the Government's proposals, in particular those which would curtail debates on the Budget and further curtail debates in committee by giving the chairman power to disallow debate on the question that "The clause stand part . . ." Notwithstanding the Select Committee's objections and notwithstanding the fact that the original scheme was intended for the first session or two after the end of the war, the Government is now pushing on with these proposals along with others to which the Committee agreed. Yet most of its reconstruction legislation is now on the statute book. The only conclusion that can be drawn from its decision is that it still has a great deal of legislation in mind—and therefore more work for Whitehall—and is determined to push it through with the minimum of parliamentary control and criticism.

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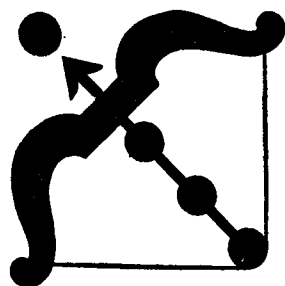
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American Oil Concession in Italy

Were it not for the fact that the Italian Communists are baiting their political campaign with bitter attacks on "dollar diplomacy" and "American capitalist infiltration," the news that the Standard Oil Company of Texas are negotiating with the Italian Government an oil concession in Northern Italy would probably not have aroused so much perturbed and hostile comment. In itself, the proposition is very reasonable. The presence of large quantities of methane gas near the mouth of the Po is a reliable indication of some oil reserves lying below, but the process of discovering the amount, the location and the depth of these reserves is long and very costly. Under the Fascist regime, many wells were drilled to an average depth of 3,000 to 4,000 feet, and a dribble of oil—between 15,000 and 20,000 tons annually—was extracted. But even this figure dwindled as the autarkic years went by. The reason for this relatively small return was quite simply that the Fascist Government had neither the capital nor the equipment to bore over a sufficiently wide area or to drive the borings down to the depth of 15,000 feet or more which is customary in the United States. Thus the question of the nature and extent of the oil reserves remained in doubt.

The great American oil companies are not hindered by any such material obstacles. They have the capital and the equipment, and the Standard Oil Company considers the risk of finding or not finding oil worth the \$6 million it proposes to invest. It seeks a wide enough area to justify its researches, and has asked for three years in which to conduct the explorations. If at the end of that time oil has been discovered, the Italian Government will be free to negotiate the terms of a long-term exploitation of Italian oil.

In spite of the complete reasonableness of the agreement, it may nevertheless have unfortunate political repercussions. Were it an isolated incident in a balanced foreign policy, Communist criticism would fall on less susceptible ears. But it is the extent of American influence and infiltration that causes alarm. American interests have acquired holdings in such key firms as Fiat's and (it is believed) Montecatini's. Italy's dependence upon dollar loans is underlined by the almost permanent session of an Italian Negotiating Commission in Washington, and each month brings rumours of new American purchases and concessions. The effect of these reports would be less disturbing if they were combined with more vigorous Government measures to combat the black market, profiteering, tax evasion and the blatantly luxurious living of the privileged few. Since they are not, it is not surprising that not only the Communists see de Gasperi's policy as one of "making Italy safe for American capital."

* * *

The Assistance Board's Task

The first two instalments of the social security programme—family allowances and higher old-age pensions—which came into force last year are reflected in the report of the Assistance Board for 1946 [Cmd. 7184]. When family allowances were first introduced, the effect on the income of families on assistance was merely that their assistance payments were docked by an amount corresponding to their family allowances, but this hardship was partly mitigated later when the Assistance Board increased its scale rates for dependent children by 1s. 6d. a week, except for children aged 5, 6 and 7, for whom the increase was 3s. The number of children in respect of whom the Assistance Board was making payments was 132,000.

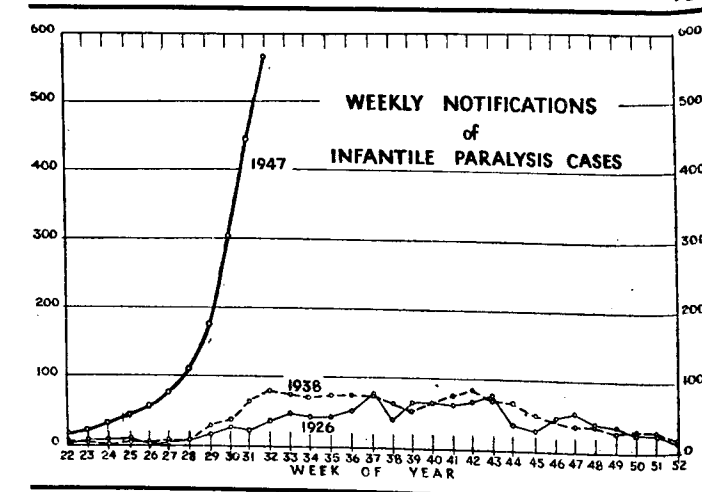
The increase in old-age pensions had a much greater effect on the Assistance Board's work. In October, after the new basic pensions had been introduced, 935,000 of its 1,470,000 pensioners ceased to need supplementary payments. Of these, about 100,000 were no better off—that is, they lost in the supplement exactly the same amount as they gained on the basic pension. The remainder gained an amount averaging 3s. 10d. a week; but there were wide variations ranging from as little as 6d. to as much as 21s. or even more.

But the fall in the Assistance Board's work, caused by the increase in basic pensions, is likely to be only temporary. Indeed, in the non-monetary sphere it is spreading out in new directions doing agency work for other Departments—finding out whether pensioners satisfy the retirement conditions, investigating needs for the welfare foods scheme, and so on. It is also continuing, where wanted, its welfare work among old-age pensioners whether receiving supplementary payments or not. From next July, too, it will take over from the local authorities the supplementation of benefits in respect of the sick and disabled and those pensioners who now fall outside its scope, and the payment of assistance

to those who fail to qualify for benefit in any form. There is also a possibility that if the cost of living rises further, the Assistance Board's scale rates will have to be revised upwards, which will mean not only that its supplementary payments in general will be larger than expected, but also that in particular many of its lost pensioners will return to its fold. The Assistance Board certainly has a future, and each succeeding report shows that its machinery is flexible enough for its new tasks. The great unsettled question is whether, in inheriting the ragtag and bobtail of the poor law, it will also inherit its stigma and unpopularity.

Shorter Notes

The chart below compares the weekly new notifications of infantile paralysis this year with notifications in 1938 and 1926—the only previous years, since notification became compulsory in 1912, when there has been a sizeable epidemic. This year's epidemic has been taken as starting in the twenty-second week of the year, that is, May 24th to 31st. It will be seen that in 1938



the first peak was reached in the thirty-second week (ending August 13) when 80 cases were notified. The final peak was not reached until the third week of October, when 85 cases were notified. In this year's epidemic, notifications in the week ended August 9th showed an increase of only 27 per cent over the previous week, whereas in each of the preceding four weeks the increase was about 50 per cent. It is thus possible that this year's peak is beginning to flatten out. It is worth pointing out in any year when the disease is more than usually prevalent, many mild cases are diagnosed which in normal years escape notice.

Certain changes in Whitehall have been made necessary by the creation of the two new Dominions of India and Pakistan. The appointment of Mr Arthur Henderson, formerly Parliamentary Under-Secretary of State for India, to be Minister of State in the newly established Commonwealth Relations Office, which is to take the place of the Dominions Office, was announced last Friday. The staff of the India Office will also be transferred to the Commonwealth Relations Office, which may well have to face some more difficult problems than did its predecessor.

Since the Soviet delegate has vetoed all action on Greece in the Security Council, the United States has asked the Secretary-General of the United Nations to place "Threats to the political independence and territorial integrity of Greece" on the agenda for the General Assembly.

As a result of the recommendations in the interim report of the Curtis committee, the Home Office has appointed a Central Training Council in Child Care. This council, the membership of which was announced last Saturday, is to arrange with some universities and local education authorities for facilities to train suitable women for work with children who have been deprived of a normal home life. There will be two courses of training, one for boarding-out officers, who should have high educational qualifications, to supervise children placed in foster homes, and one for house mothers in children's homes. Training is all very well, and a certain amount is probably necessary. But it is to be hoped that the course for house mothers in particular will be flexible enough and wide enough not to exclude women obviously suitable by temperament and inclination for looking after children, but who cannot master technicalities or pass examinations.

Letters to the Editor

The Economic Crisis

SIR,—I do not wish to engage in barren controversy, but I must insist that much of your comment to my letter in your issue of August 16th seems to be beside the point. I also had intended to refer to aggregate output, and not simply to that of manufacturing industry; I had not imagined that an economist would be accused of making so egregious a blunder as to confuse the two. Though some of my statements could be taken as referring solely to manufacturing industry, they are also applicable to the provision of services, where hours are also less than pre-war and productivity almost certainly lower. I can but repeat the implications of my essential statement; with employment in the aggregate (and not merely in manufacturing) only about 6 per cent above pre-war, shorter hours almost everywhere, and lower productivity in many major fields, where does an increase in aggregate output of from 10 to 20 per cent come from?

May I make three points on the details? First, I suggest that your argument based on an assumed rise in prices of more than 70 per cent is vitiated by the inadequacy of the national income at factor cost as a measure of output (there is, in fact, an element of circular reasoning in your statement), particularly in that it cannot allow for changes in quality, a matter of primary importance in circumstances in which services bulk so largely.

Secondly, you refer to the higher level of personal expenditure on consumers' goods and services (at 1938 market prices) in 1946 as compared with 1938. But the relevant figure is that for the National Cost of Personal Consumption; this is not given for 1946, but from the series (including that to which you refer) which are available in the National Income White Paper, it seems that it was still below that for 1938, and this was the basis of my (conservative) statement that we had in 1946 barely reached the standards of 1938, without making any allowance for deterioration in quality of goods and services.

Thirdly, though you "would not deny that standards of quality have deteriorated" you seem reluctant to recognise the effect of this. Thus, even the small excess of personal expenditure in 1946 over 1938 to which you refer more than disappears if a single correction is made for the additional water bought in the form of beer. Or, again, another item on which personal expenditure (at 1938 prices) has increased is "books, newspapers and magazines"—which must be only one example of a "higher output" obtained with fewer workers, engaged for shorter hours, and using smaller quantities of materials.

I leave on one side the ambiguities involved in the fact that the "too many services" which we are alleged to be producing are concentrated in the Armed Forces and Government Service. These points (which could be elaborated and extended) simply emphasise my contention that the figures of National Income and Expenditure are now poor guides either to output or to welfare. I maintain my original suggestion that output in the aggregate (if, indeed, any valid meaning can now be attached to this) is not in so healthy a state as you imply. As a regular reader of *The Economist*, I certainly would not accuse you of believing that the British economy is in a healthy condition; it is precisely because of this that I deplore what I believe to be the error which I have endeavoured to point out.—Yours faithfully,

S. R. DENNISON

Gonville and Caius College, Cambridge

SIR,—Surely Mr Dennison is right, and even ultra-cautious, in doubting your contention that there is nothing much wrong with "the aggregate output of the community." If statistical calculations, based on national income data, really suggest that our aggregate output is from 10 to 20 per cent higher than in 1938, that adds another to the many good reasons for distrusting the reliability of global calculations of this sort.

First, the figures on which they are based are inevitably of date. In this case they relate to 1946, when our productivity was less unsatisfactory than it has since become, though the conclusion which you draw is expressed in the present tense. Second, they entail a number of artificial assumptions, as, for example, that the incomes of a clerk in Whitehall engaged in administering controls and of another clerk employed in private business to wrestle with these controls are a fair measure of the contribution which they make to our "aggregate output." This may be what you have in mind in saying that our production is badly distributed, and that we have "too many services and too

few goods." But, as such services are not ends in themselves, it seems more to the point to say that the contention which you endorse is a statistical illusion.

Again, the deterioration in the quality of many of our goods and services is surely not to be dismissed as a trifle or treated as irrelevant to the question of the volume of output. The poorer average quality of our coal is equivalent to a decline in volume, and I would entreat you to remember this when you urge us to export 30 million tons out of an available 200 million tons of coal. In terms of tonnage that would no doubt "leave for home requirements 170 million tons against the pre-war inland consumption of about 180 million tons." But what would be the reduction in calorific value?—Yours faithfully,

5 South Parks Road, Oxford

HUBERT D. HENDERSON

SIR,—In commenting on Mr J. R. Hicks' letter in *The Economist* of August 16th you suggest that the "natural" level of the pound would be lower in terms of dollars, and that the time for devaluing it "may be approaching very fast."

Is not this a misreading of the circumstances? The pressure to buy dollars in the exchange markets of the world is due to an immediate need of resources, which only the United States can meet. It is possible to meet this pressure by raising the price of dollars. If the resulting high prices are a sufficient deterrent on imports and stimulus of exports, equilibrium may be attained. But high prices may be a very inadequate deterrent on imports, and the stimulus to exports is likely to result in sales below world prices. As Mr Hicks says, "devaluation would turn the terms of trade against us"; if the greater volume of exports yields reduced prices in terms of foreign money units, the total proceeds may actually be diminished. Even at the present dollar value of the pound, that has already occurred, as Mr Hill-Smith pointed out. The index of British imports has reached 265, that of exports only 221, of wages 167. There are limits to the disparity of wages and prices. Devaluation would be only too likely to defeat its purpose by accelerating the rise of the wage level.

We are not relying either on the high prices of imports or on the high profits of exports to secure equilibrium. We are restricting consumption by measures of austerity, and the limit on our exports is the amount of productive resources thereby released. That process is consistent with any rate of exchange which allows an adequate profit on exports.

The price level and wage level in the United States are rising, and have not reached their limit, and, so long as the pound is linked to the dollar, even at the existing rate, we shall participate in the progress of inflation there. What is needed is not a devaluation but an up-valuation of the pound. A time will come when the rise in the American price level is reversed, and the link of the pound with the dollar will mean participating in deflation. Then will come the clamour for devaluation, but devaluation will then mean the continuance of inflation and a further degradation of the pound.—Yours faithfully,

29 Argyll Road, W.8

R. G. HAWTREY.

"Keep Left"—But How?

SIR,—If the writer of the Notes of the Week looks again at *Hansard*, he will see that I used the word "rationalisation" and not "nationalisation," as he quotes me as saying. Subsequently, in the speech, I tried to make two suggestions: first, that the Government should take effective steps to rationalise British industry, and second, that it should give a lead in Paris for at least a European Customs Union with a common currency. The application of Socialist ideas referred to the first point, by which I meant that industry should be judged, not by the dividends it yields, but by the service it renders. We accept the nationalisation of 20 per cent of industry, provided steel is included; but we do want the remaining 80 per cent to be efficient and socially useful. (See "Keep Left," pages 22-26.) This means standardisation, mass production, and concentration of industry. Mr Kaldor has shown that the price of a wide range of consumers' goods were four times as high as they need be, if full advantage had been taken of the potentialities of standardised mass production. A foundry making ordinary cast-iron cisterns has twenty-three different patterns when one would do. Each local authority in the country requires a different type of bus, whereas if they were standardised the manufacturers could reduce their costs

considerably. The same argument applies to housing fixtures and in many types of engineering. In the building industry there are nearly 100,000 firms employing less than twenty people. The latest census of production shows that there were 30,000 firms having between them ten and a hundred workers covering about one-fifth of all factory workers and that, in addition, there were 130,000 firms in the factory trades who employed normally ten workers each. In agriculture the need is just as great. If a comparison is made with New Zealand, the production per man-hour there is probably five times greater than it is here. Over 80 per cent of the herds in New Zealand are machine milked, as against approximately 20 per cent in this country. We average about twenty cows per milker, as against fifty in New Zealand. One could go on indefinitely with examples of this kind, but perhaps the best over-all picture is that since 1938 the expenditure on capital equipment in American industry was £4,000 million, against Britain's £650 million.

The job of the Government is to take steps to reorganise the 80 per cent of British industry which is not being nationalised. This means the introduction of mass production, standardisation and much greater mechanisation. It means the Government making available capital, plant and equipment in order to increase production, and the placing of bulk orders so as to ensure continuity. It means, too, the reduction of the number of firms in each industry by concentration and amalgamations, and even the elimination of some industries which are not socially justified. Steps taken on these lines vigorously would probably indicate that we are not short of manpower, and would release over a period production sufficient for the home market and for the export trade as well. This is what we mean by a Socialist approach.—Yours faithfully,

R. W. G. MACKAY

House of Commons

[Nationalisation was a misprint, for which we apologise. Our comment was based on the assumption that Mr Mackay had said rationalisation.—EDITOR.]

What is Wrong with the Press?

SIR,—I have just seen your two articles on the Press on my return from abroad. As a journalist who held responsible positions during 24 years in Fleet Street, I feel that *The Economist* has not been as judiciously perceptive as usual on two points.

(1) You state in your own summary of your argument that much that is complained of in daily newspapers "arises from bad traditions, inadequate education and false values" (I entirely agree), but you add the words "among journalists," suggesting to me that this employed section of specialists in each producing unit in the industry imposes its personal crudities on a heart-broken and impotent management which has failed in its triple task of raising their bad traditions to its own good ones, of rewarding only the more educated of its employees, and of directing their energies to the pure values for which it is renowned. The unfair impression caused by your sweeping remark, which I cannot think represents your considered view, is not removed by your later true statement that "it is grossly unfair to assume that the only culprits are the proprietors or the shareholders."

(2) For these admitted evils you say "the remedy lies largely in their [the journalists'] hands." Any practical journalist would ask what precise remedy you think should begin to be applied tomorrow morning by the staff of the *Daily So-and-So*. Should the rank and file of its members hold a private meeting behind the backs of their proprietor and editor (who do not normally consult them on policy) and decide that as from sunset the bad traditions and false values for which the *Daily So-and-So* was distinguished would no longer be acceptable and must be abolished? And should the staff then notify the proprietor and editor of their decision? And what would the proprietor and editor do? Would they cry "Splendid! We have long wished for this day"?

My experience is that the consistent tone which distinguishes each newspaper represents the policy of its management to a close degree, and that managements are sensitive and resentful of employees attempting to discuss with them the "tone" of a paper's content and of its presentation. Unless, therefore, *The Economist* advocates the raising of newspaper standards by the action of revolutionary cells on the proprietors' premises, I fail to see what direct action journalists as a whole can take except to ventilate, at the annual national meeting of their trade union, their collective embarrassment at any false values which they think beset their calling. The individual rank-and-file journalist cannot influence the policy of his paper to any degree. He can merely, within the framework of its tone and policy, try to be an upright craftsman. I believe the great majority do so. The individual journalist who is a senior executive can do something to encourage personal standards of conduct, but it is often beyond his power to alter

the sillier traditions of a newspaper, and few men with children to educate can convince themselves that a one-man strike would achieve anything.

I deplore the misrepresentation which underlies your patriarchal picture of "the proprietors . . . dining of an evening" while, in their absence, the news is being mishandled in their offices by specialists who exemplify "the ignorance of the journalist." That picture is as naïve as your assurance that the National Union of Journalists has the right, the power or the organisation to interpose in offices to check policies of sensationalism and irresponsibility. Have you forgotten the *Daily Mail* machine-room unionists' attempt to influence policy the night before the General Strike? In practice the tone and policy in most big papers represent the collective prejudices of a group of perhaps a dozen people (directors, departmental heads and their deputies), including only one professional journalist the editor. The criticisms, comments and *obiter dicta* of this group form the determining pattern of policy. While your proprietor is dining your ignorant journalist makes up the front page, knowing what this group has commended and disliked in front-page headlines, pictures and treatment of news every day for the past year. If he does not closely read the minds of his masters he is rapidly displaced.

I am anxious not to make the proprietor or anyone else an easy scapegoat. Press responsibility is so complex that it can be explored only with tolerance, patience and insight. That is why I complain that your two generalisations about journalists are very unfair.—Yours faithfully,

ROBERT SINCLAIR

Garway, Quill Hall Lane, Amersham, Bucks

Conservatives in the Garden

SIR,—On behalf of the group of Conservative Members of Parliament responsible for the production of the pamphlet "Policy for British Horticulture," may we thank you for the generous mention you made of it in your "Notes of the Week," of August 9th, and at the same time comment upon a criticism you make of it. You chide us for not having dealt with the problems of Covent Garden, of distribution generally, and of the gap between growers' and retailers' prices. We refrained from doing so deliberately. As is made clear in the pamphlet, it is a survey of horticultural production. The group is now engaged upon an investigation of the whole problem of distribution and prices, which will be the subject of a separate and subsequent report. You state that the gap between growers' and retailers' prices is "not even mentioned," but may we draw your attention to lines 3 to 16 of page 16. You express disapproval of the Group's advocacy of greater

From *The Economist* of 1847

August 21, 1847.

THE great alterations made in our laws within a few years, which were by one party proclaimed to be in opposition to the Coronation Oath—the continual demands now made on Ministers for measures that are supposed to be beneficial, without any question of their being according to the Constitution—the continual promises made by them to introduce laws or carry out measures that were never heard of before, convince us that the general practices of Ministers are very much in conformity with Lord Palmerston's language. Instead of finding the rules for their conduct in the narrow principles of the Constitution or what our forefathers laid down as law, they really seek for truth and aim at doing justice. They have become philosophers, and philosophy is fast taking the place of the Constitution. To seek for truth and to do justice is to set aside or reform the law. Ministers, like other men, fail very often, and do not find what they seek, which is not surprising, considering how their time is occupied with official business . . . but, in the main, no longer confining themselves to old practices, they do what Lord Palmerston says they ought to do. The difference between former and present principles is very plain . . . it requires only a slight recollection of the past and an almost cursory observation of the present to acquire an immediate conviction that a most important change, amounting to a revolution, has taken place in the character of the Government. . . . Founded in conquest, maintained by constraint and coercion, relying on sharp laws and sharper swords to preserve obedience, it has gradually been changed, till it has become, unknowingly and unintentionally, an instrument for discovering truth, by "rubbing one man's opinions against another's," and doing abstract and perfect justice.

control over imports of fruit and vegetables, but we ask you to consider the practical results of the Ministry of Food's present policy. In the first ten days of the main Kent cherry season 2,800 tons of Italian cherries were dumped on to the London market, transport being diverted from Kent to Tilbury to carry them. The market for British plums has been spoilt by heavy importations of Italian plums. In the last fortnight of July very heavy arrivals of Dutch and Canary tomatoes left British growers without a market for their produce.

At the present time British cucumber growers are being told not to send their produce to market owing to its being glutted with heavy importations of Dutch produce. With a record crop of British apples cooking varieties are almost unsaleable, but Italian apple imports are permitted. This is the practical result of the alternative policy of not safeguarding the interests of the home-grower.

The disappearance of soft fruit from the shops the day after the imposition of price control was due to the Ministry of Food pre-empting supplies to the jam factories. It was the fault neither of the grower nor the retailer. Nearly a year ago our Group urged upon the Minister of Food the abandonment of pre-empting. This he has agreed to do as from the end of the present season. Incidentally he has also announced, yesterday, the restoration of a free market in fruit and vegetable retailing. Now anyone can become a greengrocer without a licence. This welcome recognition of the virtues and value of free competition is very relevant to our Group's present inquiry into marketing and retailing.

Yours faithfully,

ALAN LENNOX-BOYD
JOHN BAKER WHITE

The Security Council and Dependent Peoples

SIR,—A very significant, and from the point of view of colonial peoples, a very vital precedent was established by the Security Council on Tuesday, August 12th, when it decided to hear delegates of the Indonesian Republic in the present deadlock with Holland. I call this vital, because hitherto every effort had been made by the interested parties to put the machinery of Uno and the Security Council out of the reach of the Colonies and depen-

Books and Publications

The Value of Victorian Virtues

"La Répartition de la Population sur le Territoire Belge." By C. Mertens, S.J. Louvain. (Price not stated). 302 pages.

THE happy combination of Samuel Smiles and the Rochdale Pioneers which has put Belgium in the front rank of European reconstruction shows to advantage in Fr. Mertens. Taking the by no means inspiring subject—at least at first sight—of the geographical distribution of the population of Belgium, he has succeeded in fashioning from it an absorbing study of the economic, demographic and social anatomy of his country, rising at times to real eloquence. "Fascinated by progress, enterprising without rashness, wary without timidity, endowed with astonishing adaptability, but above all hard-working and tenacious"—ing Thucydides himself have done better as a panegyric on his fellow-countrymen? Inevitably there are weak patches. There would have been room for more statistical analysis; and on the policy side, in particular, Fr. Mertens might reasonably have gone a little further than his close knowledge of the Barlow Report has taken him. It is possible that his later visits to England may have provided him with ideas for a second edition. But, even on the side of policy, what he has to say is interesting and suggestive. Town planners should be specially interested in his justification of the "urban" pattern of Belgium as against the doctrine of the city wall and the clear division between town and country normally accepted here.

In a way, perhaps, the most interesting feature of his work is the outlook from which it is written. When faced with the horns of a dilemma, the tendency is for Protestants to ride off on one while Catholics seat themselves firmly on both. Fr. Mertens' outlook is Catholic enough, in every sense of the word, to include equal enthusiasm for the pioneers of Belgian big industry and the founders of the *Bœrenbond* and the *Jeunesse Agricole Chrétienne*. Perhaps he is sometimes a little biased on the bour-

dencies, and until Tuesday, this interpretation of the Charter had been tacitly accepted by all.

I may point out that when the suggestion to hear the Indonesians was made, Britain, France and Belgium, the only "colony" owners apart from Holland, voted against it, and in Britain very little publicity and discussion was given to the Security Council's decision either by the BBC or by the daily newspapers.

Nevertheless, the suggestion, which was carried, put a definitely new interpretation on the Charter, and marks a definite approach to the international status of colonies and dependencies. It is now established that in case of a clash, armed or unarmed, between a dependent people and their imperial power, the dependent peoples have a right to a hearing, by the Security Council—a change which I hope will engage the close scrutiny and attention of international students and colonial politicians.—Yours sincerely,

Hugh Stewart Hall, Nottingham

VICTOR OWUSU

Italy's Former Colonies

SIR,—Professor Bentwich has challenged a suggestion regarding the future of Italy's former Colonies, feeling that "some of the statements" (in Mr Cora's letter) "should be corrected in the interests of truth and justice." In doing so he has himself made statements that need correcting in the same interests.

He claims that "all the people of Eritrea are agreed that the Italian rule should not return in any form" and that "the Somalis had a positive hatred of their ex-masters." It must be emphasised that neither Professor Bentwich nor anybody else has any means of knowing what all the people of Eritrea desire. Nor can he utter on behalf of the Somalis. There is no means of knowing what these peoples want.

It seems that wide truths have been assumed from individual opinions. Some, but not all, Somalis evince dislike of Italians. Experienced observers on the spot maintain that the ruling antipathy of the Somali people is towards Ethiopia, to which, Professor Bentwich claims, they are "historically, ethnically and economically attached." On all counts this statement, at any rate as far as the Somalis are concerned, is grossly untrue.—Yours faithfully,

NIGEL VINEY

(formerly British Somaliland Military Administration)

Green End House, Aylesbury

Political Invective

"Our New Masters." By Colm Brogan. Hollis and Carter. 223 pages. 8s. 6d.

"Most political invective derives not from personal emotion but from tactical necessities" wrote Hugh Kingsmill in the introduction to his anthology, "Invective and Abuse." To this rule Mr Brogan provides an exception. To write over 200 quarto pages of unremitting onslaught on the members of the present Government must require a degree of personal emotion; and from the tactical viewpoint it would surely have more effect if this mass

of material were sliced into small articles suitable for the pages of "Tory Challenge."

Mr Brogan works his way systematically through the Parliamentary Labour Party ("a feeble and querulous thing . . . corrupted by Continental Socialism and shallow internationalism"), from Mr Attlee, whose main crime, curiously enough, seems to have been his support of collective security, through Sir Stafford Cripps ("Sir Stafford is not right in the head"), Mr Shinwell ("really a very thoughtless man") and other Ministers, down to the back-benchers, "whose blank, uncomprehending faces speak of the emptiness of their souls." The more prominent features of the Labour landscape are carefully pointed out: the contraposition of Intellectuals and Trade-Unionists, of Mr Morrison and Mr Bevin, of class war and appeals for national unity. And, turning to the wider world, Mr Brogan finds time to explain the real significance of the division of Europe. "On the one side are solidifying the forces which accept Christian principles and profess faith in human responsibility and freedom. (These forces are known to the *News-Chronicle* as Reaction, for short.)" Is one to infer that the atheistic, totalitarian, malicious and irresponsible Labour Party depicted by Mr Brogan has its real habitat in Eastern Europe and not in Transport House?

The publisher's blurb quotes James Bridie in support of the claim that Mr Brogan is a satirist unrivalled for "urbane derision." That may well be; but this latest of his books makes no attempt at either satire or urbanity. It is humorous, but the humour springs from Thomas Carlyle, not from Voltaire. It is a vigorous, bludgeoning humour strongly reminiscent of Carlyle's judgments on his contemporaries. And, like Carlyle's unceasing condemnations, it is highly amusing at first; but it becomes intolerably tedious. If Mr Brogan really wants to damage our new masters, he would do well to study the technique of Mr Lytton Strachey.

A Marxist Prognosis

"The Coming Crisis." By Fritz Sternberg. Gollancz. 214 pages. 7s. 6d.

Year by year, in pious patience, vengeful Mrs Boffkin sits

Waiting for the Sleary babies to develop Sleary's fits. . . .

READERS of Kipling will remember that Sleary's fits were the product of Pears' shaving soap and of an understandable desire

to end his engagement to Minnie Boffkin. The crisis of 1929, for whose successor Mr Stalin and his supporters in all lands are waiting with equally pious patience, was unfortunately the genuine article. "The Coming Crisis" is quite the best full-length analysis which has yet appeared of the grounds on which Communist hopes, thinly disguised as disinterested fears, are based. The 1929 crisis was unlike all others in that it broke upon a world whose hitherto adequate safety valves—imperialist economic expansion, emigration to new countries, exploitation of an internal "frontier"—were no longer functioning and had, indeed, been permanently sealed down; and the difference was plainly shown in that there was no real recovery until war again temporarily resolved the capitalist dilemma. Nothing in that dilemma has changed; the safety valves have not been restored; ergo, the crisis must return. It will begin, as it began before, in America, whose productive capacity has been enormously increased, whose internal market is bound to be inadequate, and which cannot hope to find in the widest imaginable expansion of exports a means of disposing of its surplus. The likeliest American solution is a *Wehrwirtschaft* on the German model, diverting the surplus of productive power into warlike preparations; different in externals, since America is incurably civilian-minded and will glorify neither uniform nor war, but perfectly possible in essentials, in the guise of a multiplication of secret Oak Ridges and the like. The ensuing explosion of a would-be American *Blitzkrieg* against Russia would end civilisation.

The remedy lies in an American drive against native monopoly capitalism, beginning with a full employment policy which will shift the balance of class power; in a conviction among the American people that their technical and productive superiority does not carry with it any possibility of lightning victory, and/or of escape from the full horrors of any Third World War; in the end of American support for "foreign reactionaries" whose own policy spreads and intensifies crisis; in fact, in American acceptance of Socialism at home and abroad.

If allowance is made for that propensity to tactical oversimplification, *suppressio veri*, deliberate ambiguity, and slanderous imputation of motive, which is the moral occupational disease of most Marxist writers, this is a recognisable account of the past. If for the word "inevitable" one reads throughout "possible," it can even be taken seriously as a forecast of the future. But the proviso is important.

AMERICAN SURVEY

Marshalling Facts

(From Our US Editorial Staff)

WHEN, on June 22, President Truman simultaneously designated three separate committees to advise him on the domestic implications of the foreign aid programme, there were some who recalled the wartime adage that an executive order to do a job was nothing more than a licence to get into the fight to decide who was to do it. But in this case there are indications that an overall strategy lay behind the designations, and that care is being taken to avoid more than a minimum of duplication. Under the allocation of responsibility that has been worked out, the committee on national resources, headed by Mr Krug, the Secretary of the Interior, is making a series of industry studies: on steel, transportation equipment, metals other than steel, textiles and fibres, leather and leather goods, agricultural products, machinery and equipment, coal, petroleum, farm machinery, chemicals, wood and paper, rubber and its manufactures, metals and their manufactures exclusive of machinery and vehicles. These product analyses will serve as the basis of an overall report to be drafted by the Department of the Interior, with editorial help from representatives of a number of other Government agencies. In this summary, the manpower transportation and electric power resources of the United States will also be reviewed. The Council of Economic Advisers' report (prepared under Mr Paul Homan, chairman of its Foreign Aid Committee) will deal with the impact of foreign aid programmes on American resources and the domestic economy generally.

These two documents will be internal jobs by government agencies. The Committee of Nineteen under Mr Harriman, the Secretary of Commerce, will have its staff-work done in his Department, but its members are a cross-section of private citizens, ranging in origins from Massachusetts to California and in economic position over an area equally wide. The names of members of its main subcommittee, on economic and financial analysis, are illustrative: Mr Owen Young, chairman; Dr Harold Moulton, of Brookings Institution; Mr W. Randolph Burgess, of the National City Bank; Mr Paul G. Hoffman, of the Studebaker Corporation and of the Committee on Economic Development; Professors Calvin Hoover, of Duke, and Edward Mason, of Harvard. The industry reports of the Krug Committee will serve as documentation for the Nineteen's other subcommittees, on capital and durable goods, consumer goods, food resources, manpower, mineral resources and transportation. Mr Robert M. La Follette, former Progressive Senator from Wisconsin, is chairman of the Harriman drafting committee. It is anticipated that his report, in addition to estimating the range of assistance possible, will be a policy proposal, saying what, in the Committee's view, would be a wise programme of foreign aid, in view of the political situation in the United States as well as of its economic capacities, of the political and economic situations elsewhere, and of prospective results of the aid programme beyond the immediate period of rehabilitation.

At first sight, this structure exhibits some of the massive fumbling of a glacier. But it has direction. At the technical level, the staffs of the various agencies concerned—and the staff were in Washington in war agencies and knew each other then. The same is true of many of the members of the Committee of Nineteen. Beneath the external proliferation there is considerable unity.

The glacier's untidy landscape, moreover, has great political advantage. There is strength in the demonstrable Republican-

ism of some of the Nineteen, and in the demonstrable relation of many of them to the pressure groups likely to be potent when the aid programme is voted on. Provision is even being made for getting the views of some groups—the farm organisations, for instance—that are not directly represented. The United States is a big country; support has to be accumulated in many places.

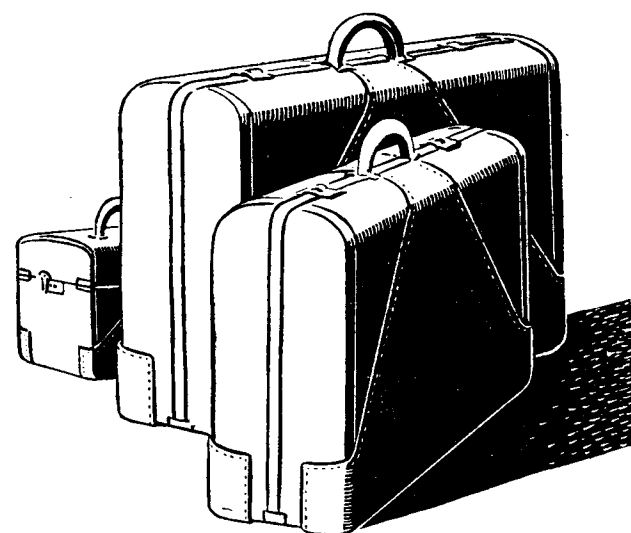
And if there is positive strength in assembling ideas from many sources, there is also negative strength in not providing a single target for attack, particularly in view of what the target would have been. The Departments of Commerce and the Interior are logical places to get advice on a matter which after all is of great concern to the domestic economy; the State Department's striped trousers are a standing temptation to an irreverent people. The attitude of the State Department towards the present arrangements indicates foresight rather than slight.

In the schedule of the glacier, September is the critical month. October 1st is the present deadline for the Committee of Nineteen's report. But there are two other glaciers in the neighbourhood whose grindings must also be considered. One of these is centred in Paris; a statement of American capacities would come more appropriately after a statement of requirements.

The other is the bipartisan Select Committee on Foreign Aid, also of nineteen members, appointed by the Speaker of the House of Representatives in the last days of the Congressional session. A resolution for such a committee was submitted by Congressman Herter of Massachusetts last April, and while Mr Eaton of the Foreign Affairs Committee is the nominal chairman, Mr Herter will act as executive. This committee sails for Europe in a body on August 27th; after consultation on board it will divide into subcommittees for investigations to last some five weeks, with return reservations on October 4th. Three general consultants have been appointed, comparable to the Harriman Committee members: Messrs Allen Dulles, John Hancock, and Julius Klein. An unsettled question is whether the Harriman Committee shall withhold its report until after conversations with the returning Congressmen, or greet them with the document as they dock.

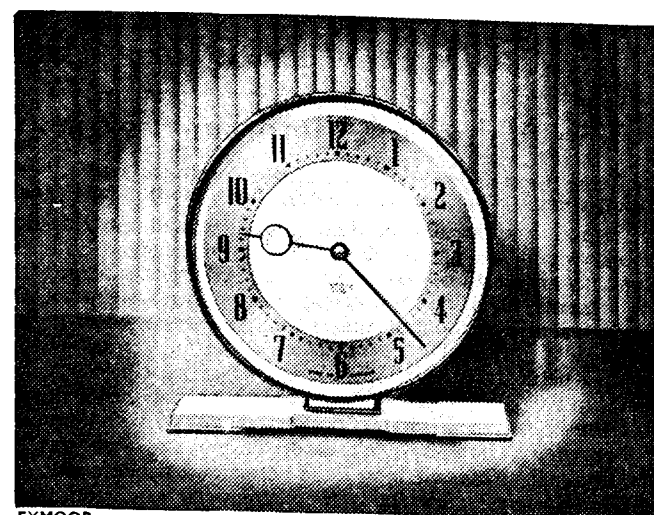
Among the political-economic factors on the agenda of the various groups, the most potent is likely to be the direction that the curve of foreign trade is taking in October. In June, US exports showed a decline to \$1,242 million, or 13 per cent below the post-war high of \$1,422 million in May. Commercial exports accounted for \$1,201.6 million of the June total, and were down 12 per cent from the previous month. While June exports included no shipments under post-Unrra relief and only \$20,000 of Greek-Turkish aid, these figures draw attention to the fact stressed in the mid-year report of the Council of Economic Advisers, but not yet absorbed by the country, that overseas requirements, the Marshall plan included, are very

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



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likely to be less in the immediate future than they have been lately. The Krug subcommittees' instructions include the assumption of continued high-level production, but other possibilities may be included in the agenda somewhere along the line.

A slackening of economic pace might make a real difference in the availability even of some of the tightest items—turbo-electric generating equipment, for instance—for which contracts now cover all American capacity for several years ahead. Under such circumstances, allocations might be worked out quietly on a voluntary basis: in the machinery category the number of companies concerned is not very large—three each in mining equipment, electric equipment, and locomotives, though to find a freight car to attach to the locomotive is a different matter.

When it comes to agricultural products, indeed, the shoe is on the other foot. The line from the Southern folksong, "By an' by hard times comes a-knockin' at the door" is already in the minds of the tobacco farmers of Virginia and North Carolina; there is even speculation on the merits of a 10-year bilateral agreement with Britain which would assure supplies free for two years in return for a guaranteed market, at a given percentage of "parity," for the next eight. The course of this trial balloon shows which way the wind is blowing in quarters hitherto strong in support of free trade. Officials of the State Department, hearing these rumours, now must remember rather bleakly the testimony they gave to Congress last winter in favour of the International Trade Organisation and the full rigours of multilateralism.

American Notes

Moral Suasion Fails

Faced with a more or less general disposition to ignore Presidential warnings on price dangers, and with new price increases in farm products, foodstuffs, coal, steel and automobiles, the Administration last week decided that moral suasion is no longer quite enough. The gentle urgency of Presidential denunciations has been replaced by a declaration from the Department of Justice that a nation-wide investigation will shortly cover food, clothing and housing costs, and that "where criminal conspiracies are found to blame for high prices, prosecutions will be started." Determination of guilt, declared Mr Tom Clark, the Attorney-General, must now be followed by gaol sentences for "all individual profiteers, and top fines for all corporations."

At a subsequent conference, Mr Truman admitted somewhat ruefully that he did not expect the investigation to "force down prices," but that it would expose those who were charging prices higher than is warranted. In fact, the investigation, which represents little more than an extension of recent endeavours by the Federal Trade Commission to check "price maintenance" in the retail field, is in itself a confession of the impotence of government, and is probably intended to provide a reasonable answer by the executive branch to any charges which may follow from the Congressional price investigations to begin this autumn, with Senator Taft in control, as chairman of the Congressional Economic Committee.

The new drive opened this week with a fanfare of publicity, and the first specific charge in the new anti-trust campaign. The Federal Trade Commission has given notice that almost the entire steel industry must answer the accusation that twenty-six corporations have for many years "collectively composed, published, and announced prices in a wrongful and unlawful manner." The FTC has extremely wide power of investigation and can issue "cease and desist orders" whenever it decides that company procedure violates the Anti-trust Laws. It can also avoid protracted court procedure and thus quicken the pace of anti-trust action. But its record does not suggest an efficient administrative

body (largely for reasons beyond its own control) and it has certainly proved in the past to be incapable of continuing control over those industries which have been judged to be offenders under the Sherman and related Acts.

Meanwhile, wholesale prices touched a new peak this month, with the Bureau of Labour Index (1926) at 151, against 141 in December, and with the cost-of-living index (1935-39) at a new high point of 157 in June, against 153 in December. The collapse so frequently and so long forecast will certainly not arrive in time to ease dollar shortages abroad, and will certainly not be hastened by the investigations now under way.

Wage Rate Peaks

Against this background wage rates are still rising to new peaks wherever organised labour can find a clause in a wage contract sufficiently broad to allow "re-negotiation." And on the latest evidence President Truman is still backing the claims of the unions to enjoy fresh wage advances without price disturbances. Spokesmen for the American Federation of Labour declared recently that a general process of wage revision must come about unless industry agreed to voluntary price reductions, and this cry has been taken up by representatives of the Congress of Industrial Organisations. Some of the CIO unions are going as far as to suggest that Congress should be brought back in special session for the reimposition of price controls.

The movement of wage rates and weekly earnings since 1939 makes very interesting reading. Those tabulated below refer only to selected manufacturing industries. Farm workers have secured even greater gains, the July average of daily rates (without board) being \$5.17, an increase of more than 300 per cent from 1940:

	INDUSTRIAL HOURLY EARNINGS		
	Durable Goods Industries	Non-Durable Goods Industries	Average
1939.....	\$ 0.698	\$ 0.582	\$ 0.633
1946.....	1.156	1.012	1.084
1946, December.....	1.216	1.077	1.148
1947, June.....	1.294	1.138	1.220

For all manufacturing industry in 1939, the gross weekly wage was \$23.86. By 1944, the weekly average had risen to just beyond \$46, declining to below \$44 over 1946, and rising to the new peak of just below \$49 in June last. In fact, of course, organised labour, generally, has held no more than a very modest share, in terms of real wages of this nominal increase. The Department of Labour estimated recently that May earnings of \$48.46 were equivalent, after tax deductions, to no more than \$26.46 in terms of 1939 prices to a single worker and to less than \$30 for a worker married and with two children. These figures, moreover, do not reveal the extent to which the highly organised and aggressive unions have been able to secure advantages at the expense of those less favourably placed. Since the collapse of price control last autumn the purchasing power of many millions of lower-grade workers must have suffered severely.

President Truman's mid-year report to Congress repeated his earlier request, made last January, for a revision of social security benefits and for an increase in the minimum wage level of 40 cents an hour for industrial workers engaged in interstate commerce. The President then declared that the existing minimum (authorised by the Fair Labour Standards Act) was equivalent to no more than 25 cents an hour in terms of pre-war prices. Many attempts were made during the past session of Congress to revise this minimum to at least 60 cents; one group of New Deal Democrats attempted to secure a minimum level of 75 cents by 1949, but the move was finally blocked by the majority party largely because, if there is to be a revision, it had clearly better be done in election year.

Inquisition by Committee

The notoriety which attended, and the collapse which has followed, the Ferguson-Brewster investigation into the wartime airplane contracts awarded to Mr Howard Hughes and Mr Henry Kaiser has provided a healthy warning to other probing legislators. Not even the midget dumped in Mr J. P. Morgan's lap during an investigation into investment banking in 1933 exceeded the irrelevance of most of the testimony in this inquiry. What might have been a serious investigation into contract awards degenerated rapidly into the public laundezing of highly dubious expense

accounts. But what chiefly contributed to the discomfiture of the investigators, and the speedy adjournment of the hearings, was the fact that the Senators who went fishing for minnows found they had caught two fish with much more fight in them, Mr Hughes and Mr Elliot Roosevelt. Congress, in search of the raw material of legislation, enjoys virtually unlimited powers of investigation. Committee hearings suffer no hindrance from the safeguards which characterise judicial procedure, and this guerilla warfare has usually been at the expense of the witnesses. But this time it was the investigators who fled before Mr Hughes' aggressive countercharge that Senator Brewster had offered to call off the hearings in return for the acquiescence of Transcontinental and Western Airlines in the formation of a proposed monopoly for overseas operations.

The short-term effect of the extravaganza was to divert public attention from the mounting crisis in Europe and to spread a non-partisan smear over witnesses and investigators alike, as well as a number of government officials. Over a longer period, however, a useful purpose may be served if it induces, either by changes in the law, or purely by the force of horrid example, more self-discipline on the part of investigating committees. The committee probe is, by its very nature, a focus of controversy, and many observers doubt whether the compulsory powers enjoyed by Congressional committees can be curtailed without impairing their usefulness. But one reform very widely supported is that the power to investigate should be limited to those standing committees which also write the laws; that muck-raking for its own sweet sake should end. The Legislative Reorganisation Act passed last year originally contained a prohibition of special committees like the War Investigating Committee under whose auspices the Hughes inquiry took place. This was sacrificed to secure the agreement of the House, and has been disregarded in fact; but a limitation of inquisitorial powers to permanent committees might raise the standards of hearings.

Newsprint Prospect

The newsprint "famine" in the United States has in the last few months produced a special survey by the Tariff Commission, an independent inquiry by a Congressional committee, and another investigation by a Federal grand jury on behalf of the Anti-trust division of the Department of Justice. The judicial investigation, designed to sift the evidence supporting recent charges of collusion between large publishing groups and mill-owners, at the expense of smaller units in the trade, will presumably continue for some time. The Tariff Commission and a House Committee have meanwhile established the fact that a very determined effort will be needed to expand newsprint supplies in North America, although domestic output of all grades of paper and paper-board has recently established a record annual rate of 21 million tons—very nearly double the 1929 boom rate.

The Tariff Commission survey gives the following picture:—

	Newsprint output, consumption and imports.		
	Consumption	Domestic output	Imports
1929	3.8	1.4	2.4
1939	3.5	0.9	2.6
1944	3.1	0.7	2.4
1946	4.3	0.8	3.5

Canadian newsprint capacity is now about 4,300,000 tons. Capacity in the United States in 1947 is estimated at 850,000 tons, with consumption still expanding slowly at 4,400,000. The Commission takes a sober view of the possibilities of any expansion in US production because domestic costs are relatively high and are still rising; suitable pulpwood supplies are fast diminishing, and other grades of paper offer more attractive price margins for the mills (largely because of protective duties). In the South, where raw materials are in fairly good supply, it is held that "the limits of expansion" are probably within the range of 150,000 to 200,000 tons yearly.

As for so many other materials, the United States is thus now turning to Alaska for an expansion in supply. Here, possible output, on an entirely economic basis, is put as high as 1,000,000 tons yearly, but in order to secure this, it will be necessary to develop power sites, logging equipment and mills, a task that will probably take two years and cost more than \$100 million. Development has been complicated by Indian tribal claims which were recently shelved by Congress. So far, American industry has not shown any great enthusiasm for development in this region, while expansion in Canada has been delayed by memories

of the drastic slump in newsprint prices which followed from the 1920 boom. The survey by the House Committee, only summarised versions of which are available on this side of the Atlantic, seems to have followed from a far less detailed investigation. It declares, for example, that the South could support a newsprint industry with an annual capacity of 1,500,000 to 2,000,000 tons "with proper reforestation," but it does not, apparently, outline such a programme, which would certainly entail a considerable amount of Federal support.

Newspaper publishers here can only sigh for a sight of the "stringency" that afflicts their American colleagues. In 1946, US daily newspapers had a combined daily circulation of fifty million copies, averaging 22 pages, although postwar stress found its reflection in a fall of 20 pages in the average size of Sunday editions, which are now a mere 70 pages.

Westward Ho!

The westward stream of migration, which dropped to a trickle with the closing of the frontier and the end of free land in 1890, reappeared during the war years. Census figures just published show that between 1940 and 1946 California, Oregon and Washington, on the Pacific Coast, gained 3,481,000 inhabitants an increase of 33.9 per cent. The rate of increase for the other 45 states was only 3 per cent. In spite of a natural net increase in the nation between 1940 and 1946 of over 9,000,000, 17 states showed absolute drops in population, and 12 other states kept their total constant only by very narrow margins.

In these 29 states there was a net outward movement of 4.5 million. There was a call from both coasts; it was the inland states—the Dakotas, the mountain states, the South—which suffered the heaviest losses. The eastern seaboard managed to do a little better than hold its own. A century after the Gold Rush of 1848, California is once more the new frontier; that state led the list with a population increase of 2,485,000, an increase of 36.2 per cent. The lure of gold was replaced by that of the war industries and the golden climate of California. How permanent this movement may prove to be is another matter, but as yet there is no pronounced exodus.

The figures for California lend a peculiar interest to the reported determination of the Democratic National Committee to stage next year's Presidential Convention in Los Angeles or San Francisco. California, already third in population after New York and Pennsylvania, has 25 electoral votes. It will have more in 1950 when there is a new distribution of votes. California played a critical role in the Wilson election in 1916 and in nominating President Roosevelt in 1932. All the omens are that its influence will continue to grow. What the influence will be, in national politics, of a state in which the party boundaries are so lightly treated, and nonsense of all kinds so highly esteemed as they are in California, is incalculable. It explains, however, the desperate efforts that have been made to quench the Wallace boom in California and bring the Democratic Party into line in that state.

Shorter Notes

A crushing blow was dealt last week to hopes of an effective third party led by Mr Wallace, when Senator Pepper—"Red" Pepper to his enemies—came out loud and strong in favour of another term for President Truman. Senator Pepper is the staunchest New Dealer and the most congenial ally Mr Wallace possesses in the Senate. His intention to remain loyal to his party will strengthen the Democrats' appeal to labour as much as it weakens Mr Wallace's proposed bolt.

President Truman has appointed three new members to the National Labour Relations Board which, under the new Labour Act, has specific authority to regulate "unfair labour practices." The new members are: Mr. Robert Denham, a conservative-Democrat lawyer, who will be general counsel to the Board; Mr Abe Murdock, a former Utah Senator and New Deal advocate, and Mr J. Copeland Gray, who has gained an extensive experience of labour problems on the Wage Stabilisation Board and the Regional War Labour Board. Mr Gray's political colour has been determined as "liberal-Republican." The Senate gave a somewhat grudging approval to these appointments before adjournment, but through pressure of time, neglected to give formal confirmation. The three nominees will serve by interim appointment until January next. A more widely welcomed appointment is that of Mr Cyrus Ching as head of the now autonomous Federal Mediation and Conciliation Service.

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THE WORLD OVERSEAS

M. Ramadier's Cleft Stick

(From Our Paris Correspondent)

A GREAT deal of criticism has been levelled, some of it with excellent reason, at the integrity and wisdom of certain important sections of the French Socialist Party. Nevertheless, in fairness it must be admitted that at their thirty-ninth annual congress, which took place at Lyons last week-end, they were certainly caught between the devil and the deep blue sea.

The fundamental issue lay between the "participationists" and the "anti-participationists." If the Socialists leave the Government today the two surviving partners of the coalition—the Radicals and the MRP—will cease to command a majority, the parliamentary machine will be paralysed, the new constitution further discredited, and "*La république en danger*" will become something more than a melodramatic party slogan. French instability and political confusion, already all too apparent to the fifteen other partners at the Marshall talks and to the "observers" from the International Bank (who are over here looking into France's claims for another emergency \$250 million loan) will be blared out in headlines from Washington to Moscow. In the ensuing confusion the Communists may well manoeuvre themselves back into office and eliminate France as an effective partner in the Marshall planning. These arguments are telling enough even in the mouths of Socialist leaders who have jobs, and not unnaturally want to keep them.

The second alternative is scarcely more appealing: it means conciliating the two partners on the Right. In practice this involves the abandonment of the Socialist policy for tighter economic controls and more severe rationing and food collecting, for a new fiscal policy and for colonial reforms which imply a greater degree of autonomy for the native populations and less protection for the European minorities than the other two parties could be induced to sanction. "What is the sense of our party staying in office to carry out a policy exactly the reverse of its own?" is a question which is being asked by a great many Socialists who are neither "cryptos" nor fools, nor necessarily vote cadgers.

The Congress Evades the Issue

The Socialist dilemma is plainly one of expediency rather than principle. They must weigh up the disadvantages of two displeasing but inevitable alternatives. The one thing they cannot do is to elaborate a policy and impose it on the country, since that would need more than the backing of a quarter of the electorate and a diminishing voting strength.

The Socialist Annual Congress characteristically evaded this choice between evils. It contented itself with dragging out the crisis which keeps on, almost—but not quite—demolishing the coalition, and has already quite demolished public respect for the Government's authority. Before the Congress dispersed, it had voted resolutions, firstly, to authorise M. Ramadier to stay in office; secondly, to command him to follow a policy which would make this impossible. In his few months of office M. Ramadier has earned a reputation for conciliation and reconciliation which has sometimes approached the miraculous, and this time he will certainly need all his talents. The immediate issue will be the Statute of Algeria, which comes back before the Assembly this week and the Socialist bill for strengthening governmental authority to tighten food distribution. Tempers are frayed, and this interminable session is not made less exasperating by the tropical heat. Moods, especially of French politicians, are unpredictable and much will depend on moods.

If the Socialist deputies follow party orders to the letter and refuse to conform to the well-developed precedents for political haggling in the lobbies of the Chamber, it is quite possible that they may find the Prime Minister, M. Ramadier, has once again left the fold. M. Ramadier has a long experience of recalcitrance to party orders, and he is reported not only to have passed many years outside the party, but, when in, to have been brought before the Party's disciplinary council no less than 29 times. He is con-

vinced that it is his duty and privilege to show that France can be governed in defiance of the Communists, and would be very adverse to a forced retirement.

Danger of a Split

A split in the French Socialist party would be deplorable from the European point of view, and would very gravely prejudice what chances France still has of achieving stable government within what the West understands by a democratic framework. It is to be hoped that the French Socialists will profit from the sad examples of division and downfall of their comrades in Italy and Eastern Europe. Three forces may keep the party and Government from disintegrating: the great personal influence of Paul Ramadier's principal adviser, chief of the "participationists" and still by far the best beloved of the party leaders, Léon Blum; secondly, a joint desire to make the best of the Marshall offer, which may keep both the coalition and the Socialists from disintegrating, at least while the Paris conference continues; finally—strongest of all cohesive forces—the hostility inspired by jealousy, suspicion, fear or plain exasperation, felt by almost the whole Socialist party towards the Communists. This was the dominant characteristic of the Lyons Congress. It was evident not only in the outspoken words of the Prime Minister, but in the general tone of the debates. The Socialists have certainly moved a very long way since their last year's Congress, when a substantial section of the party was still advocating "*l'unité d'action ouvrier*."

Whatever the Socialists should and could do in their unhappy predicament, one thing is certain: their Congress did nothing either to enhance their own prestige or to strengthen France's wavering faith in the value of the party system and parliamentary government in general. After prolonged debates only a week ago the theoretically sovereign Assembly twice voted confidence in the Government. The party Congress, which represents about 1 per cent of the electorate (party membership is about 300,000), was then able to decide whether or not it chose to overrule and reverse the decision of parliament. Thus it did no good either to the Government, or to the Assembly or to itself.

Economics of Franco's Spain—II

The Poverty of the People

By A SPECIAL CORRESPONDENT

THE disparity between the standards of rich and poor, always a striking feature of Spain, is on the increase. Ever since the civil war there has been a steady tendency to inflation. During 1946 it got well out of hand, causing a great stock-exchange boom and heavy sacrifices by the fixed-income classes, in which under a dictatorship the workers are included. Largely, as the Bank of Spain's report for the year shows, this can be attributed to heavy calls on the capital market and especially to government borrowing. But the rise in prices caused by the disastrous 1945 harvest and the subsequent growth of the black market are other factors, while much of the boom in variable-interest securities was due to a rush to convert money into the apparently safer form of industrial and real estate shares.

At first the government found it convenient to take the line of justifying the inflation; "Hispanicus," the economic journalist who is popularly supposed to be Franco himself, quoted the standard arguments about inflation's stimulating effects. More recently, however, the tendency has been to pretend that it is not taking place, to censor the evidence and to avoid the use of the word itself. The government is trying to restore control, increasing taxation and cutting down borrowing. With various transitory factors to help it—the temporary exhaustion of the demand for

capital after the spate of new capital issues in December, the withdrawal by the syndicates of large deposits in order to pay for the first instalment of Argentine imports, and its own selling of 400 million pesetas' worth of shares in the Telephone Company—it was able at the beginning of this year to check the rise both in food prices and in the note circulation. Nevertheless, there is no sign of any reduction in government expenditure; industrial and raw-material prices were still rising at the beginning of the year; the note circulation is rising again, and it will not be possible to say whether the inflation has really been mastered until after the usual heavy autumn demands for agricultural credit have taken effect. The government is nervous about the psychological repercussions of raising the fiduciary issue—at present limited to 23 billion pesetas—but it seems unlikely that it can avoid this step.

The Cost of Franco's Bodyguard

The Ministry of Finance is not above practising a certain amount of deception. Instead of a cut of 144 million pesetas in the army estimates, as announced by the Minister, who added last year's extraordinary expenditure to the actual budget figure in making this calculation, there has been an increase this year of 775 million pesetas, or over a third. An ingenious trick, too, was used two years back in order to conceal the increase in expenditure: the prizes awarded in the State lottery were removed from the expenditure side and transferred to Revenue as a deduction from lottery receipts. And the Falangist party, which seemed to drop out of the budget after 1945, just as it seemed to drop out of politics, has in fact been smuggled in under the (largely clerical) skirts of the Ministry of Education, which now pays for the greater part of its activities—198 million pesetas this year against an official budget for the Falange of only 36 million. It is not surprising therefore that the full budget, in which alone these deceptions are apparent, is not available to the public. With it one can discover other interesting facts; for example, the annual expenditure for Franco's bodyguard is 16 million pesetas this year—which is equivalent to fifty times the grant to the Prado or over a sixth of the annual budget of the Ministry of Agriculture, and is some measure of the value placed by the Spanish government on the superficialities as opposed to the realities of prosperity. This can be further confirmed by anyone who saw the show put on for Señora Perón or who visits the newer government offices.

Paying for Protection

Though many of Spain's problems are inevitable, the great proportion of the state's expenditure (48 per cent of the 1947 budget), devoted to armed forces, civil guard, *Seguridad* and *Falange*, is a specific feature of the present regime. Hitherto it has been able to finance such heavy unproductive expenditure by large-scale borrowing and the introduction of extraordinary estimates, almost entirely devoted to the armed forces, to supplement the main budget, compelling the banks to subscribe to its loans. But besides its contribution to the inflation all this waste of money is beginning to have another effect: the banks are returning their government stocks to the Bank of Spain (especially the 2½ per cent Treasury bonds) as security for loans, so that to an increasing extent it is the latter from whom the government is really borrowing. Yet it cannot easily cut down. Whether or no the government is really frightened by the foreign bogies which it conjures up for the benefit of the public, it must for consistency's sake keep up the appearance of facing an outside threat. Moreover, it would be politically disastrous for it to harm the interests of the 25,000 regular army officers whose pay in 1946 cost the taxpayer more than did either housing or social insurance. Nor could it possibly cut down on the 92,000 police unless it were in a stronger position than at present.

The food shortage and the lack of raw materials have severely affected the living conditions of the middle and working-class Spaniard in the towns, and the landless labourer. Though the situation is in some ways much better than last summer, when the effects of the 1945 drought were still being felt, there is no sign of permanent improvement. Wages, tightly controlled, have been unable to follow prices upward, with the result that even in 1945, before the inflation had taken effect, the official index showed real wages for men as 30-50 per cent below the 1936 level (allowing for Sunday pay). Nor does the Spanish insurance system pay large enough benefits to affect this greatly. Payment for holidays and Sundays brings a worker's basic wage up by roughly a quarter, and then the Insurance Institute pays a fixed scale, irrespective of the basic wage-rate, for children under 14, which may be supplemented by pooling schemes run within the individual firm. But the rates are low. The average insured worker with a family in 1946 was drawing 2.16 pesetas a day under

the various provisions of the family allowance scheme, and although women's pay has increased more than men's it seems unlikely that there is to-day any working-class family in Spain which is better off in terms of real wages than it would have been in 1936.

Rations in Town and Country

During 1946 the official cost of living index rose by a third and the food index by over 40 per cent, with the wholesale black-market food index, as calculated by the LAFICO economic newsletter (Madrid), rising by 56 per cent. And though the rations have improved since last summer they are still startlingly low. There are endless local variations and no consistent policy other than for bread, so that only random examples can be given: e.g., a month's rations in Seville this spring comprised a litre of oil, 500 grammes of sugar, 300 each of rice and dried cod, 700 of beans, 200 of soap and 50 of coffee; and in Jerez a litre of oil, 500 grammes of beans, 300 each of sugar and cod, 200 of rice and 100 each of soap and vermicelli, all at controlled prices, which, though low, are not low enough to prevent some people from being unable to buy their whole ration. In villages the situation is worse. Whether through inefficiency or on the assumption that the peasants have their own source of supply, rations are announced which are not in fact available in the shops, and even the bread ration is not always honoured. All Spaniards are driven to the black market, whether as buyers, or sellers, or both, and the outward evidence of misery is obvious enough.

It is not only the workers who are driven to dishonesty by the need to use the black market. One of the chief causes of the petty racketeering by minor officials and of the deals in army rations is the low pay of junior officers and the bottom grades of the civil service. The evils of the situation are cumulative, and the black market, whose chief stimulus was the unusually bad harvest of 1945, is now so firmly rooted that even the record olive crop of last year could not shake it. Allowing for exports, 37 per cent more oil than the 1931-35 average was produced for home consumption. But it is still rationed, and sold on the black market in Seville, the centre of the olive area, at two and a half to three times the controlled price. Average exports in 1939-43 were less than half those of 1931-35, and they have since dropped even further. Moreover, all exports through the port of Seville in 1946 were compensated by imports of soya oil, and as this is not available in the shops as such it is fair to assume that it is mixed in with the ordinary oil ration. With neither agricultural difficulties nor foreign trade restricting the quantity available for consumption the shortage is a great tribute to the power of the black market. Such conditions exaggerate the effects of the fundamental difficulties and keep the cost of living artificially high.

Need for New Houses

The housing situation, too, is extremely unfavourable. The great shortage of building materials, in which there is, of course, an active black market, the growth of speculative building and the lack of any firm central policy has meant that the number of new dwellings offered at reasonable rents is very low indeed. The Banco Urquijo in its report for 1946, calculates that there was a shortage of 500,000 dwellings in January, 1946. To keep pace with the growth of the population 62,500 additional dwellings a year are needed, quite apart from the replacement of the 30 per cent of existing dwellings which are officially condemned. But the building actually undertaken bears no relation to the needs. Only 24,000 new dwellings were authorised by the *Fiscalia Superior de la Vivienda* in 1945, and, though probably about 10 per cent more were authorised last year, too many builders apply for licences without ever intending to carry them out in order to get the materials to make it likely that anything like those numbers were built—roughly one-third of the dwellings authorised in 1945 were completed during the year. All this means that overcrowding continues—even the casual visitor can find in Madrid a family of eight living in one room, or in Seville eighteen families in a small tenement sharing a single kitchen and a blocked-up lavatory. Unless the state is able to introduce a drastic and undoubtedly very expensive plan conditions will get worse rather than better.

Yet complacency seems to be the order of the day. "Such is the extent," says the "Spanish Newsreel," the official propaganda sheet in English, "of the work done by the National Housing Institute and other similar institutions, that it is impossible to do it justice. It may well stand as an example to those who wish to judge our regime by the work which has been accomplished during its term of existence." In Spain, one must realise, there are depths of silliness as well as of misery, which are difficult to imagine from this side of the Pyrenean Iron Curtain.

West Indian Conflicts

[BY A CORRESPONDENT]

THE Report of West Indies Development and Welfare for 1945-46, prepared by Sir John Macpherson (who succeeded Sir Frank Stockdale as Comptroller in 1945), contains little that is new. Most of the facts and arguments about the West Indies which it sets out are already familiar to those who have attempted a critical appreciation of Sir Frank Stockdale's two preceding Reports, and the distressing picture of the future prospects of the West Indian Colonies which has already been drawn will hardly be dispelled by the plain and unvarnished story of two more years of administrative work which Sir John Macpherson tells.

In some ways, however, the present Report may be thought to mark the end of an epoch in West Indian affairs. The "development and welfare" approach to economic, social, and political problems has failed so obviously that even the most reluctant will be driven to think a little about the way things are drifting, and of the direction that long-term trends are taking. Hitherto, for instance, the classic example of the clash between economic realities and starry-eyed idealism has been in the field of education. The application of this argument is greatly widened in the present Report; several other examples of the operation of the limiting economic factors are now presented to the public for the first time. The most striking of these is given in the section of the Report dealing with Town Planning and Housing Schemes, from which it appears that it has only been possible to allocate the trifling sum of £42,000 for housing in the draft development plan proposed by the Government of the Leeward Islands. It is nevertheless pointed out that the cost of carrying out a single scheme involving the moving of 187 families from one of the worst slum areas in the capital town of one of the three Presidencies of the Colony would absorb nearly half this sum, which is all that will be available during the next ten years for all housing schemes, rural as well as urban. The general conclusion is that "the housing problem in the West Indies cannot be solved by subsidies under the Colonial Development and Welfare Acts of 1940 and 1945."

This may be taken as a pretty fair random sample, as well as a useful illustration of the situation which confronts the administrator in one way or another over and over again in the daily run of the official mill, and the obvious conclusions can be shirked no longer. Although the intellectual discomforts which this process has created have not hitherto led to direct changes in official policy, there has nevertheless been a tendency for "welfare" to be allowed to recede into the background, and for "development" to become the primary aim and objective of public administration. This becomes explicit in the Housing section of the report, where Development and Welfare policy is defined anew as aiming at "concentration of capital expenditure on development projects calculated to raise the general standard of living." The emphasis lies on "welfare through development."

No New Policy

This being so, it might therefore be expected that the beginnings might be seen in the present Report of a new policy and a new programme. But this is not the case; all that there is of fresh argument may be described as a simple reaction from the present situation. The truth is that the politician still calls for "welfare," whilst the official planner is beginning to call for "development." The outcome of this clash is a dangerous state of drift that will continue until a constructive policy is adopted in which "welfare" is utilised as the force energising the "development" programme. That there is little chance that anything like this will emerge from the administrative machine as now constituted, however, is obvious from the fact that the grants under the Act of 1945 are administered on an "overall" basis; that is to say, certain total sums have been made available to each Colony to finance development schemes gathered together in so-called "Sketch Plans" applicable to a period of ten years. This has had the consequence in the first place of intensifying inter-departmental rivalries. Secondly, and still more important, as the allocation of the sums between services has been left to the individual Colonies preparing the Sketch Plans the initiative in matters of development and welfare has passed from West Indies Development and Welfare to the Colonial Governments, and the effectiveness of that body as a planning agency has been sadly undermined.

The result is an unhappy collision in which the services with the least political influence have gone to the wall, and as a matter

of fact rather than of theory "welfare" has triumphed at the expense of "development." Barbados, for instance, has been allocated £800,000 under the Act of 1945; this is included in the total estimated expenditure of £2,611,726 provided for under the Barbados "Sketch Plan" for 1946-56 which allocates £727,570 to public health, £534,000 for Housing and Town Planning, £446,806 to Education, and £200,000 to Social Welfare. In contrast, £533,000 is allocated to Water, £486,806 to Agriculture and £50,000 to "Industrial Development." So far as Barbados is concerned therefore, the 1945 Act will be "dead" if and when the Sketch Plan is approved; nothing more could then be achieved under it towards securing a new objective such as "welfare through development."

Too Timid Measures

So far as economic organisation is concerned, we are only just beginning (in the present Report) to emerge from a state of intellectual sloth in which all the shortcomings of the region are attributed directly to "laziness" and indirectly to the unchangeable influence of the climate. This greater awareness of the complexities of human behaviour is certainly welcome, but it is disappointing that the diagnosis of the economic ills of the West Indies is so negative. The importance of the rapidity of the growth of population in the West Indies is emphasised; quite rightly so, for it is pointed out that recent censuses estimate it at 2,848,947 in 1946, as compared with 2,028,412 in 1921. The increased cost of living is regarded as a serious burden and a considerable source of embarrassment to Governments; the low productivity of labour, and delays in increasing basic productivity generally is stated to be a cause of "deep disappointment." Considerable gains have been recorded since the Royal Commission went to work in the depressed years, but the present economic position is unstable:

It is by no means certain that these gains can be consolidated, or that there has been any fundamental progress towards a solution of the basic economic problems of the area.

Indeed,

the restrained optimism with which this measure of progress should be greeted must be tempered by a recognition of the largely artificial character of the war-time gains.

There may be some doubt as to whether the facts thus presented justify even the measure of "restrained optimism" accorded to them. Even if the prices of West Indian exports have risen, the adverse balance of trade of Jamaica has increased from £2,400,000 in 1936 to £4,800,000 in 1945 (imports being exactly double exports) whilst Trinidad converted a favourable balance of one million West Indian dollars in 1939 into an adverse balance of \$17,800,000 in 1946. The instability of the economies of the West Indian Colonies may be appreciated from the fact that Jamaica had the benefit of substantial "invisible exports" in the shape of the earnings of agricultural labourers in the United States, which amounted to approximately £3,800,000. This source of revenue cannot be counted on in the future.

We therefore find ourselves compelled to this conclusion: West Indies Development and Welfare has mainly restricted itself in the past to surveying the overall social and economic problems of the region, but has not addressed itself to finding solutions for them which will lead to lasting improvements; it lost most of its potentialities as an energising influence in the affairs of the West Indies when the system of "overall" grants was adopted. The initiative has now passed to the Colonial Governments, busy with the preparation and discussion of Sketch Plans. Sir John Macpherson expresses the hope that "all the Colonies will then be able to embark on the orderly execution of large-scale programmes of development that will be based on sound financial planning." But this is a very slender hope, to say the least of it. He recognises that "in the enlarged conception of development planning it is essential that high priority be given to projects that will increase the national income in a more immediate and definite sense" than would result from the extension of the social services; he expresses the belief that "responsible opinion today is much more optimistic than was the Royal Commission about the prospects of increased industrial development in the area." But all still remains to be done in the way of preparing detailed plans for the development of specific industrial and other projects to utilise the resources of the West Indies, particularly manpower. There is little hope that this can be achieved until West Indies Development and Welfare is reconstituted as a regional planning body, possessing sufficient political authority to overcome vested interests, ignorance, and inertia. Whether or not this will be possible will depend on the outcome of the negotiations now proceeding towards the establishment of a West Indian Federation.

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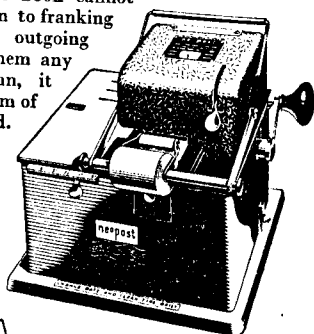
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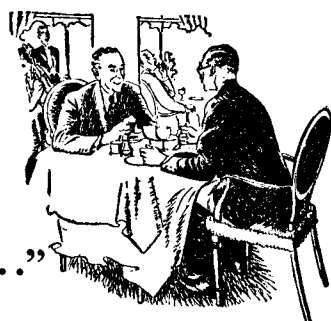


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THE BUSINESS WORLD

Sterling's Future Role

THIS is indeed a year of abandoned targets. On July 15th Britain announced its punctual fulfilment, almost to the letter, of the onerous convertibility obligations of the Washington Loan Agreement and confidently proclaimed that the new facilities for turning sterling into dollars would involve no undue additional strain upon its shrinking dollar reserves—but might, in due course, even help to relieve the pressure. Now, only five weeks later, the new system embodied in a complex network of laboriously negotiated international agreements has been utterly engulfed in a torrent of overseas demands for dollars.

In a broadcast on Wednesday evening, the Chancellor announced that the new facilities for overseas holders of using sterling freely for dollar purchases would be "temporarily suspended" forthwith—except from persons residing in the dollar area—the area known technically as the American Account countries—and Canada. This departure from an obligation in the Loan Agreement by which the United States has always set great store has of course been made in consultation with the Washington authorities, whose attitude is said to have been one of sympathetic understanding, but it has not resulted from any formal negotiation of a waiver of the convertibility provisions. In form, Mr. Dalton's letter to the Secretary of the US Treasury is a unilateral notification that the obligation is at present insupportable, and Mr. Snyder's reply expresses no acceptance of the proposition but simply that the British Government's decision and proposed action have been "noted." Moreover, the suspension applies not only to what might be called the "July 15th" series of agreements with other countries—the agreements concluded just before or just after the convertibility zero hour determined by the Loan Agreement—but extends also to the special arrangements for convertibility negotiated much earlier, such as the Argentine agreement of last autumn.

Blow to British Prestige

This is undeniably a bitter pill for such countries to swallow, though it has a little sugar-coating—of very costly sugar, let them observe, in terms of Britain's dollars. The new restraint upon convertibility will not operate for releases already agreed from accumulated sterling balances: the only category of sterling which is affected is that accruing as a result of new current transactions. Even more important, on any sober reckoning, is the fact that, though dollar convertibility ceases, free and the multilateral convertibility of sterling remains elsewhere in the world, through the sterling area and the now far-flung transferable accounts area, with convertibility by administrative arrangement in many other countries. But, despite these important easements, and despite the evidently compelling circumstances which explain and justify Britain's decision, it seems idle to hope that this retreat from contractual obligations so soon after their assumption will not impair the British Government's prestige, and the prestige of sterling, in many quarters abroad. If the full circumstances and difficulties could be seen through British eyes, if the technical advantages which yet remain for foreigners—including, eventually, even some consequential new advantages—could at the outset be dispassionately surveyed, the

response might perhaps be the most favourable. But on Mr. Dalton's own admission, the result will inevitably be a disturbance of trade over wide areas and, for some countries, there will be real embarrassment. At this stage, even the short-term repercussions cannot be fully foreseen, if only because much will depend upon the attitude of foreigners at the very outset, before they have had time to ponder the wider and secondary effects in this world of dollar famine. Britain will be fortunate if the initial response does not embrace resentment and even anger, emotions which are all too likely to be excited by an assumption that the British Government is itself largely to blame for the sorry mess in which it finds itself.

"July 15" Miscalculations

Yet, in truth, of the many retreats from planned objectives which the Government has had to make, this is the case in which it is the least blameworthy. This particular objective—to restore convertibility unilaterally by July 15th last—was not a chosen objective nor was it a party objective. It was an inescapable part of the price for a loan which most people were agreed Britain had to have, a price which Britain honestly tried to pay, but which was so high that it was all too likely to break the bank. It would certainly have done so within a very few days had Britain decided that even in the present extremity it had to stand by the letter of the bond. During the month of July, the sand in the dollar hour-glass was running out at the frightening rate of \$17½ million per day. In the seven working days before the new decision was taken the daily loss was at just twice that rate—\$176 million was lost in the five days to August 15th and \$66 million in the first two days of this week. At such a rate, the US dollar credit would have run out early next month. Would the situation have been different had Government domestic policy followed a different course in these past twelve months or so—if party legislation had been soft-pedalled, if planning had been more efficient, if budgetary policy had been more realistic, if there had been no extravagant cheap money drive? Obviously, the answer is, yes. But, given the weight of the external pressures and the growing shortage of dollars throughout the world, the life of the dollar credits would not have been substantially longer, great though the eventual benefits of such statesmanship would have been.

If the Government is culpable on this particular issue, it is not primarily for the deficiencies of its domestic policy but for its utter failure to foresee what the consequences of the last steps in convertibility would be. Its lack of foresight was by no means confined to the events of the past fortnight. The crisis debate early this month, and the hastily-improvised programme which the Government then presented (in language which often contradicted that of only a month before) resulted almost entirely from its shock at the size of the dollar drain in July. Yet its own figures of the special payments known to be falling due in that month explain the whole of the increase. And if the \$150 million which it had wanted to draw in June had in fact been then drawn and paid away, the June drain would have surpassed that of July.

Mr. Dalton, looking ever for a scape-goat, actually lays part of the blame on the press for the fact that the dollar drain from early

August was so much greater than the Government expected in mid-July. Certainly it is true that the acceleration reflected lack of confidence among overseas holders of sterling, but this was the obvious reaction to the patent inadequacy of Government policy in face of a critical situation the approach of which it had for so long ignored. Moreover, if the financial press had been aware that, despite the many new agreements, large blocks of sterling were so free to move into dollars as they have since shown themselves to be, it would never have endorsed the confidence about July 15th which the Government exuded at the time and supported by rational arguments which the press disseminated in all sincerity. Only the expert negotiators of the many agreements and those in touch with the overseas authorities could gauge the latitude which they afforded, the danger of losses from the area with which no formal plans had been made, and the extent to which some parties might not play the game. Obviously, the Government could not have been surprised by the strain imposed by the funds agreed for immediate release, for the Treasury excels at simple arithmetic. This being so, it is surely obvious that much of the pressure must have arisen from action outside the spirit of the agreements. In most cases, the sterling was to be "convertible" when required for current payments elsewhere. That it was suddenly withdrawn in large blocks as soon as the opportunity arose is surely proof that this vital condition has by no means been generally observed by the overseas authorities which British officials had deemed sufficiently competent and trustworthy to work the new system. If these risks were present, it is the business of officials to foresee them, instead of covering them in a smokescreen of wishful thinking. Foreigners will blame the Government for suspending convertibility; many misunderstandings seem inevitable; and much damage will be done which may take years to repair. But in these circumstances, the real blame upon the Government is not for suspending convertibility but for restoring it. Can it really be said that this retreat from many recently negotiated agreements with countries covering almost the whole commercial world does less damage to British prestige and trade than would have been done if the Government had told the Americans a few months or even weeks ago what it had to tell them this week? Is one default, upon an obligation which even the most sanguine could not honestly be sure was supportable, but the impracticability of which had not been tested in practice, more damaging than a whole string of defaults which had to be risked to provide such a test?

Effects on Britain's Imports

What of the consequences? Because Britain has had to act in contravention of the Washington Agreement, without the prior consultation provided for in Section 8 (ii) (b), it was necessary to inform the US Government that no further drawings on the loan beyond those already notified would be made except by agreement after such consultation. Allowing for drawings already notified but not yet made, the immobile portion of the credit is expected to be about £100 million. Unless and until this amount again becomes available, or other dollar aid is forthcoming, Britain will have to dip into its ultimate reserves of gold, totalling some £600 million, plus the unexpended portions of the final dollar drafts. The funds in the till, however, will no longer be drained for the purpose of meeting, as Mr Dalton put it, other peoples' burdens. They will be used only for Britain's own needs and those of others for whom Britain acts specifically as banker—the countries of the sterling area, most of which can be relied upon to exercise an appropriate measure of restraint in their demands. Apart from the moral obligation upon them to join with Britain in the belt tightening process, the technical position of these countries will not be directly affected—so long as the central reserve of cash lasts. It is not very likely, therefore, that Britain's ability to secure supplies from such countries will be suddenly and significantly impaired.

With certain other countries, however, the trading relationships are fundamentally changed. The increasing shortages which Mr Dalton foresees in supplies from overseas are plainly inevitable. Given the immediate immobilisation of perhaps one-seventh of the exchange reserves which remained, Britain in any case will have no choice but to cut down even more drastically than was contemplated a fortnight ago the purchases from the dollar area and Canada which must still be paid for in dollars. But this is far from being the whole story. In principle, other countries which are desperately short of dollars will not readily sell to Britain now that they can no longer get dollars (or convertible sterling) in exchange, and the flow to Britain of many vital supplies may therefore be arbitrarily interrupted. Yet the extent of the additional shortages will turn very largely upon whether the countries concerned now act rationally and dispassionately or partly out of resentment, misunderstanding or distrust. Britain's suppliers cannot in fact gain anything from cutting down their shipments if they are already receiving full payment for them in exports from Britain of the goods and services they most need—in other words, if their accounts with Britain (indeed, with the sterling area and even, perhaps, with the whole wide area within which sterling remains convertible) are in equilibrium or in deficit, they can benefit from cutting down their sales only if the supplies they are getting from Britain are less imperative for them than those they can get in the dollar area.

Argentina—and the Meat Ration

Fortunately, an important proportion of Britain's supplies from beyond the dollar and sterling areas come from countries whose accounts with Britain (or in some instance with the sterling area) are already in deficit. If the reactions now could be strictly sober and rational, the real immediate danger would therefore come only from those other countries which already have surpluses on their sterling trading—surpluses which are now virtually frozen, unless and until sterling countries, and especially Britain, can provide the particular goods which the accumulators of balances need. In recent months many countries—including some which have been "hard" currency countries from Britain's point of view—have been adopting drastic import restrictions in order to save dollars. Against this background, it would be unrealistic to suppose that non-sterling countries will not take prompt steps, by cutting down their exports to Britain, to avoid fresh accumulations of sterling.

The principal suppliers outside the sterling and dollar areas which are in this position are Argentina, Switzerland, Spain and Uruguay. With Switzerland and Spain, Britain already has monetary agreements which provide for the sterling financing of Britain's current deficit, and there is reason to hope that, despite the altered circumstances, these facilities will be continued, at least by Spain. It is with Argentina and Uruguay that the really critical problem inevitably arises, for neither country is likely to feel able to afford to accumulate sterling, and both are important suppliers of essential foods. Argentina had a favourable balance with Britain of £46 million in 1946 and one of £22 million in the first quarter of this year, primarily on account of sales of meat, but also from oilseeds, hides and skins. This disquieting situation is complicated, moreover, by the fact that New Zealand, the other primary source of meat supply, has a very large surplus in trading with Britain and, despite its proven readiness to do everything in its power to assist, will be severely embarrassed by Britain's dollar extremity. Plainly, it is from this particular problem that the probability of cuts in basic rations arises. The only hope of easement at this point lies in the possibility that Argentina, despite the infringement of the vital convertibility clause in last year's agreement, will yet abide by the consequential rail purchase

agreement—in which case it will still need for some time to secure surpluses from current trading in order to provide sufficient sterling to complete the purchase.

A "Temporary" Suspension?

On the somewhat longer view, the prospect may be less bleak. Mr Dalton's claim that the Government has acted in order "to keep sterling a strong currency" is not simply window-dressing. When people abroad recover from the first shock, they may realise the significance of the maintenance both of the sterling-dollar rate and of the whole system of transferable accounts, except for the withdrawal of transferability to the dollar area. It may gradually be realised, too, that the more intractable the world dollar problem becomes, the more clearly does this wide availability of sterling for international payments provide the only hope, at least for some time to come, of flexible trading relationships and exchange stability over a wide area. When the panic pressures and seepages are over, it will be true, too, that the technical position of sterling will be much stronger than it was a few months ago; the recent agreements, though their dollar convertibility provisions are abrogated, yet ensure the immobilisation of vast accumulated balances the free availability of which has in the past involved much wasteful use of Britain's export potential. And, in the wider field of commercial policy, Britain will have restored to her the bargaining weapon with which she was deprived in 1945—the right to withhold or grant, at her own discretion and in her own time, convertibility facilities. Finally, to mention one other of many possible repercussions, it is conceivable that this acceleration of world dollar

pressure will, by intensifying dollar economies everywhere, shortly have important repercussions upon American prices, thus tending to reverse at last the adverse movement of the terms of trade.

Even in this preliminary survey one further point needs to be made. The Government has described this step as a temporary suspension and an emergency measure. It reaffirms its faith in multilateral convertibility and its intention to strive towards it. Is it too cynical to recall that the gold standard was "suspended" and not "abandoned" in 1931? The Government may sincerely believe in the eventual desirability of a system of multilateral convertibility and in the principle of non-discrimination as long-term objectives. Indeed it would be an act of despair if they thought otherwise. Yet it would be the height of folly to attempt to reverse this week's decision unless and until the whole fundamental problem of disequilibrium between the Eastern and Western Hemispheres has been solved. And that means finding a solution to the problem of financing or extinguishing America's colossal export surplus. There is no reason for thinking that any permanent solution will be quickly found.

Meanwhile, this exchange crisis—which in truth is only the most spectacular, not the most significant, facet of Britain's problem—will be turned to good account if it drives home one other parallel with 1931. Then a policy of vigorous budgetary retrenchment was conjured up to save sterling—a fallacious prescription in the then conditions of large-scale unemployment. Now, in conditions of full employment, that same prescription is valid and indispensable. It is, moreover, virtually the only means left of bringing the realities home to the British public.

Business Notes

No Worse News?

Thursday's reaction on the Stock Exchange to the withdrawal of convertibility must have produced a minor echo of the song in the Chancellor's heart. The market opened lower; then the bears, calculating that there was no worse news to come, at least for the time being, promptly covered their positions. And by the end of the afternoon Old Consols and Treasury 2½'s had recovered 1½ points to 85 and 85½ respectively. It is, emphatically, a technical recovery, somewhat sharp in its contrast with the nervous drift of the previous days this week, but symptomatic of the need for bears to withdraw from the market and not of the willingness of the bulls to return. Indeed, to have produced such a comparatively small recovery in the present "one-way market" conditions is not a very auspicious performance. Whatever the professionals may have felt it discreet to do, the public did not follow their lead.

For most of this week the industrial market has been in poor fettle. On Wednesday the *Financial Times* industrial ordinary share index was no better than 114.3—a new "low" for the year—and it became impossible to sell even moderate lines of the best equities except at the cost of a disproportionate fall in prices. Perhaps there was a hint of selective recovery during the course of Thursday—a little interest in textile shares, for example—but the general conviction that share prices as a whole have not seen the end of their fall remains unshaken. The sheer prudence of this view shows a degree of realism which has not always been evident on the Stock Exchange.

Realism, however, has never been characteristic of all sections of the gold share market. The end of convertibility has pricked the boom in Kafirs which had been proceeding merrily for a fortnight past, and was fed by every kind of rumour about rising gold prices, sterling devaluation, falling costs and the like. The end of easy profits in gilt-edged and equity shares attracted a great speculative following to the gold share market as soon as prices began to move upwards. The speculators—or at any rate some of the slower ones—will be hard put to explain why gold shares should go up now. For whatever might have been said about the possibility of sterling devaluation a week ago (and obviously even then the arguments were against any such policy) it is now ruled out at least for a considerable period.

Coal Stocking for the Winter

Coal production is now feeling the full effects of the summer holidays. But weekly figures so far available for July and August show a rather erratic trend and it is too soon to hazard a guess as to how much coal will go unmined this summer owing to miners' holidays. It is noteworthy, however, that weekly average production in July at 3,332,000 tons was actually below the weekly average of 3,492,000 tons for July, 1946. Output for the first two weeks in August was 2,307,000 tons and 3,668,000 tons respectively. From these figures it might be inferred that regular holidays for the miners had concentrated the fall in production on July and early August instead of prolonging it throughout the second month. There would be more confidence for such a view if the voluntary absenteeism figures for July at 5.44 per cent were lower and not higher than the June figure of 4.60 per cent. Meanwhile, the deadlock between the Coal Board and the miners' representatives on the relative merits of an extra half-hour a day and an

DISTRIBUTED COAL STOCKS
(Thousand Tons)

	Total	Public Utilities	Coke Ovens	Industrial Consumers	House Coal†	Miscell.
1946:—						
July	9,438	3,822	551	2,885	1,260	920
October ..	10,878	4,543	455	2,986	2,040	854
1947:—						
April	6,017	3,524	361	1,582	246	304
May	7,958	4,539	391	2,239	451	338
June	10,544	5,869	482	2,992	847	354
July	11,985	6,534	450	3,465	1,178	358
August* ..	11,858	..	..	..	..	..

* As at August 9th. † Merchants' stocks.

extra shift on alternative Saturdays is unresolved after another day's discussion on Wednesday and also after reference of the question to the Government on Thursday. This is only one case of an apparent lack of a sense of urgency. Reluctance to admit Polish recruits into the mines is another, though net recruitment for the mines on which so much depends, slumped from 2,400 in June to 800 in July. These recruitment figures should be compared with the loss this week of 100 trained miners

at Whitehaven in the Cumberland coalfield—one of the least efficient coalfields with a bad accident record.

Much has been made recently by official spokesmen on the progress achieved in stock-building for the winter. It is true that considerable progress has been made towards the target of 15 million tons by the end of October, which may be compared with stocks of 10.9 million tons in October, 1945. Starting with only 6 million tons in April this year (the end of the winter period), stocks had reached 11.86 million tons by August 9th. Comparing the number of winter weeks' supply held in stock at the end of July with July and October, 1946, the picture is as follows:—

	End July, 1946	End Oct., 1946	End July, 1947
Gas.....	2.7	3.2	4.3
Electricity.....	2.7	3.7	5.0
Railways.....	2.0	1.5	1.9
Iron and steel.....	2.4	2.1	2.2
Engineering.....	3.7	3.8	5.0
Other industries.....	2.8	3.0	3.3

Viewed in this way there is clearly room for improvement in the stock position of key industries, even if the total is speeding towards its target—and there are wide discrepancies between the stock position of industries as a whole and the stocks of their constituent firms. But a glance at the accompanying table will show that part of industry's gain is reflected in the fall of merchants' stocks for domestic consumers. Mr Shinwell will have difficulty in delivering his target figure of 16 million tons to domestic consumers this winter unless stocks rapidly improve. But they rank, quite rightly, for the lowest priority.

The Course of Production

The six weeks period of special effort for which Mr Morrison asked at the end of June to lift industrial production clear of the immediate effects of the fuel crisis and to produce a spurt in output before the holidays began, has now passed. On Wednesday, the Lord President was able to give a provisional report on the effects of his appeal.

The report was good—in parts. Brick production in July at 407 million was running at the highest rate since the war. Cement output at 787,000 tons was above the monthly average for 1938. The unemployment rate, at 1½ per cent, was the lowest ever achieved in peacetime since unofficial records began in 1894. But there were also debit items. By the end of July holidays had already begun to take their toll on production of the two key industries—coal and steel. And while unemployment was low, its distribution was still far from satisfactory. The textile industries which are now cast for an increasingly important role in the export drive, were still severely undermanned.

Public attention, however, is now riveted on the external trade figures, and those for July this year have particular significance. This is not only because the publication of the provisional trade figures for July have coincided with the decision to suspend dollar convertibility, but also because July's figures should show the acceleration in this year's export drive begun in June as the fuel crisis was left behind and the beginning of the seasonal expansion of imports as grain and commodities move into this country.

The July figures do show the anticipated expansion. Exports by value were £110.3 million, an increase of 18 per cent above the £93.1 million recorded in June and the highest since November, 1920. The volume index is put, provisionally, about 120, taking 1938 as 100. There were, however, 27 working days in July and the increase in value over June on a daily basis was only 5 per cent. Imports in July were valued at £179.2 million compared with £153.8 million in June—an increase of 16 per cent. So the gap between imports and exports has been held—but only just.

One of the most welcome features of the Lord President's remarks on Wednesday was his emphasis on the priority for export targets. There was a stern, if belated, note of austerity in his hint that private car production might have to give way to commercial vehicles and tractors, and that textile export targets would have to be met irrespective of the requirements of the home market. But the sting was in the tail of his remarks on exports. "It would be a mistake to assume," he said, "that we will be unable to resume export of coal to Europe as early as next year." This was much further than Mr Shinwell was prepared to go in the coal debate a few weeks ago. Was this eleventh hour optimism on the trend of coal production or a hint that Europe's need for coal and Britain's need for exports might take priority over some classes of coal consumers in this country?

Check to Steel Production

A seasonal decline in pig-iron and steel output is customary during July. But this year, the fall has been particularly severe owing to the concentration of holidays in July and the introduction of the new scheme for six days' additional holiday with pay. The situation has been aggravated by a continued shortage of coal supplies in some areas.

Figures computed by the British Iron and Steel Federation for July, as set out in the accompanying table, show that ingots and castings production amounted to 211,700 tons per week compared with 254,000 tons a week in June and 226,000 tons a week in July last year. Thus the annual rate of output last month was no more than 11 million tons compared with 13.2 million tons in June. If the target of 12½ million tons for 1947, set in the *Economic Survey* (and also the target of 14 million tons for 1948, set by the Prime Minister) is to be achieved, production will have to be stepped up to an annual rate of 13½ million tons during the rest of this year.

PIG IRON AND STEEL PRODUCTION
('000 Tons)

	Pig Iron		Steel Ingots and Castings	
	Weekly Average	Annual Rate	Weekly Average	Annual Rate
July, 1946.....	147.0	7,645	226.0	11,759
June, 1947.....	144.3	7,501	254.0	13,206
July, 1947.....	143.5	7,460	211.7	11,007

There would be greater hope for anticipating a recovery to such a level of output if there were signs of improvement in pig-iron production. Output in July, however, averaged only 143,500 tons a week compared with 144,300 tons in June and 147,000 tons a year ago. Relief from the pig iron shortage is on the way, but it is an open question whether it will arrive in time to assist the expansion of autumn steel production. Two additional blast furnaces came into operation early this month and six more are due to be blown in before the end of September. Two of these, one at Consett and one at Colvilles, are new furnaces installed under the modernisation programme. But before advantage can be taken of increased pig-iron capacity, an improvement in coke supplies will be needed. And beyond the autumn there looms the uncertainty of the winter coal allocations.

Argentine Rails Now

As this week's edition of *The Economist* goes to press the legal fate of the Argentine Rail Purchase Scheme is being decided in the Vacation Court. Now that Mr Kavanah has withdrawn his objection, the approval of the court will probably not be long delayed, and after the stipulated thirty days have elapsed, the purchase money is due to be made available for distribution. But on Wednesday, disquieting rumours of the possibility of a revision of the agreement upset the market, and by the same night it was clear that, on certain assumptions, the withdrawal of convertibility of sterling might change the situation considerably. One of the unexpected features of the dollar shortage is the rate at which Argentina's dollar supply has fallen during the last twelve months. Undoubtedly, the arrangement by which Argentina could, until Wednesday, convert sterling arising from current transactions into dollars was a timely alleviation of her dollar troubles. Now, failing this facility, if Argentina continues to export goods to this country and if Britain cannot supply goods which Argentina has hitherto been able to buy in the United States, Argentina will accumulate further sterling balances. This situation may be regarded from several viewpoints. Argentina may reduce exports to Britain at a time when this country has great need of meat and produce; or accumulated sterling might be used for such purposes as meeting the consideration for the rail purchase; or the sterling balance might be left to increase in the hope of later conversion or financing the purchase of the goods she wants in this country when they become available. There is nothing in this line of reasoning to suggest that Argentina will fail to ratify the scheme except the original fact that the payment will involve the payment from current sterling balances of some £30-£35 million to make up the full purchase price of £150 million.

But it might be argued by Argentina that it would now be expedient to scale down the purchase price to a figure nearer the £115 million of blocked sterling which remains on Argentina's account, and it is on these fears that weakness persisted in Argen-



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It is true that Glyn, Mills & Co. act as bankers and financial advisers to some very large organisations. But their experience is also at the service of companies of more modest dimensions. During the 19th century Glyn, Mills & Co. were closely associated with many concerns which have grown to great enterprises. And today, with a new economic era opening, their resources and knowledge of world markets are available to firms seeking new opportunities for development.

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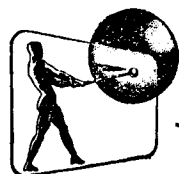
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TANDEMS FOR TIENTSIN

British goods are 'in the window' when British films are shown to the world. That's how Mr. Chang of China comes to want his British bicycle. A demand is created, and trade is born.

This is what happens when producers and manufacturers grasp the importance of this indirect form of salesmanship. For films cannot help showing your goods. Every time a film star changes her costume she models British fashions. The arc lights play on the love scene and with equal clarity on the furnishings. How vital it is that the best of Britain should go on the screen! Other countries have been very alive to the sales appeal of this most 'visible' export, and we in Britain are now equally aware of it. When important films go into production nowadays, manufacturers and the Board of Trade and the Council of Industrial Design all co-operate. In this way (with no loss at all in entertainment value) films are at the same time groomed as travelling salesmen for many British industries.



J. ARTHUR RANK ORGANISATION LIMITED



Treasure Trove

Hidden amid a mass of other matter may be a substance that the chemist particularly desires. In bygone days such a product was usually called a "quintessence", and the problem of extracting it is as old as chemistry itself. Modern equivalents of the quintessence are such things as perfumes of flowers, drugs in seeds and resins, vitamins, and hormones. Their isolation is a difficult problem. One way is to find a liquid which will dissolve the required substance, but not those which accompany it. A solution is thus obtained, run off and boiled away, the residue being the substance desired. All sorts of liquids are used for 'extraction'—water, alcohol, ether, acetone, chloroform, benzene, and scores of others. Sometimes the substance will dissolve at ordinary temperatures, but heat is usually needed. Very often the best available solvent will only act slowly and with difficulty. When this happens, the chemist uses an extraction apparatus such as is shown above. The raw material is placed in a thimble of porous paper suspended in a tube above a flask containing the solvent. The solvent is boiled and its vapour passes into the condenser at the top. Here it is reconverted into liquid, drips into the thimble, and seeps through, carrying some of the substance to be extracted down into the flask. This cycle is allowed to continue until extraction is complete, and another quintessence has been extracted by the British chemist for the well-being of the nation.



tine Rail issues on Thursday. Both Senor Miranda and Sir Montague Eddy must be considerably exercised by the new situation.

* * *

Iraq's Sterling

Details of the financial agreement reached with Iraq last week, but released for publication only on the morrow of the Chancellor's announcement of suspension of sterling convertibility into dollars, look somewhat incongruous in the light of that decision. The terms conceded to Iraq are certainly favourable by comparison with those afforded by some of the other sterling agreements. It needs to be remembered that this arrangement—unlike, for example, those recently concluded with India and Egypt—is not merely an interim plan but operates over a five-year period; and Iraq, unlike Egypt, remains a member of the sterling area. A firm and amicable arrangement with Iraq is perhaps particularly welcome, the more so by reason of its position in a strategically vital region.

The mechanism of the agreement takes the familiar form of No. 1 and No. 2 Accounts, the first of which is made the repository of freely available convertible sterling (but now no longer automatically available for payments to the dollar area or Canada), and the second of which carries the portions which are blocked. Private balances are not affected, so that the sterling assets involved—including those of the Iraq Government, the Iraq Currency Board and banks in Iraq. They total some £60 million, the whole of which is in the first instance transferred to No. 2 Accounts. Releases are then provided for to the "free" sterling category on No. 1 Accounts. The sum of £5,000,000 is released forthwith as a "special provision" to facilitate for the Iraq Government the transition to the new exchange regime—this, it should be noted, is a "once for all" payment—and a further £2,000,000 is provided as a working balance which may be drawn upon from time to time to meet any temporary exchange shortage. Apart from these special arrangements, the main releases will be £15 million over the 5-year period, provided that not more than £4,000,000 is withdrawn in each of the first two years, the balance being released in equal annual instalments during the remaining life of the agreement. There will also be releases equivalent to the £4,000,000 to £5,000,000 to be provided by Iraq to meet outstanding confirmed credits opened by UK banks and a sum of up to £4,240,000 to cover repayments, as and when they are made, of advances made to the Iraq Government by the Iraq Petroleum Company and other oil companies.

Obviously, some of these releases, and certain other less important ones for which provision is made, will necessarily be purely sterling transactions, but the others will be in the form of fully convertible sterling. As sterling accruing from current trade will not, despite the agreement, be convertible into dollars, presumably some new mechanism will need to be devised—for this and all other similar agreements—to distinguish the two varieties of sterling which will be merged in No. 1 Accounts.

* * *

Unilever and World Trade—

To do full justice to the report of Lever Brothers and Unilever would require many pages of *The Economist*. A company note in this week's issue of the *Records and Statistics* Supplement gives some of the salient figures from the profit and loss account and

balance sheet of the Unilever group, though it perforce excludes much interesting information which is presented in the report, and conveys a quite inadequate impression of its accounting elegance. It has been said that an investor should not buy Unilever shares if he wishes to have a holding simple to understand; and these accounts are, for all their detail and immense range, hardly child's play. Yet there is nothing in the report which is excessive to a full and adequate understanding of this immense business. Any stockholder who may complain that he is given too much is criticising, not Unilever, but defects in his own intellectual apparatus for wise and prudent investment.

In this wealth of riches, a few points only can be spotlighted. One of the features is the rapid recovery in the profits of NV (the Dutch limb) which the report attributes in great measure to the business in the United States. It would seem that NV began to prosper on the grand scale with the elimination of price control in the United States during the last months of 1946; prices have since fallen in what the directors describe as a "healthy" fashion to more normal levels, but the expanding volume of American business this year is taxing the group's manufacturing capacity. American experience, however, is in distinct contrast to that in

TURNOVER OF PRINCIPAL COMMODITIES OF LIMITED AND NV GROUPS

	1945		1946	
	Metric Tons	£	Metric Tons	£
Margarine, edible oils and fats....	594,000	50,188,000	560,000	53,752,000
Other foods for human consumption....	...	25,196,000	...	29,237,000
Other vegetable and animal oils and fats.....	1,511,000	90,820,000	1,479,000	94,854,000
Animal feeding stuffs.....	1,187,000	14,416,000	1,256,000	16,845,000
Soap and other detergents.....	864,000	61,023,000	750,000	57,396,000
Toilet preparations, including perfumes.....	...	6,259,000	...	8,601,000
Miscellaneous manufactures, including glycerine.....	...	8,922,000	...	9,725,000
Produce (mainly tropical produce handled by the United Africa Group).....	855,000	18,063,000	891,000	28,356,000
Merchandise (mainly handled by the United Africa Group).....	...	28,205,000	...	35,695,000
Services (including ocean, river and road transport).....	...	4,256,000	...	4,037,000
TOTAL VALUE.....	...	307,348,000	...	338,498,000
Represented by:—				
(a) Sales to third parties.....	...	182,269,000	...	204,653,000
(b) Value of production for the Ministry of Food and produce purchased for the West African Produce Control Board*.....	...	65,773,000	...	65,895,000
(c) Supplies of marketable products and services within the organisation.....	...	59,306,000	...	67,950,000
	...	307,348,000	...	338,498,000

* Based on Government control price.

most of the group's other markets, where recovery has been impeded by the familiar tale of shortages, controls, and reconstruction. Yet even here, the story is by no means uniform. In Britain, supplies of oil seeds were lower last year, but in several European countries they improved. The expansion of the group's basic products like soap and edible fats is hampered by the world shortage of oil seeds and nuts, and even though several of the European countries in which Unilever is interested have managed to restore the pre-war volume of output—Belgium and Norway are two



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(a) Interim. (b) Final. (c) Whole year. (d) Int. paid half-yearly. (e) To earliest redemption date. (f) Also a capital bonus of 2½ per cent. free of income tax yield worked on 15 per cent. basis. (g) Fifteen months to March 31, 1947 (yield basis 7·6 per cent.). (h) To latest redemption date. † Free of tax.

The Treasury's huge spendings of dollars in July and the Chancellor's vaunted Budget surplus had virtually no effect upon the volume of bank credit outstanding during the month. As a Note in *The Economist* on August 9th (page 257) recorded, at the July make-up date "net" deposits of the clearing banks—that is, after allowing for items in course of collection—showed virtually no change by comparison with end-June. Gross deposits, however, fell by £14.3-million, whereas in that Note it was inadvertently stated that they had risen by this amount.

HUNGARIAN COMMERCIAL BANK OF PEST

ANNUAL GENERAL MEETINGS

The Hungarian Commercial Bank of Pest held its annual general meetings (numbers 103, 104 and 105) on the 29th ultimo, as none had been held since 1944.

Ex-Foreign Minister Louis Walko, in the chair, presented the forint-balance of the bank.

ASSETS	Forint Filler	Forint Filler
I.—Invested Capital		
Real estate	5,150,875.—	
Outfit and equipment ...	976,957.—	
Shares	87,761,658.15	
		93,889,490.15
II.—Capital in Circulation		
Negotiable instruments...	18,110,267.11	
Bills of exchange ...	158,059,537.24	
Debtors	99,238,555.96	
Mortgage securities and municipal loans ...	58,762,424.48	
Cash and endorsed assets	6,004,163.15	
Transient assets	2,845,488.49	
Other property	12,568,346.42	
		355,588,782.85
III.—War Damage		
Claim for damage		333,071.63
		449,811,344.63
LIABILITIES		
I.—Own Capital		
Stock capital	60,000,000.—	
500,000 Stocks, 120.— ft. each	30,000,000.—	
		90,000,000.—
II.—Special Reserves		
Pension reserve	20,000,000.—	
Social welfare fund ...	1,000,000.—	
		21,000,000.—
III.—Valuated Items		
Contra items to war damage	333,071.63	
Contra items to doubtful assets	10,235,776.54	
		10,568,848.17
IV.—Liabilities		
Re-discounted commercial bills	138,589,584.62	
Saving booklet accounts	13,376,294.85	
Current saving accounts	74,161,895.84	
Creditors	37,869,363.25	
Mortgage bonds and circulating communal obligations	37,721,416.98	
Ceded mortgage security	21,299,625.02	
Transient liabilities ...	4,603,204.58	
Other liabilities	621,111.32	
		328,242,496.46
		449,811,344.63
Bail and guarantee		60,915,149.52

The general meeting decided that the basic stock shall be 60,000,000.— forints, due to new valuation, consisting of 500,000 paid-up shares, of 120 forints face-value each.

GUEST, KEEN AND NETTLEFOLDS, LIMITED

A HEALTHY STATE OF AFFAIRS

The annual general meeting of Guest, Keen & Nettlefolds, Limited, was held, on the 20th instant, at Birmingham, Sir Samuel R. Beale, K.B.E., the chairman, presiding.

The following is an extract from his statement circulated with the report and accounts:—

When I had the privilege of circulating a statement to you last year, I told you that your board unanimously associated themselves with statements made by the President of the Iron & Steel Federation that nationalisation of the iron and steel industry would result in a less efficient industry and thus be contrary to the interests of the country. Since then the Steel Board has been formed and the co-operation of the industry in the Board's general supervision of its activities was assured by the omission of questions of nationalisation from the Board's terms of reference. The position of our own group of companies is a good example of the desirability of proceeding to such further supervision of the industry as may be found necessary in the national interest by way of evolutionary development of the functions of the Steel Board.

THE FINISHED ARTICLE

Our chief interest lies in the finishing ends of the industry, such as bolts and nuts, wood screws, steel stampings, railway fittings and the like. We are only interested in steel manufactured through certain of our allied companies, such as Guest, Keen, Baldwins and John Lysaght, Limited, chiefly so that we may ensure suitable supplies for our finishing works. Similar relationships exist elsewhere, developed out of practical need and supported by continued scientific research controlling manufacturing processes from the raw material to the finished article. It is this finished article that commands the most remunerative price to the country in the export markets of the world, and it would be disastrous to hamper improvement and development in any way.

The policy of your board has been to go steadily on providing equipment of greater capacity and most modern design in our finishing departments whenever it can be justified. The results are steadily justifying our policy by our increased and increasing ability to meet apparently ever-growing demands both in quantity and quality, only limited by our ability to get sufficient steel. I sincerely hope this increased capacity may accrue to your benefit as, in equity, it most certainly should.

CONSERVATION OF RESOURCES

After referring in detail to their various interests, he went on to say: The profits of the year under review, without relation to other factors, would in themselves permit the distribution of a higher rate of dividend than is proposed on the ordinary stock. We felt, however, that we could not disregard other matters such as the conservation of resources for the considerable programme of development expenditure proceeding and envisaged within the group, and the uncertainty surrounding economic conditions throughout the world. I am sure no apology is needed for our consistent policy of development expenditure, and it must be remembered that there has been a six or seven year period during which great technical progress has been made and during which all new plant was of necessity selected entirely from its suitability for war rather than normal peace purposes. The recent rises in the costs of everything will need no emphasis.

Taken as a whole, the board consider that the balance sheet shows a healthy state of affairs. You will notice the satisfactory surplus, amounting to £9,192,925 of current assets over current liabilities.

The report was adopted.

ARISTON GOLD MINES (1929), LIMITED

YEAR OF SATISFACTORY PROGRESS

The seventeenth ordinary general meeting of Ariston Gold Mines (1929), Limited, was held, on the 20th instant, in London.

Sir Joseph Ball K.B.E., deputy chairman, presided.

The following is an extract from his statement which was circulated with the report and accounts for the year ended September 30, 1946:—

Members will note that the net proceeds from the sale of gold are up by £7,702, which, in a year by no means free from difficulties, may be considered satisfactory. Then, on the debit side of the profit and loss account will be observed what was our final contribution to the concentration scheme, namely £27,731.

With regard to dividends, we have already distributed 15 per cent., less tax, in respect of the year under review, and we are now recommending a final distribution of 5 per cent., less tax, thus maintaining the year's total dividend at 20 per cent., less tax. We have also declared a first interim dividend of 5 per cent., less tax, on account of the current year ending September 30th next.

INCREASED PRODUCTION

Passing now to the work in the field, I am pleased to report a year of satisfactory progress. Production was increased from 240,000 tons of ore to 253,500 tons, while working costs at 33s. 1.27d. per ton, including development, showed a reduction of 1s. 2d. per ton as compared with those of the previous year. This reflects the greatest credit on our management, since costs of mining supplies, etc., continued to rise, as also did the wages of the African employees, while at the same time the general standard of efficiency of native labour has shown a tendency to deteriorate.

With regard to our projected programme for increasing the current rate of production and milling from 23,000 tons to 40,000 tons of ore per month, I have to report that during the current year orders have been placed for the new winders required in connection with the additional sinking and increased haulage capacity of the central shaft.

Arrangements are in hand for the provision of the additional electric power supply that we shall require as our production expands, and provided that we can secure a part, at least, of our power requirements during the next twelve months, we have every prospect of attaining the first stage of the increased production programme, that is, 40,000 tons per month, within that period.

I am pleased to report good progress in the Broomassie tunnel, which, members will recollect, we are driving from the 17th level of the north shaft to a point under the downward extension of the old Broomassie workings, and in the eventual examination and development of which we are joined in agreement with the Gold Coast Selection Trust, Limited, and the Marlu Gold Mining Areas, Limited.

PROJECTED CAPITAL ISSUE

We are now compiling details of the capital expenditure ahead of the company during the next five years, covering the purchase of new plant and machinery, development work, building, and general welfare of both European and African employees, including the provision, jointly with our neighbours—Gold Coast Main Reef, Limited,—of new hospitals for both Europeans and Africans. It will undoubtedly be necessary, in due course, to increase the company's capital for these purposes, and, subject to the consent of H.M. Treasury, the Board proposes to do so by making an issue of stock to existing members.

The report and accounts were adopted and the proposed dividend was approved.

GOVERNMENT RETURNS

For the week ended August 16, 1947, total ordinary revenue was £58,229,022, against ordinary expenditure of £69,955,147 and issues to sinking funds £540,000. Thus, including sinking fund allocations of £4,411,384 the surplus accrued since April 1st is £270,846,533, against a deficit of £355,094,685 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1947-48	Receipts into the Exchequer (£ thousand)			
		April 1 to Aug. 16, 1946	April 1 to Aug. 16, 1947	Week ended Aug. 17, 1946	Week ended Aug. 16, 1947
ORDINARY REVENUE					
Income Tax	107,300	326,431	308,881	23,149	22,387
Sur-tax	80,000	14,116	16,030	330	450
Estate, etc., Duties	155,000	56,320	64,509	2,900	2,646
Stamps	57,000	11,850	17,400	300	650
N.D.C.	202,000	11,534	10,580	420	820
E.P.T.		117,496	77,386	5,905	5,603
Other Inland Rev.	1,000	143	100	10	5
Total Inland Rev.	1,568,000	537,890	494,886	33,014	32,561
Customs	736,960	213,530	285,664	12,828	16,016
Excise	643,040	214,372	222,300	6,700	7,600
Total Customs & Excise	1,380,000	427,902	507,964	19,528	23,616
Motor Duties	50,000	8,685	9,863	129	156
Surplus War Stores	95,000	14,534	64,330	...	283
Surplus Receipts from Trading	55,000	...	25,000	...	...
Post Office (Net Receipts)	...	4,300	1,480	1,800	1,480
Wireless Licences	11,000	1,760	2,640	...	...
Crown Lands	1,000	390	410	...	...
Receipts from Sundry Loans	21,000	6,739	13,657	1,854	60
Miscell. Receipts	270,000	5,856	155,752	22	73
Total Ord. Rev.	3,451,000	1,008,056	1,275,982	56,346	58,229
SELF-BALANCING					
Post Office	144,230	44,350	51,500	1,200	2,120
Income Tax on E.P.T. Refunds	49,000	88,252	7,631	3,636	510
Total	364,230	114,068	133,513	61,182	60,859

Expenditure	Estimate, 1947-48	Issues out of the Exchequer to meet payments (£ thousand)			
		April 1 to Aug. 17, 1946	April 1 to Aug. 16, 1947	Week ended Aug. 17, 1946	Week ended Aug. 16, 1947
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt.....	525,000	194,204	195,737	46,234	37,739
Payments to N. Ireland.....	23,000	5,571	7,371	...	...
Other Cons. Fund Services.....	8,000	3,282	3,296	46	37
Total.....	556,000	203,057	206,404	46,280	37,775
Supply Services.....	262,536	115,692	794,320	61,000	32,180
Total Ord. Exp.	318,137	136,049	1,000,724	107,280	69,955
SELF-BALANCING					
P.O. & Brcdcasting Income Tax on E.P.T. Refunds	144,230	44,350	51,500	1,200	2,120
	49,000	88,252	7,631	3,636	510
Total.....	337,459	149,261	105,985	112,116	72,585

After decreasing Exchequer balances by £390,829 to £2,222,014 the other operations for the week increased the gross National Debt by £25,215,451 to £25,492 million.

NET RECEIPTS (£ thousand)		NET ISSUES (£ thousand)	
Land Settlement (Facilities) Acts, 1919 and 1921 ..	12	P.O. and Telegraph	400
		E.P.T. Refunds	623
		Overseas Trade Guarantee Act, 1939, Sec. 4 (1) ..	5
		Local Authorities Loans Act, 1945, Sec. 3 (1) ..	5,000
		War Damage: Board of Trade	2,000
		War Damage: War Damage Commission	124
		Finance Act, 1946, Sec. 26 (7) Post-war credits ..	13,352

Statistical Summary

CHANGES IN DEBT (£ thousand)		NET REPAYMENTS	
Treasury Bills	4,085	3% Defence Bds. ...	*3,134
National Savings	950	Tax Reserve Certs. ...	1,292
2% Defence Bds.	1,007	Other Debt:—	
Other Debt:—		Internal	33
External	47,132	Ways & Means Advances	3,500
		Treasury Deposits	20,000
			27,959

* Including £2,482,000 paid off on maturity.

FLOATING DEBT (£ million)		Treasury Bills		Ways and Means Advances		Treasury Deposits by Banks		Total Floating Debt	
Date		Tender	Tap	Public Depts.	Bank of England				
1946									
Aug. 17	1940-0	2489-5	408-7	10-0	1646-0	6494-3			
1947									
May 17	2180-0	2629-4	401-3	...	1463-5	6684-1			
" 17	2180-0	2627-1	348-0	5-25	1463-5	6633-8			
" 24	2180-0	2620-1	327-5	1-5	1463-5	6601-1			
" 31	2180-0	2603-3	337-5	1-5	1463-5	6585-8			
June 7	2180-0	2584-9	341-5	5-5	1463-5	6575-4			
" 14	2180-0	2592-1	347-1	10-25	1453-5	6582-9			
" 21	2180-0	2614-4	341-9	10-0	1443-5	6589-8			
" 28	2180-0	2537-3	369-9	...	1442-0	6529-2			
July 5	2180-0	2584-9	356-7	6-25	1368-5	6496-4			
" 12	2180-0	2541-0	378-6	...	1358-5	6486-0			
" 19	2180-0	2503-1	328-9	...	1408-5	6420-5			
" 26	2180-0	2493-4	270-9	...	1408-5	6352-8			
Aug. 2	2180-0	2470-4	317-7	2-5	1400-5	6371-0			
" 9	2180-0	2424-0	348-4	3-5	1400-5	6366-4			
" 16	2180-0	2428-2	336-7	11-75	1380-5	6337-1			

TREASURY BILLS (£ million)		Amount		Average Rate of Allotment		Per Cent. Allotted	
Date of Tender		Offered	Applied for	Allotted	%	Min.	Rate
1946							
Aug. 16	150-0	267-3	150-0	10	1-31	42	
1947							
May 16	170-0	281-2	170-0	10	1-62	49	
" 23	160-0	284-5	160-0	10	1-45	43	
" 30	170-0	282-5	170-0	10	1-66	49	
June 6	170-0	290-9	170-0	10	1-49	45	
" 13	170-0	277-7	170-0	10	1-61	49	
" 20	170-0	282-0	170-0	10	1-65	49	
" 27	170-0	288-4	170-0	10	1-43	46	
July 4	170-0	292-1	170-0	10	1-51	46	
" 11	170-0	299-8	170-0	10	1-09	40	
" 18	170-0	294-5	170-0	10	1-39	44	
" 25	160-0	282-4	160-0	10	1-24	40	
Aug. 1	160-0	287-9	160-0	10	1-11	39	
" 8	170-0	276-6	170-0	10	1-48	49	
" 15	170-0	235-6	170-0	10	2-34	68	

On Aug. 15th applications for bills to be paid on Monday, Tuesday, Wednesday, Thursday and Friday were accepted as to about 68 per cent. of the amount applied for at £99 17s. 5d. and applications at higher prices were accepted in full. Applications for bills to be paid on Saturday at £99 17s. 6d. and above were accepted in full. £170 million (maximum) of Treasury Bills are being offered for Aug. 22nd. For the week ended Aug. 23rd the Banks will be asked for Treasury deposits to an amount of £100 million (max.).

NATIONAL SAVINGS				
(£ thousand)				
	Week Ended		Totals	
	Aug. 10 1946	Aug. 9 1947	Mar. 31 to Aug. 9 1947	
Savings Certificates :—				
Receipts	2,350	2,500	94,250	
Repayments	1,150	3,700	53,950	
Net Savings	1,200	Dr1,200	40,300	
Defence Bonds :—				
Receipts	1,060	1,065	34,250	
Repayments	1,082	795	13,618	
Net Savings	Dr 22	270	20,632	
P.O. and Trustee Savings				
Banks :—				
Receipts	14,169	13,934	245,550	
Repayments	11,980	11,772	251,875	
Net Savings	2,189	2,162	Dr6,820	
Total Net Savings	3,367	1,232	54,612	
Interest on certificates repaid	184	666	10,704	
Interest accrued on savings remaining invested	2,071	2,222	38,357	

NATIONAL BANK OF INDIA LIMITED

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Bombay	Delhi	Mandalay	
Calcutta	Kandy	Nuwara	
Cawnpore	Karachi	Elia	
Chittagong	Lahore	Rangoon	
		Tatooine	
		Zanzibar	
		Kampala	
			Uganda

Dar-es-Salaam Mwanza Tanga ... Tanganyika Territory
SUBSCRIBED CAPITAL ... **£4,000,000**
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At a Meeting of the Board of Directors, held on Tuesday, August 19, 1947, the following Resolution was passed:—

It was Resolved that a Second Interim Dividend be paid on October 1, 1947, on the £375,000 Ordinary Stock at the rate of 4 per cent (actual), less tax, and that the Ordinary Stock Transfer Books of the Company be closed from September 8 to September 22, 1947, inclusive.

By Order of the Board,
Grantham, August 19, 1947.

H. C. RYAN, Secretary.

The Economist

August 30, 1947

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A Curse on the Tinker

ANOTHER mouse of restrictions has been brought forth from the Labour mountain. Once again, the public had been led to expect very much more than was imposed on them by Wednesday night's announcement. Once again, the inevitable public reaction will be to conclude that the crisis cannot, after all, be as bad as the Government says it is. For the great mass of the people, the only impact of the economic crisis is to be the loss of twopennyworth of meat a week, and elaborate care is taken to see that there is no reduction in the supplies available to the canteens and restaurants where they eat. The rest of the restrictions are chosen to fall almost exclusively on those who are not wage-earners. So far as the workers are concerned, the Government are still tinkering with the crisis; it is the middle classes who get the tinker's curse.

This simply will not do. A revolution in the country's economic position happened last week. Until Wednesday, August 20th, the British people were living on Lend-Lease and policy was governed by the hope, which was still officially entertained, that it would be possible gradually to restore the pre-war pattern of trade among the nations. Last week, all that changed. For one thing, the dollars have now run out. What Mr Morrison called the twelfth hour has struck, and it would be the height of foolish optimism to base any calculations on the assumption that more dollars will be forthcoming either through the Marshall Plan or in any other way. For these new circumstances, a new policy is clearly required. Yet the Government announcement is at some pains to argue that these new cuts are merely a further instalment of the policy decided upon before the fateful day of August 20th. Moreover, something else of the greatest importance happened on that day. The two crippling conditions attached to the American Loan vanished—the obligation to make sterling convertible was explicitly suspended and the non-discrimination provision, for all Mr Snyder's protestations of the sanctity of Article Nine, was tacitly abandoned. Not only is there the most urgent need for a new policy, but there is a new freedom to devise it in the way best calculated to serve Britain's needs and interests. But of a new policy there is not the faintest vestige of a shadow of a sign. All that the Government can think of is the old policy, and not very much of that. Since they came into office two years ago, Ministers have contributed only one new idea to economic policy and that one, the nationalisation of basic industries, is of precisely no relevance at all to the present crisis. For the rest, all they can think of to do is to turn a bit further the screws of the old war-economy policy of the Coalition. All the old expedients are being trotted out again, with the rations somewhat smaller and the targets somewhat higher. Even their boldest step, the policy for the expansion of agriculture, carries with it, as the following article explains, not a single new idea about how it is to be done. The present course of economic policy having been demonstrated to be inadequate for the nation's needs, their only recourse is to intensify it.

Naturally, the old screws are getting harder to tighten any further. Naturally, some of them will break under the Government's hand. And

naturally a policy so conceived will fail to achieve what is required of it. The first test of a sound policy for today is very simple. Does it reproduce in every family budget and in every business profit-and-loss account a microcosm of the nation's desperate straits, so that individual efforts and initiatives will pull in the same direction as the Government's policy? So far from trying to do that, the Government seems to be desperately anxious to insulate the great mass of the people—who, after all, have nearly three-quarters of the total of net personal incomes—from feeling any impact of the crisis. The feather bed is still their economic symbol. And as a result, for all their protestations to the contrary, the country will be lucky if it does not find itself living on the last vestiges of its stock-in-trade, and if the destocking crisis which occurred in coal last February is not repeated before very long throughout the length and breadth of the economy.

It is difficult to feel very optimistic about the prospect of a really new course of policy emerging, either to recapture the control of the domestic economy that has been lost or to take such advantage as can be gained from the new state of affairs in international trade. For one thing the senior civil servants, who are the real initiators of policy, are all very tired and overpressed men who simply could not face the mental and physical effort of starting again from first principles. And it is by now clear that the Socialist Ministers never had but one idea. They have been so obsessed with getting hold of the controls of the national economy, with "seizing power," that they have never stopped to think what they are going to do with it. In the one industry that is already nationalised, coal, there is an obvious policy to pursue; but there are no signs of its being pursued, and meanwhile the coal industry goes on much as it did before. In the other industries that are about to be nationalised, the appointments made demonstrate a determination that very little, if anything, shall be changed. So far the

An Expanded Agriculture

OF the making of targets, there is no end. When the Prime Minister announced earlier this month that the Government had decided on a programme designed to increase the net output of British agriculture by £100 million, or 20 per cent., by 1951-52, few people recognised this step as the most positive, and also the most far-reaching, item in the Government's hastily assembled ragbag of policy and expedient to meet the economic crisis. It might have been just another exhibit to add to the gallery of rounded millions—like the coal target—but, in fact, it represents a fundamental decision by the Government about the future of the British economy. The Government have said, in effect, that there is no hope of solving the problem of the British balance of payments before 1952, and probably not then. Britain must grow more food regardless of costs, and regardless of the British standard of living, because, within the range of practical forecast, it will be unable to export manufactured goods on a sufficient scale to ensure adequate food imports. Implicit in the Government's view lies the assumption that no conceivable change of economic fortune will turn the terms of trade sufficiently in Britain's favour so that an adequate volume of imported food and raw materials can be obtained in return for British exports.

To say that this is a doctrine of despair is not necessarily to prove it wrong. It may be that in a world dominated by American productive capacity, there is no possibility of increasing the efficiency of British industry so that it can meet American output on the world's markets on competitive terms. It may be that Britain cannot afford to gamble on the chance that the terms of trade will one day begin to turn in our favour. Perhaps the export surpluses of primary producers,

Labour Party has made a negative contribution to economic policy. Nationalisation adds nothing, and the elaborate deference to trade union selfishness and recalcitrance subtracts a great deal.

There is no case, at least in the crisis of the moment, for a return to the methods of individualist *laissez faire*. What the nation urgently needs, and would respond to, is some real economic planning, some purposive direction of its affairs instead of the present hortatory, sloganised drifting. Planning has no terrors for the British people, provided it achieves results. Socialism would be accepted by an overwhelming majority of the people if it could only be given some meaning. Mr Mackay, in his letter to this journal last week, defined "Socialist measures" as meaning almost anything other than public ownership of industry. This is, to say the least, a novel definition, worthy of Humpty Dumpty. But if it is accepted by the Labour Party and the Government it at least means something. What is infuriating is the Government's propensity for nationalising first and then looking round for a policy, of taking sweeping powers without the will to use them, of controlling for the sake of controlling and not for the sake of doing anything. If they would reverse the process, if they would first realistically face the facts about the country's position, then work out the possibilities of altering the facts, then set targets that can be achieved and are consistent with each other, and only as a last stage evolve the controls and take the powers that are necessary to achieve the targets—if they would do that, then they would not need to worry about frightening the people by being too drastic or too extreme. Nothing that would emerge from such a process would be half as frightening as the present demonstration that, having failed in one line, they have nothing to put in its place, and that, with a hurricane blowing up, the committee on the bridge cannot agree either to alter course or to take in sail or even to batten down the hatches.

when at last they become sufficient, will be able to find a better market than Britain. Again, political stress may postpone for several years the restoration of the rice economy in Asia—leaving the growing millions of those regions to be saved from starvation only by the shipment of cereals from the Western Hemisphere. All these things may happen; the Government's decision may, in the end, prove to be the right one. But no such far-reaching decision ought to be reached without full exposure and examination of the reasoning that leads up to it. And it is not only the justification for the policy that should be debated in public. Even if there is no escape from the forced growth of British agriculture to save foreign exchange, it is high time that the British consumer began to count the cost.

To read the Government's announcements one might be forgiven for believing that there will be no cost at all—that £100 million of imported food will simply be replaced by £100 million of additional home-produced food. In terms of present prices, the net output of British agriculture (that is, the value of the produce sold off farms after allowance for the cost of imported feeding stuffs), which was about £400 million before the war and is, say, £525 million this year, is to be increased to something over £600 million in five years' time. Since the emphasis of the new programme is on dollar saving, and not on the saving of cargo space as in the war, the greatest stress is rightly laid on increases in the output of pig-meat, eggs, beef, mutton, cereals and linseed, while root crops like potatoes and sugar beet are expected to fall—the former by more than a third from the present level of output. But before the over-simplified picture of a simple replacement of imported food by home-

grown is accepted, some estimate of the future trend of prices must be made. It may be true that the cost of growing the additional 20 per cent of food at home, at the level of costs prevailing hitherto, is not very different from the cost of importing it, at the prices now prevailing. But it is as good as certain that world prices of food will fall, and fall heavily, before long. And, as the new price list announced last week demonstrates, it is quite certain that the cost of British food will rise. It may be a case at the moment of a simple exchange of £100 million of British food for £100 million of imported food. But it is likely to be a case, before long, of paying £150 million for British food to replace foreign food that could be bought—if the foreign exchange were forthcoming—for £75 million. The difference will be paid by the British consumer, either as consumer or as taxpayer.

It is painfully obvious that the Ministry of Agriculture has no policy for securing the required 20 per cent increase in food production other than the hope that it can be attracted out of the earth by the pull of ever higher prices. Experience during the war showed that to secure a given increase in output, a far greater increase in direct costs and inducements was required. Between 1937-38 and 1946-47, the quantum of British agricultural output increased by rather more than a quarter, but the increase in total farming costs during this period was of the order of 90 per cent—wages, of course, were more than doubled during the period. It has been calculated, on the basis of pre-war prices and wages, that it cost £136 million to secure an increase in annual net output of £62 million between 1938 and 1943-44. The Ministry's announcement is relatively hopeful about costs in future, for it counts on an improvement in farming efficiency of 2 per cent per annum during the next five years—which would provide half the expected addition to output. Fairly rapid improvement in the efficiency of agriculture has been achieved by increased mechanisation, upgrading of dairy herds and improved grassland, and if the ability and resources of the average farmer could be raised, the improvement would be more marked. But it is doubtful whether any great reduction in money costs can be expected from improved technical efficiency—indeed, higher prices seem to be needed as a spur to greater efficiency. Certainly, the increase in farm wages during and since the war has outstripped the improvement in the efficiency of farm labour, yet farm workers will remain in a strong position to secure a further increase in real wages.

It is, therefore, fairly certain that merely to offer higher prices and to pump extra capital into the land will not be the most economical method of procuring additional food supplies. Increased food prices will mean increased export costs; overseas markets will have less to spend on British exports; and any improvement in the efficiency of British agriculture may well be

matched by overseas producers, thus preventing any reduction of the gap between the costs of British and imported food. There is no means of telling whether these points were studied when the programme was being prepared. But if they were, they have apparently been waved aside. The Government, in this instance, are strangely careless about the standard of living of the people. They are at least prepared to condemn it to a sharp reduction without even explaining the reasons why it is unavoidable. Their reliance on home food production would make any pre-war Tory administration gasp with astonishment. Mr Morrison, in his broadcast last Saturday, declared that much of the talk about incentives was "bunk." But one has only to look at the new schedules of prices to see how open-handedly the Government, on behalf of the British consumer, is extending incentives to the farmer. There is no mention of sanctions to ensure good farming, and no fundamental changes are proposed in farming technique or lay out. A farmer need do no more than his reasonable best, and he can rest assured that he will be perfectly safe under the new Agriculture Act. He can grow linseed at £55 a ton, wheat at 23s. a hundredweight, and produce pigs at 36s. a score. Linseed is a fairly new crop, for which the price has been pitched at the scarcity level contrived by Argentina; wheat averaged 9s. 8d. before the war, and pork pigs 13s. 5d. Now that prices are settled between the Government and the National Farmers' Union on the basis that the least efficient marginal producer can pay his way, such prices as these are more than generous to a farmer of moderate ability and efficiency. The only remaining boon to be granted by the Government—and some farmers have been forward enough to suggest it—is to revert to the old system of taxation under Schedule B.

It may be said that nearly half of the extra profits from farming will in due course be gathered in by the income tax collector. But there is an important qualification to this notion, for under the Income Tax Act of 1945 it is highly advantageous to invest in new machinery, and to recoup the generous allowances on new plant. The present backlog of orders for new farm machinery (and the black market premiums of £100 or so for new combine harvesters) show that the spurs to the reinvestment of profits in new equipment are real enough for the farmer of any size and substance. But this is not always true of the smaller farmer—and nearly 90 per cent of all the holdings in England and Wales are less than 150 acres. The new scheme offers no guarantee that the small man will re-equip on an adequate scale; he may prefer to pay off debt or put his profits by for retirement. It is he who is steeped in tradition and inefficiency; he whose output would gain most from the application of new methods; and he who is usually least ready to accept help and advice. If the County Committees, on whom the task of putting the Government's broad programme into detailed

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Extract from Chairman's speech, 27th March, 1947

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effect will rest, are to succeed in their task, they will need strength as well as tact in getting the best from the small farmers.

The same reticence is evident in the statement about the landlord's role. It is quite obvious that improved milk-yields, expanded beef herds and an increased pig population will require much outlay for farm-buildings, water supply and grass drying plant. A Government scheme for financial assistance to encourage grass conservation is promised later. But how quickly can new farm buildings be provided—and who is to pay for them? Only 37 per cent of agricultural holdings in England and Wales have piped water supply to farm buildings, and a mere 16 per cent to fields. When a landlord borrows at 3½ per cent and charges his tenant 4 or perhaps 5 per cent for such improvements, he is helping the farmer at quite small cost to make an appreciable increase in his profit. The past seven years have weighted the scale increasingly against the landlord and in favour of the tenant—a familiar consequence, indeed, of inflation and fixed money contracts. Can the average landlord be expected to give the Government scheme his full support without a better return? How far will he succeed, under the new Act, in taking cases for increased rents to arbitration? Will he not require a freer hand for reconditioning old buildings as well as the construction of new ones?

*

In the search for dollar-saving and increased self-sufficiency in home food production, the Government are embarking on an untried, and maybe perilous, experiment. It is, unfortunately, impossible to assert with confidence that its gloomy assumptions about the future course of British export trade are wrong. But it is certain beyond doubt that the consequences of the new agricultural programme (whether it is justified by future events or not) will mean a further, and permanent, reduction in the British standard of living. For all its sensible emphasis on an increase in livestock and poultry, it still contemplates a wheat output half way between the pre-war level and the wartime peak, and increases of 180 per cent in the output of barley and between 50 and 60 per cent for oats, compared with the pre-war levels. At one and the same time, an attempt is being made to produce more high-class protein for human consump-

tion, and more high-class feedingstuffs for livestock. When the Minister of Agriculture was asked last week who would pay for this programme of agrarian nationalism, he referred the question to Mr Dalton. The Chancellor has, on several occasions, referred with satisfaction to agriculture as "a great dollar saver." It will be a great pound waster under the new policy; perhaps that is the best ground for hoping that the increased costs will be passed direct to the consumer, where they rightly belong and will be fully visible, and not forced on the taxpayer as increased subsidies.

It may be that the British industrial consumer, by his failure to produce efficiently for export, has deserved to reap this bitter harvest. But he has at least the right, before he agrees to this new policy, to demand the fullest and most convincing answers to three sets of fundamental questions.

First, what are the Government's reasons for believing that British exports will never again be sufficient to pay for the pre-war volume of imports? Do they agree with FAO that it will not be long before there will again be a surplus of food in the world market? And if they do, why do they think that Great Britain will be unable to offer goods in exchange? Or is the new programme not intended to continue after 1952? Will they give a pledge not to keep out imported food, if it is available cheaply and can be paid for?

Secondly, what methods do they propose for ensuring that the targets of production are in fact attained? Do they propose to rely entirely on the offer of higher prices?

Thirdly, what estimate can they form of the cost of this programme to the British nation? That is to say, how much higher fraction of his income will the average Englishman have to pay out for food in, say, five or ten years' time, than he would have to if, at that time, the country were still free to buy its food where it could be had most cheaply?

There may be convincing answers to all these questions. But before the country, in a moment of panic, throws overboard the system of economy upon which its wealth and greatness were built, they should at least receive the most searching public examination.

Nationalism in South-east Asia

THREE European nations have since the war been confronted with intense native independence movements in Far Eastern territories which were under their sovereignty in 1941. Britain in Burma, Malaya and North Borneo, France in Indo-China and Holland in Indonesia have had to face post-war situations which, in spite of local variations, have been broadly similar. Japanese invasion, spreading out to the Bay of Bengal in the west and to Java in the south, eliminated the European administrations—the British and Dutch in 1942, the French in 1945—destroyed their prestige, set up formally independent states and spread far and wide the doctrine of "Asia for the Asiatics." The Japanese gained little for themselves in the long run, for their arrogance and exactions soon made them unpopular with the peoples they "liberated," and the news of their military defeats quickly destroyed their temporary reputation for invincibility. But the impetus given to nationalist movements continued to operate after the downfall of Japan and brought together in new formations of leadership those who had throughout the war sided with the Japanese, others who had always resisted the Japanese and others again who had changed

sides and at least begun to work a passage to the camp of the United Nations.

In each area there were in 1945 native armed forces, which had either been trained and equipped by the Japanese or else supported and supplied with arms by Allied agents for guerilla warfare against them. In returning to their former territories in the last stage of the war, or after the Japanese surrender, the European Allies had to decide in each case whether to recognise the new political and military organisations as *de facto* authorities and negotiate with them, or whether to stand firmly on their juridical rights and treat any local power not authorised from the metropolitan country as a merely private and unofficial body.

The conditions of re-entry into South-east Asia were, however, very different for the British on the one hand and the French and Dutch on the other. The British fought their way back into Burma while the war was still going on and were able to land in force in Malaya immediately after Japan's surrender; thus they not only returned with the prestige of victors, but with sufficient strength to prevent usurpations of

governmental power. In Burma, the Japanese-sponsored Republic under Ba Maw had been involved in the collapse of Japanese power, and Aung San's forces, who had crossed over to the British side, transforming themselves overnight in British military terminology from the BTA (Burmese Traitor Army) into the BPF (Burmese Patriotic Forces), were not strong enough to make an open challenge to the juridical sovereign. In Malaya, key points were taken over directly from the Japanese, and the Chinese Communist guerillas, who represented "resistance" in Malaya, had no chance to seize power; in Malaya, in any case, the division between the Chinese and Malay communities had prevented any real national movement from emerging, and the Japanese, anxious to keep so valuable a territory entirely in their own hands, had not tried to set up an independent state. Thus, both in Burma and Malaya, the British had a firm grip before the end of 1945. They had the power to protect their own nationals and properties until agreement could be reached with native leaders and were nowhere at the mercy of mobs acting in the name of "governments" which could not, or would not, control them.

For the French and Dutch the position was quite different. Owing to the conditions in their homelands they could only make their initial return to their Far Eastern territories through token detachments in the train of British forces marching in to take the Japanese surrender. Further, it had been agreed between Britain and the United States that northern Indo-China should be a Chinese strategic sphere; southern Indo-China, including Saigon, had long been allocated to South-east Asia Command. Java, however, had originally been in the sphere of General MacArthur's command—as it had been assumed that a landing there would be made either from Australia or the Philippines—and was only transferred to South-east Asia Command just before Japan's surrender.

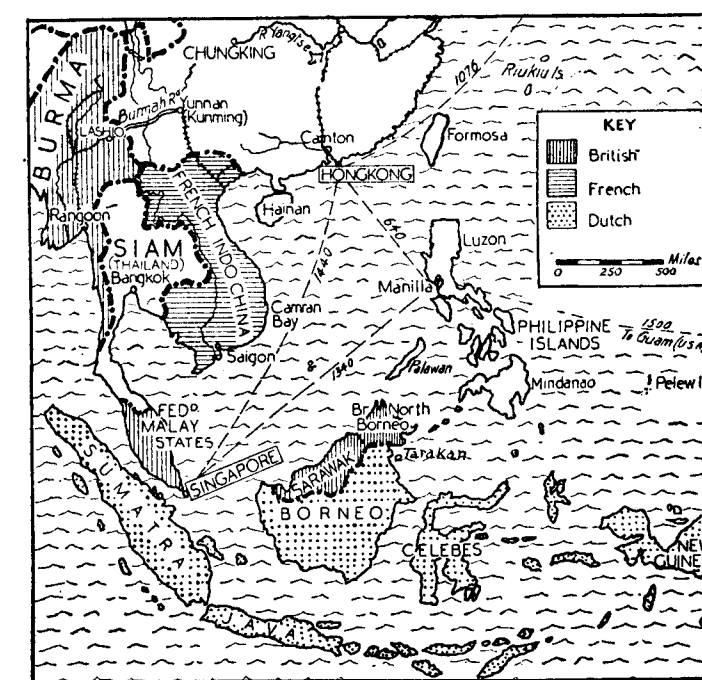
These war-time dispositions, made for strategic convenience, determined the political issue. In northern Indo-China the Chinese protected the Vietnam Republic set up by the Viet Minh party. In southern Indo-China, British forces did not recognise the authority of this Republic and co-operated with the French in re-establishing their control. In Indonesia, the British expedition to take over from the Japanese had to be improvised and was carried out with an inadequate force; at the outset, conscious of inability to defend themselves, the British, in spite of Dutch protests, accorded *de facto* recognition to the Indonesian Republic which had been prepared with Japanese support and proclaimed just after the surrender.

There was no consistency of principle in the British dealings at this time with the French and Dutch respectively. Morally, the French case was far weaker than the Dutch, for the "Vichy" administration in Indo-China had been collaborating with Japan up to March, 1945, and the Viet Minh had been a resistance party supported by the Chinese and American authorities in Kunming. In Indonesia, on the contrary, there had never been any Dutch collaboration and Soekarno's movement had been thoroughly pro-Japanese—though it was subsequently joined by other nationalists who had opposed the Japanese. Yet the British gave more support in the critical days to the French than to the Dutch, the overriding consideration being one of momentary expediency. In the sequel, both the French and Dutch were able to land some troops, but found themselves confronted with "republics" in being, claiming sovereign independence and denouncing any return of European soldiers and officials as "aggression."

In international law, neither the Vietnam nor Indonesian Republics have attained any juridical existence, as no nation has given them formal diplomatic recognition; the French and Dutch are, therefore, within their legal rights in crushing them as rebels, if they can. Nevertheless, these new régimes have had time to establish themselves to a degree of strength at

which they can only be overcome by regular military operations. Such warfare, when undertaken by the Dutch, has led to the intervention of the Security Council. The French had previously been carrying on similar warfare in Indo-China for half a year without attracting the attention of the Security Council, but the drift of events has made it clear to them that the procedure applied to the Dutch would be applicable, sooner or later, to them also, and France has therefore used the veto to stop a Russian proposal for direct Council supervision of the truce agreement in Java.

In Burma, by contrast, the British have managed to avoid any armed clash with the main nationalist leadership, have admitted it to power, and have raised no objection to the Constituent Assembly's decision to proceed to sovereign independence in the immediate future. After the assassinations a month ago, all the dead Ministers were at once replaced from the same party formation with the concurrence of the Governor, Sir Hubert Rance. There was no disposition to use the crisis as an occasion for the Governor to resume emergency powers



or to postpone the constitutional development already planned to take place. The British people are certainly entitled to congratulate themselves that their policy in Burma has been successful in avoiding violent collision with Burmese nationalism and that they have not a costly and devastating colonial war on their hands in the Far East, as both France and Holland now have. On the other hand, they should endeavour not to indulge in an excessive self-righteousness in relation to their French and Dutch neighbours, but try fairly to understand, not only the initial disadvantages from which they have suffered in the post-war period, but also how their conceptions of the solution to the colonial problem differ from the British.

The French approach to the problem of colonial nationalism—and the Dutch in general share the French outlook—differs from the British fundamentally in its idea of the new relation to be established with colonial territories as a federal one. The British approach the question of India or Burma with a habit of thinking derived from the experience of constitutional adjustment with the Dominions over a long period of time. The British have never been strong on the theory of the state or the making of written constitutions, and they have never spent their time worrying whether the Empire was breaking up or not when self-government was given to territories which had been governed from London. The personal union provided by the monarchy,

was, of course, the element which gave continuity and averted any formal break; even so, the British mind has now become so accustomed to parts of the Empire setting up house on their own that, even if they want independent republics, it is no longer thought impossible for them somehow to belong to the Commonwealth. The British economic or strategic interests affected by these evolutions of self-government are by no means ignored and underrated, but it is a cardinal principle—or perhaps it would be better called an instinct—of British statesmanship that the important thing is to preserve goodwill into the new era as the only sure means of obtaining satisfactory settlements.

France and Holland, on the other hand, see the solution in their Eastern territories in terms of imperial federation—or rather of two-storey federations, for in each case there is to be a regional, as well as a general, federation; the Vietnam Republic is to be combined with Cambodia, Laos and, perhaps, Cochinchina in an Indo-China Federation, which will in turn be part of the French Union, and similarly the Indonesian

Republic, comprising Java and Sumatra, is to be combined with East Indonesia in a United States of Indonesia, which will be combined in a federal union with the Kingdom of the Netherlands. In these schemes, real power will be held by the federal authority at each stage and, if the federation were entirely voluntary, great value might be claimed for such elaborate political systems. But the nationalists of Vietnam and Java see them as devices for maintaining French and Dutch rule in disguise. After all, it is the Vietnam and Java-Sumatra Republics which established a *de facto* independence, and the other territories with which they are to be federated are those over which the former European rulers have regained control. It is, indeed, very questionable whether there is any future for projects of federation between widely separated European and Asiatic peoples. The British way of liquidating colonial rule has its dangers, but it holds out better hopes of lasting co-operation than an artificial and complicated federal structure.

The Balance of Payments—II

The Terms of Trade

THE first article of this series analysed the relative importance of the different causes of the critical deficit in the British balance of payments. If the total deficit in the first half of 1947 (ignoring capital items, of course) can be guessed at the annual rate of £525 millions, then the responsibility for it can be very roughly distributed as follows (in £ millions):—

Pre-existing deficit (1938)	70
Effect of changes in volume of exports and imports	-180
Effect of fact that prices have risen	105
Effect of fact that import prices have risen more than export prices	170
Increase in Government overseas expenditure ...	234(?)
Reduction in interest receipts	100(?)
Reduction in other invisible income	26(?)

Clearly the largest single item is the great increase in the Government's overseas expenditure. In 1946, the total of £300 million was made up of £225 million for military expenditure (net), £97 million for relief and rehabilitation, £38 million for "Cost of Germany (net)" (not including the cost of the Army of Occupation), and an unexplained credit item of "Other (net)" amounting to £60 million. The total will certainly fall. Relief and rehabilitation expenditures are already ended and military commitments, it must be hoped, will fall very rapidly. Germany is to be self-supporting in five years' time, and might even conceivably be able to bear the costs of occupation. On the other hand, Government overseas expenditure will not disappear. It was £16 million in 1938 and the fall in the value of money by itself would make some increase necessary. Moreover there has been a regrettable tendency to locate the new international institutions in expensive places like New York. Perhaps the best guess that can be made is that Government overseas expenditure in the 1950s—the period with which these articles are concerned—is unlikely to be less than £30 million or more than £50 million a year. That would mean a relief, as compared with the above table, of between £200 and £220 million.

The future net receipts of interest and dividends are another puzzling item to estimate. It is often said that Great Britain is now a debtor country. That may be true so far as capital values are concerned. But it so happens that many of the remaining assets are invested in directly owned trading concerns where the average return on capital, taking good years with bad, is reasonably high, while the great mass of Britain's debts are—at least for the present—in the form of bank balances

on which little interest is paid. It is therefore not unreasonable to suppose that Britain can be a debtor on principal account and a creditor on income account. On the other hand, the net receipt of £80 million in 1946 is bound to be diminished. Some of the sterling balances will be funded, or used to purchase British investments that are now income-earning; and in the 1950s there will be interest to pay on the American loan, against which can only be set the hope of revived dividends from some British properties, in Malaya and elsewhere, that are now paying nothing. On balance, the country will be lucky if, in the 1950s, it has net receipts in interest and dividends sufficient to pay for the Government's overseas expenditure.

Other "invisible" income (chiefly shipping, insurance and banking earnings less film royalties) brought in £73 million in 1938 and £40 million in 1946. Shipping earnings can be expected to recover; indeed, they may be quite high unless and until the German and Japanese merchant fleets are restored. Insurance earnings have held up well and should have some scope for further increase. Banking and general merchanting earnings are more doubtful. Moreover, all these items are influenced, sometimes with some delay, by changes in the general value of money. It would be foolish to attempt to make a definite estimate of what they will amount to in the 1950s; but the upper limit cannot be much above £100 million a year.

What all this amounts to is that the net total of Government expenditure, investment income and other invisibles, which brought in £232 million in 1938 and led to a net debit of £180 million in 1946, cannot be relied upon to bring in more than £100 million a year at most in the 1950s. On the other hand, the net total ought not, at the worst, to be less than, say, £40 million on the right side. This, it should be repeated, is not an estimate, but a mere setting of limits. The purpose that the calculation serves in the present context is to demonstrate that the net total of all the "invisible" items is likely to be very small—probably not more than about 5 per cent of the "visible" items—and that variations in the items of which it is composed are not likely greatly to affect the main issue. Any contribution that the invisibles can make to the balance of payments will be very welcome; but the shape of the balance will be almost entirely determined by imports and exports of goods.

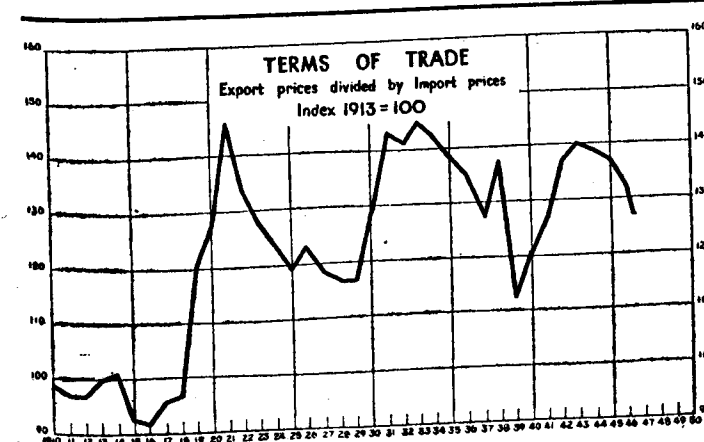
The entries that are made in the international accounts in respect of imports and exports are a function, first, of their

volume and, secondly, of their price, and of the two, it is the price factor that, in many ways, is the more important. The relationship between the prices of imports and the prices of exports is the famous Terms of Trade of which so much is heard in current discussion. It is, indeed, one of the most fundamental of all economic phenomena, especially for a country situated as this one is. But it is also one of the easiest of economic terms to misunderstand and mishandle.

Crudely, what is known as "the Terms of Trade" is an index number derived by dividing an index of export prices by an index of import prices. This is what is graphed in the first of the accompanying diagrams. A rise in this index indicates that a representative unit of British exports can be exchanged for a larger quantum of imports than before; it is therefore said to be a move in Britain's favour. It will be seen that, over the generation that has elapsed since 1913, the terms of trade have, on the whole, moved strongly in Britain's favour. This was not so in the first war, but in the 1920s (except in the boom years at the end of the decade) the index stood at 120 or higher and in the early 1930s it moved up to 140 or higher. In 1938 it stood at 138 and over the war period as a whole there was not much change. It was only in 1946, and particularly in the first half of 1947, that it moved sharply against Britain; the June figure was 127.

Basically, there can be no doubt at all that the "favourable" trend of the terms of trade in the 1920s and 1930s was in fact, as well as in economic jargon, very favourable to the British community. It meant that the necessary supplies of food and raw materials could be obtained, throughout those decades, with the expenditure of many fewer man-hours of British labour (in the early 1930s with about one-third fewer man-hours) than would have been necessary if prices had retained their 1913 relationship. This meant that a very large total of man-hours was available for raising the national standards either of leisure or of consumption. Unquestionably, this was a great benefit to the country. Directly, living was cheap. Indirectly, new industries grew up on the purchasing power that might have had to be devoted to food and raw materials. It was, for example, demonstrated in *The Economist* at the time that the chief cause of the housing boom of the 1930s lay in the favourable shift of the terms of trade.

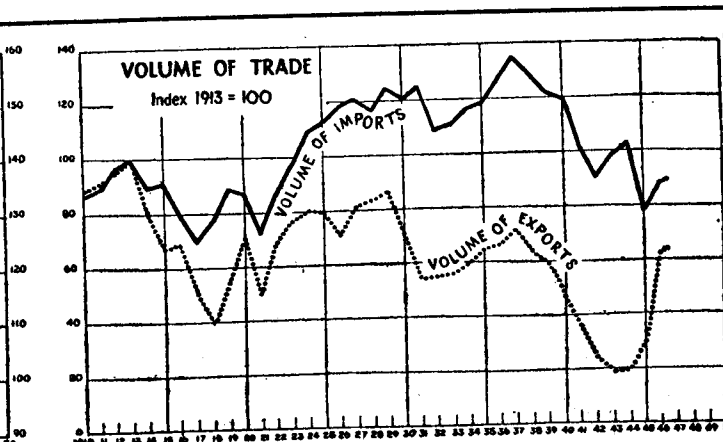
But the "favourable" nature of this shift requires some qualification. For one thing, some part of the man-hours set free by it were compulsorily devoted to unwanted leisure. A country that enjoys a "favourable" shift in the terms of trade can either import more for the same expenditure of effort in the export trades, or it can import the same volume and have unemployment in the export trades. Britain did the latter; and it would have taken some clever explaining to convince the cotton and steel industries in 1933 that anything "favourable" had happened to them. The standard of living of the community as a whole benefited, but part of the benefit was wasted and the gain in real income and leisure was unevenly distributed.



Secondly, the long-continued favourable shift in the terms of trade has very largely concealed a major change in the economic structure of the country. As the second chart shows, the volume of imports into Great Britain has shown a generally rising tendency, while the volume of exports has no less consistently fallen. If both are taken as 100 in 1913, then the average volume of imports in the five years before the second war was 125 and of exports 65. In short, the volume of exports, relatively to that of imports, had been halved. The British community was habituating itself to a volume of imports that rose almost parallel with the national income while it was steadily losing the habit of exporting. In the late 1930s, the average inhabitant of Great Britain was importing nearly 20 per cent more than in 1913 but exporting nearly 40 per cent less. If the favourable shift in the terms of trade can be regarded as permanently assured—or, still better, if it can be relied upon to continue—then these persistent tendencies can be looked upon with the complacency with which they were in fact regarded. But a country which becomes increasingly dependent on imports while it is losing the habit of export is in a very vulnerable position if the terms of trade should happen to swing the other way—as the British people are now experiencing.

The words "favourable" and "unfavourable" should therefore not be applied to shifts in the terms of trade without considerable qualification. Moreover, there is also danger of false conclusions being reached when the attempt is made to base future policy on the terms of trade. If the single object of policy is to move the terms of trade in Britain's "favour," then by far the simplest way of doing so is to double the prices of all British exports. But the immediate effect would be a sharp fall in the volume of British exports. Such trade as was done would be on very "favourable" terms; but the gap in the balance of payments would be larger than ever and the country would starve. The example is not too fanciful, for it is quite possible that there will be a sharp fall in the world prices of primary products at some time in the next two years. If there is no fall in the prices quoted by British exporters from their present astronomical levels, then there will be a sharp "favourable" shift in the terms of trade, but there will be no British exports. It may be to a country's advantage to seek less "favourable" terms of trade.

The pure statistical conception, in fact, comparing prices without regard to the volume of trade done at those prices, is a barren and misleading one as a guide to policy. It is not nearly enough to say that British policy must hope for a favourable shift, and work for it. The definition of the object of policy is a much more complex formula, bringing in volume as well as price. For the next few years, the object of policy may be defined as such a relationship between import prices and export prices that the necessary volume of imports can be bought and paid for with the lowest possible expenditure of man-hours in the export industries. In the next article an attempt will be made to reduce this abstract conception to figures.



But to what extent such a conference can be of value at the moment is rather dubious. Not only is it costly, but it imposes a considerable strain on the already overworked government officials, particularly of European countries, who have to devote a considerable amount of energy to the Paris talks. In any case, can the decisions of the FAO conference, whatever they may be, be considered in isolation from the Marshall Plan, particularly as the world food shortage is aggravated by an equally ubiquitous dollar shortage? Surely it would have been better to agree on the Marshall Plan first and then attempt to fit that scheme into the world programme. It would be even better if producing countries such as the United States and Argentina were to make a realistic effort to restrict or even reduce home consumption and thus make available larger supplies to their necessitous neighbours.

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Better News of the Ruhr

A cynic might feel inclined to draw all manner of conclusions about the British administration of Germany from the fact that while the Commander-in-Chief and his technical advisers were absent in London, the principal Foreign Office representative and the chief industrial and economic advisers in Washington and the remaining experts in Paris, coal production in Germany rose from new record to new record week by week and has now nearly reached the level of a quarter of a million tons a day. The Anglo-American coal talks in Washington have been greatly simplified—from the British standpoint—by this background of steadily increasing coal output. In the teeth of ill-informed and often malevolent criticism from a stream of American visitors to the Ruhr this summer, the British have consistently maintained that only more food and better conditions would increase output and that the actual management and organisation of the mines were as good as was humanly possible under the conditions. To confirm the British point, the last weeks' spurt in output has followed the issue of new rations and inducements to the miners, and at the same time the British experts (chief among them Mr H. E. Collins, until recently Deputy Director of the North German Coal Control) were able to convince the Americans that technically Britain had little to learn on questions of management and production and that, on the contrary, a remarkably efficient organisation had been built up. There should now be little difficulty in creating a harmonious Anglo-American control group for the mines which will very largely continue British policy with the addition of bigger material inducements to the German workers. The question of supplying the dollars for these inducements, however, has yet to be discussed.

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The Education of Our Masters

The education of members of the Government continues. Last Saturday's broadcast by Mr Morrison again emphasised the need for all to work harder—how uninspiring it sounded on this, at least the twentieth occasion—and there was a welcome warning that "the government can't do the whole job"—it can only plan "the strategy of peace-time prosperity." There was some recognition that Great Britain is trying to do too much—but there was a significant absence of any reference to housing.

But, as was only to be expected from an official broadcast, the most important questions were ignored. Is it possible to increase production without first reducing the inflationary pressure? And how long can the Government afford to gibe, as Mr Morrison did, at the price mechanism? All agree that, as this country is now living beyond its income, production must be increased. And at last, it is pretty generally realised that neither rationalisation nor the direction of labour can do this. But how can the labour force be revitalised? Mr Morrison dismissed incentives as "bunk." He may be right. Perhaps people cannot be "spoon-fed and bribed" to give Britain all the effort it needs. On the other hand, it is quite clear that nobody is going to leave a job at £15 per week, "making and selling things that Britain can do without," for one at £5 per week making things that Britain needs, on the strength of a broadcast appeal. During the war a change of job was always eased by an increase of pay. But now the conflict between official policy and the pull of the market, particularly in the underpaid and undermanned cotton and woollen industries, the foundries, the brickworks (to borrow the Lord President's examples), is obvious. It is the Government's failure to introduce a wages policy in the early days of peace that has now forced it to the direction of labour. This divergence between what the Government wants and the beckoning of the market results from the pressure of

inflation, perpetuated by the structure of controls which actually encourage the spending of money on the uncontrolled and less essential products. The Government is here in a dilemma of its own making, which it cannot solve in the best way, that is by reducing Government expenditure and increasing the sphere of the market, so long as it adheres strictly to its Socialist programme.

A restoration of a price system to its normal function in the economy, and an enlargement of the area of competition in industry—these measures will not be palatable to most Socialists. But until the pressure of inflation and of over-full employment is decreased, it is useless to look for other means of increasing output per head. For only then will the carrot seem worth working for, and only then will it be reinforced by the stick, in the form of a fear of losing one's job. It is on these lines that the way to a "transformed and strengthened Britain in which everyone can work to a purpose" should be planned. The next step "to put stuffing into our dreams" as well as songs in the nation's heart lies with the Chancellor of the Exchequer.

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Transport and Electricity Chiefs

During the last week announcements have been made of further appointments to the authorities which will control the nationalised transport and electricity undertakings. Sir Eustace Missenden is to be the chairman of the Railway Executive and Lord Latham chairman of the London Transport Executive. It is believed that the salary attaching to the first office is £7,000 a year, to the second £5,000. In electricity, the chairman of the new British Electricity Authority will be Lord Citrine and the deputy chairmen Sir Henry Self and Mr J. Hacking. The names of the full-time members of the British Transport Commission were announced earlier in the month (and discussed in *The Economist* of August 16th, page 272), while the announcements from the Ministry of Fuel and Power included the names of some of the chairmen of the Area Electricity Boards.

The announcements follow a familiar pattern; one might be reading a list of members of some new Royal Commission to inquire into, say, the shortage of French chalk. There are the familiar semi-political, semi-industrial names at the top, the same distinguished civil servants, inevitably a trade union secretary and, equally inevitably, a sprinkling of prominent but non-industrialised public figures, no doubt representing, in some way, the interest of the consumers. One may be prompted to ask, what would we do without Lord Latham and Lord Citrine, and why should the higher ranks of the civil service complain about their pay when they need no longer retire on pension? But such questions could be considered uncharitable.

But there is a more serious criticism. So far, if one were judging the appointments from the angle of a capitalist undertaking one would say that care has been taken to look after the interests of the debenture-holders and preference shareholders. Here are sound and reputable people, all with sober reputations. But where does the enterprise come in? Is that to be left to the lower ranks of anonymous executives or has it been left out altogether? Mr Silkin took his courage in both hands and gave the original responsibility for Stevenage to someone like Mr Clough Williams-Ellis. Mr Shinwell and Mr Barnes have certainly been more cautious. Perhaps they do believe that no industry should be nationalised until all possibility of improvement in it has gone.

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Exodus Returned

Did the Government really think of the consequences to this country's international reputation and prestige when the decision was taken to send the "Exodus" Jews to the British Zone of Germany? Few orders could have been such a gift to Zionist anti-British propaganda or so damaging to Britain before a world opinion which Irgun outrages had recently inclined towards sympathy. In a pathetic attempt to undo the mischief which has been done, it has been officially explained that the camps would not in fact be in "the Belsen area" (as was at first reported) and that the soldiers going aboard at Hamburg to "persuade" the Jews to land would not be armed with rifles but only with staves for self-protection. But all Germany is a Belsen for Jewish memory; there is no part of it where Jews have not in the last decade been murdered, tortured or swept in by the Gestapo net for concentration camps and the gas chambers. What kind of obtuseness is it which cannot see the emotional effect on Jews all over the world, on opinion sympathetic to their cause and

indeed on anyone with a sense of human decency, of sending intercepted Palestine immigrants to Germany?

But the "Exodus" Jews have declared that they will not land voluntarily except on the soil of Palestine; either therefore British troops must put them ashore in Germany by force or they will remain indefinitely in the ships in the Hamburg docks making Britain contemptible in the eyes of the world. The same dilemma might confront the authorities if they were brought to a British port, but the moral effect would be entirely different from that involved in having such scenes on a German waterfront. It is no use reasoning that these Jews would be no worse off materially in the one country than in the other; emotional associations are facts not only for psychologists but for any politician who knows his business. Perhaps it is even now not too late to divert the ships to a British port; it only needs a glimmer of sense in the responsible quarter and a radio message to the transports.

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Egyptian Uncertainties

The Egyptian press and public are already taking it for granted that the Security Council's decision on Egypt's case will be unfavourable. An instruction to the two parties to resume negotiations, as proposed by Brazil, would be equivalent to awarding the verdict to Britain. There will be no comfort in this for Britain, whose concern in the matter goes further than being formally in the right. The immediate security problem which may arise from a continuance of Egyptian unrest is serious, but not so serious as the impact on Anglo-Arab relations generally. Egypt, the least Arab of the Arab League states, with an Egyptian nationalism of its own, is yet the unquestioned leader and pace-setter of the Arab world. Despite the appalling poverty and degradation in which the mass of its people live, the doubtful value of its armed forces, and its internal disunion, it is still the most powerful Arab state. All that is new or vital or interesting or progressive, as well as all that is old and corrupt and obscurantist and reactionary, in Arab politics, culture and thinking has its headquarters in Egypt. The only Arabic newspapers that count in the Arab world, the only books of importance are published in Cairo. Egypt is the home of the leading educational institutions. The American University of Beirut has prestige, but the Arab world, particularly in its moods of isolation, is a Muslim world, and the University of Islam is Al-Azhar.

But Britain cannot really come to terms with Egypt until Egypt comes to terms with itself. What is happening in Egypt today is a revolution. This revolution may be postponed or sidetracked or boil over, or it may be canalised by one strong hand, but it must work itself out somehow. A return to power of the Wafd under Nahas Pasha would in itself be merely a postponement. He is as much a part of the old order of landowners, merchants and personal parties as the Palace politicians. But it might not stop there. The younger Wafd members have been getting increasingly impatient with Nahas's old-fashioned idea of party as a game of follow-my-leader without programme or principle. The news that they have joined with the youth sections of the Kotla, the Socialist Labour Party, and others to oppose any resumption of negotiations with Britain is an omen as much for the present regime in Egypt as for Britain. The proportion of University students to the rest of the population is eleven times as great in Egypt as in the United Kingdom. There are not careers for them all, so they turn to political extremism; they are also prominent in the near Fascist groups, the Nationalist Party, the Muslim Brotherhood, the Young Egypt Party, all of which may claim some mass support.

As for a strong man to take charge of Egypt's revolution, in the Atatürk tradition, there is only one whose authority is at present great enough to make him a possible candidate. That is King Farouk himself. But he would have to look very much further than he has yet done, beyond the constitutional façade, to beyond the small circle of upholders of the existing system, to appear, in sharp opposition to them, as the champion of the Egyptian masses.

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No Reprieve for Petkov?

The British and American efforts to obtain a review of the trial of Nikola Petkov have so far met with no success nor at the time of writing does there seem to be any ground for hoping that the death sentence will not be carried out (though in Yugoslavia Professor Furlan, whose condemnation was no less scandalous, has had his death sentence commuted to twenty years' imprisonment). The Soviet member of the Allied Control

Commission in Sofia, who previously obstructed British and American requests for an official observer to be allowed to attend the trial, has rejected the demand for a review of the evidence by the Commission on the ground that the trial was purely an internal affair of Bulgaria, and this attitude has been maintained by the Soviet Government in reply to representations in Moscow. Meanwhile, in the inevitable sequence of events, the Communist majority in the Bulgarian Parliament has ordered the dissolution of Petkov's party, the Agrarians (which between the wars was the main Left party in Bulgaria and the principal opponent of all reactionary and pro-Nazi Governments) and has cancelled the mandates of its members who were returned in the last election. Bulgaria has thus come nearer than any other country except Yugoslavia to the Communist ideal of party dictatorship on the Soviet model. Such a consolidation of Communist control would hardly be possible while a politician of such outstanding democratic record and personal courage as Petkov remained alive.

One important point arises with regard to this country's diplomacy in such cases. In view of the obligations undertaken by Bulgaria as an ex-enemy country there can be no doubt that Britain and the United States have been within their rights in demanding a review of the trial. But in the last resort they have no power of enforcement if the Bulgarian Government is supported by Russia. The only real check on the kind of political proscription of which the Petkov case is typical—and which may be widely repeated in Eastern Europe in the coming months—lies in maximum authoritative publicity. This cannot be afforded merely by the press, partly because of lack of space and partly because coverage of a trial by a few specially licensed correspondents without legal training in a little-known language is not a satisfactory method of providing reports on which the public can form its own opinion. It is incumbent on the British and American Governments which have protested on the diplomatic level, to place at the disposal of public opinion all the information they have about the trial and the background of it. The British Government should publish a White Paper without delay. It may be too late to help Petkov, but the spotlight turned into dark places may still be some deterrent to similar trials which may be planned elsewhere.

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Will the French Rally?

General de Gaulle has announced that his super-party "the Rally of the French People" will participate in the October municipal elections. In doing so he has definitely re-entered the political arena after a retirement which lasted some twenty months.

When he resigned office, declaring with some reason that the country could now get along without him, the situation was characterised by administrative chaos and rocketing inflation. The General has recently admitted to an eminent Belgian, an ex-Minister of Finance, that he missed the psychological moment when these evils could have been most effectively cured. Yet now that the General has returned to politics, it would be quite impossible to describe the political aims of his "People's Rally" beyond those of rallying the people and continuing M. Ramadier's present policy of excluding the Communists from government. The General offers no answer to the question of how he proposes to enforce French authority on recalcitrant colonies, or the state's authority on recalcitrant trade unions. There is no self-evident reason to expect that the General would succeed better either in remedying inflation, or suppressing the Black Market than he was able to do while he was in office. Humdrum problems of this kind have, in the opinion of his close associates, always appeared beneath his military dignity.

But the lack of a programme does not necessarily indicate that the General's campaign will be unsuccessful, for, in France, in

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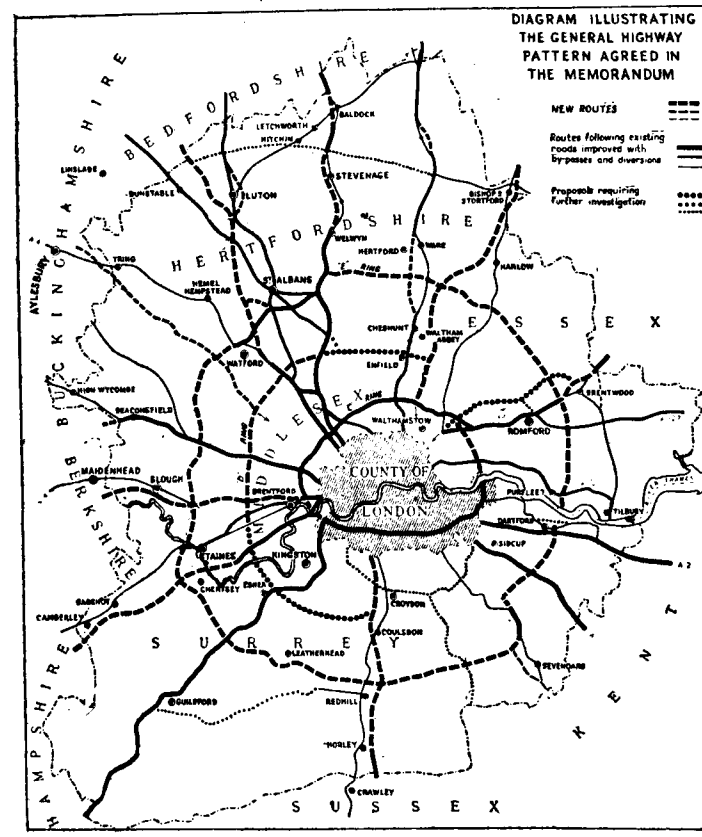
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times of stress, a big name is often a greater asset than a coherent policy. The General knows that the colonial situation is tense, that a financial collapse threatens, that the food crisis may precipitate political trouble. In short, it can be confidently expected that everything will get much worse before it is likely to get any better. If, spurred on by hunger, misery and insecurity, the nation should seek not a policy but a saviour, the General is certainly the likeliest candidate.

Admittedly the RFP clashes with the French republican tradition in its adherence to the cult of the "Führerprinzip" and in its emotional rather than rational appeal, but the French republican tradition has been of late under a very severe strain thanks to a succession of impotent coalition governments, an ineffective and largely corrupt administration and endless speeches on the principles of equality at a time when privilege and immunities for the rich have never been so patent. These are the facts which make the "systematic denigration of parliamentary democracy," which Maurice Schumann complained of this week in regard to Communists and Gaullists alike, such a rewarding enterprise.

London Roads

The Ministries of Transport and of Town and Country Planning have now published jointly a revised plan for the future road system in and around London, and their plan departs considerably from the original proposals made in conjunction with the Greater London plan. The two main features of the original plan were, first, the creation of ten radial arterial roads out of London, plus three ring roads around London, and, second, the reservation of these roads for motor traffic only. Highways, mainly existing, for all-purpose traffic were to be called sub-arterial roads.



The new proposals involve the abandonment of six of the ten new arterial roads and of one of the three ring roads around London. This latter is to be constructed in part, to form an intermediate half circle lying between the existing inner and outer rings. The details are shown on the accompanying map.

In the present need to curtail public investment, the Ministries' caution may be justifiable. But since there is apparently no question of undertaking work on the new roads now, the engineers' criticism is understandable. There is no fresh evidence produced with the revised plans sufficient to convince a road engineer that the original estimates were extravagant. Likewise, experience of the past all shows that earlier cuts in plans for new roads have only tended to aggravate the subsequent problem, both in complexity and expense. If either of the present plans had been imposed

upon the Greater London area twenty-five years ago London's traffic would not be involved in the confusion that now exists.

Yet there are arguments on the other side, of which the principal one is that new roads not only attract traffic; they create the conditions that multiply traffic. At least, such, again, is the experience of the past. The final answer can only be given by the Ministry of Town and Country Planning. For the first time they have in the new Act an implement by which they can control all the conditions that increase traffic, new houses, factories and amenities generally. If the Ministry is determined to ensure that London shall not grow any further, that Stevenage and the other new towns around London are to be self-contained, and will not become breeding points of fresh traffic to and from London, then the modified version of the roads plan may suffice. If their control is not to be as rigid as that, then once again the two Ministries are pushing off on to posterity a great many of the problems that courage and imagination could solve to-day.

Enterprise Scotland

Scotland has achieved the distinction of organising three major events in the same week, the Edinburgh Festival, "Enterprise Scotland," an exhibition of consumer goods at the Royal Scottish Museum, also in Edinburgh, and the first post-war meeting of the British Association which opened this week at Dundee. "Enterprise Scotland" is a smaller but in some ways more attractive edition of "Britain Can Make It." Primarily, it is a spectacle, designed not so much to sell goods directly as to stimulate Scottish interest in what is being made and sold in their own country. Inevitably the exhibition directs attention on the Scottish trading estates, whence the major stimulus in the manufacture of consumer goods comes. In 1939, some 5,000 people were employed on the then four Scottish Trading Estates. During the war the figure rose to over 20,000. Last year, with the ending of the three-shift regime, the number fell to 14,500. By June last, however, it had climbed back to 17,500. The Board of Trade, in 1945, estimated that Scotland needed 150,000 new jobs to maintain full employment. It is clear that Scotland's light industries, of the kind now displayed at Edinburgh, can and should play a considerable part in reaching towards that target, even though they may not reach their own target of some 37,000 additional jobs by the end of 1949.

The extension of Scottish interest in light industries is a healthy sign, if only because Scotland did not display sufficient interest in them between the wars. Scottish heavy industry was, and must be, the backbone of its industrial activity, but heavy industries are continually throwing off opportunities for establishing successful light industries, almost as by-products. There were, in the past, too many examples of opportunities lost, and, with respect to the Scots, the faults there lie with themselves rather than with the "alien dictators" in London.

Shorter Notes

The first figures for the interim index of retail prices, which succeeds the old cost-of-living index, were published this week. With June 17th taken as 100, the figure for July 15th was 101. This rise was chiefly due to increased prices for foodstuffs, clothing and some household goods. So far no wage agreements have been negotiated which tie wage rates to the new index. On the other hand, although the unions will not be able to claim an automatic and full rise in wages in response to an increase in the new index, they are certain to use it as an argument in wage claims, just as they used increases in the old index whether their wage rates were tied to it or not.

The Colonial Development Corporation has at present two heads and no body. Last Saturday it was announced that Lord Trefgarne (formerly Mr Garro-Jones, MP) and Sir Frank Stockdale (the first Comptroller for Development and Welfare in the West Indies) would be chairman and deputy chairman respectively of the Corporation, which now awaits legislation before it can become formally constituted. What one anxiously awaits is some indication of how it will actually work. Will it be hamstrung by advisory committees of anthropologists and sociologists; will all its projects have to be filtered through a mesh of governmental control, locally and in Whitehall? The ultimate sovereignty of the Colonial Office is necessary. But within broad limits it is essential that the new Corporation should have as free a hand, and as unbounded a vision, as possible.

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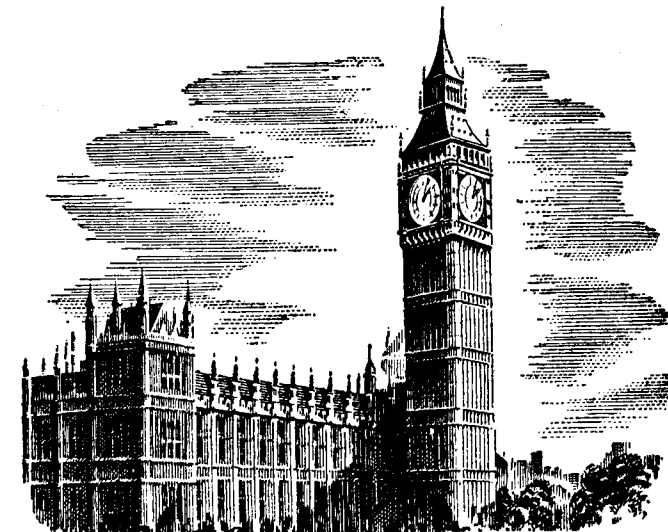
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SEPTEMBER NUMBER

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Letters to the Editor

The Economic Crisis

SIR,—The bewilderment of the neo-"liberal" school, when faced by the difficulties of the post-war international economic settlement, is well illustrated by the sequence of panaceas recently presented by Mr Hicks, who is undoubtedly one of the most subtle and least extreme of its representatives.

First he recommended a sharp deflation by a capital levy or some similar method (*Lloyds Bank Review*). While an increase in the rate of investment, relatively to consumption, is much to be desired, this would be the most mechanical and therefore the clumsiest way of attacking this problem. It could have little if any immediate effect on our balance of payments.

Then (in a letter to *The Times*) we were told that world demand for our exports was so unstable and slight that our international problem could only be solved by exporting coal. But even if we exported 80 million tons and prices did not fall (which is highly unlikely, since the demand for coal is very inelastic) that would not close the gap. And industrial competition with our high-grade exports—detrimental to our efforts to close the gap—would immediately increase. Some sacrifice in sparing coal for European reconstruction, as you rightly argue, will be needed. But no one should pretend that an increase in coal exports will cure our position, unless we use it to induce others to join us in common planning of our international exchanges.

Now Mr Hicks, writing to *The Economist*, wishes us to devalue sterling. Nothing would be more futile if not positively mischievous. Our exports are not now limited by relative prices nor the volume of our imports determined by them. Thus we could gain nothing by devaluation (unless it were of vast proportions) that cannot be much more effectively accomplished by direct control. We should lose heavily because our export prices are in the main not determined by perfect competition and would not rise proportionately to devaluation. If Canada cannot accept our goods she will have to cease exporting. Both the Canadians and ourselves will suffer from the peculiar multilateralism which has been recommended to us as a means of expanding world trade. Once multilateralism is limited to equal partners our problem will be reduced to our own internal production problem. Devaluation would render any further borrowing in sterling impossible.

The British problem is not amenable to solution by "liberal" methods (which might play some part, at some later date, in a new comprehensive plan). It can only be solved by restoring the balance between the Eastern and Western Hemispheres and that between agriculture and manufacture—both destroyed by the two wars. This demands planned agricultural and industrial development and integration in Europe and the British Commonwealth.

Fortunately, important sections of the US Government are beginning to realise that international "free market" economics based on non-discrimination and unconditional convertibility can in the present unbalanced state of the world only perpetuate bankruptcy—especially for Britain. The intellectual crisis, however, has not yet been overcome in Britain—as our floundering tactics in the Paris and Geneva Conference clearly demonstrate. Perhaps the loss of a score more millions of our reserves and of a few more months spent in searching for haphazard stopgaps will be sufficient to overcome this last and most dangerous obstacle in the way of true and stable reconstruction.—Yours faithfully,

Balliol College, Oxford

T. BALOGH

SIR,—At the conclusion of your interesting and suggestive article on "The Planners' Last Chance," you envisage the possibility of "the effort to assert man's control of his economic environment" breaking down, "unless the planners make haste to plan for realism."

Greater emphasis needs, I submit, to be placed on one vital respect in which, in a democracy, realism in planning must consist: sight must never be lost of the nature of the "planned"—that vast mass of persons whom the French conveniently call "*les administrés*" in distinction to "*les dirigeants*." Is not an objective *dirigisme* bound to go down sooner or later, in a country ruled as ours is, before the tide of passions and interests which flow in continuously along such channels as the press, the lobby, the constituency and the ballot box? And will not the wise *dirigeant* humble his pride accordingly, knowing that he will never get those who ask endlessly for jam to accept from him the necessary powder? The story of Babel is now repeating itself in the economic sphere, and I am myself being driven to the uncon-

able conclusion that there are only two effective stimuli to production in any country, either the play of economic forces, however mitigated by social reforms, or the police. Wherever our preferences lie—and I know where mine do—we are bound to come to grief if we halt between two opinions much longer. I commend to all planners this of Burke:—"Our plans are made for men. We cannot make men and bind nature to our designs." It looks as though "democratic planning" were a contradiction in terms and a directed economy not effectively compatible with a liberal system of law and government.—Yours faithfully,

ERNEST MARPLES

House of Commons

The Housing Programme

SIR,—Mr Devons raises an important point when he suggests that the housing programme should be reduced to "what it is really expected will be achieved." Such a reduction must, however, be accompanied by other measures.

A "cut" in the paper target figures will not necessarily result in less houses being built than are, in any case, likely to be achieved. Instead of 120,000 houses in the first six months of 1947 (i.e., half the year's programme) 51,000 were finished. At the outside, 60,000 would have been a sensible target.

The Government's unsound programming has created the illusion that housing is outrunning the supply of materials. The present running down of stocks of materials is causing housing delays especially over plaster, but this is not due to over-house-building, but more to over-licensing of other work. For housing itself, labour still remains the chief bottleneck, both the supply of labour and its poor output. The latter is now demonstrable, output having stayed somewhere about the level of 3,000-4,000 man-hours per house (instead of the pre-war 1,600-1,900) for such a long time that the issue must be faced.

Exhortations to "work harder" are probably a rather futile remedy. A radical overhaul is needed (a) of the Government's planning and programming technique, and (b) of the building industry's organisation. There is no space to enlarge on these themes; with regard to (b), the main point is to secure larger organisations with adequate capital resources in the industry, and better supervision of gangs on the sites. At present, both discipline and incentives seem to be excessively low, and a multitude of small master-builders provide competition but not efficiency.—Yours faithfully,

109 Westbourne Avenue, Hull

IAN BOWEN

The Greengrocery Trade

SIR,—Whatever the particular reasons for the present scandalous price level of fruit and vegetables might be, complaints about excessive fruit and vegetable prices are of long standing; they relate to the distributive side and not to the prices charged by producers. In 1923 the Interim Report on Fruit and Vegetables published by the Ministry of Food (Linlithgow Report) said that

were retailers to be satisfied with a smaller rate of gross profits when prices are lower than they at present appear to obtain, the total volume of trade would be appreciably increased with advantage to themselves and with corresponding benefit to both producers and consumers. Instead the chief complaint against the retailer appears to be that he prefers to operate upon a small turnover and a relatively large margin of profit rather than, by reducing prices, to secure an equal, or possibly greater, financial return from a large turnover.

The position had, however, not changed before this war; one could read in 1939 in one of the leading trade journals of the fruit and vegetable trades:

Very few retailers are making anything like an attempt to interest the public in buying larger quantities of home-grown plums and apples by offering them at prices commensurate with wholesale rates.

It is also for this reason that, unfortunately, trade associations have opposed the extension of municipal and other retail markets, although these markets, in the words of the expert agriculturist, the late Sir Daniel Hall, "serve their purpose of keeping the retail price not too far away from the wholesale price."

It seems doubtful to me whether Mr Lennox Boyd and Mr

Baker White in their suggestive letter in your issue of last week are right in saying that markets are "glutted" with some fruit and that our record crop of apples is "unsaleable" when we do not in the least know what the consumption and the turnover would be if prices in the shops were lower. Retailers simply argue that their requirements are sufficiently met and that they do not want larger supplies; they never consider what their requirements might be were prices more elastic and the absorbing power of the people thereby greater. It is high time that the Ministry of Food published a cost build-up of fruit and vegetable prices comprising all the stages from the grower to the final consumer. Nobody will deny that through transport charges, depot-charges, packing expenses and ordinary retail costs the total cost of distribution of fruit and vegetables must unavoidably be heavy. But this plain truth does not remove our anxiety that prices and margins are at present arbitrary and excessive. The chaotic state of them is reflected, among others, by the sometimes blatant difference in prices between one urban, or suburban, district and another and between districts where markets exist and where this is not the case. That the elaboration of a detailed cost build-up does not provide insuperable difficulties was shown by the Linlithgow Report, which gave a detailed account of all the various cost items entering the wholesale price of tomatoes. The public has a right to ask for more information about the prices of fruit and vegetables and should have this information before, as must unhappily be expected with the coming winter, prices are still further enhanced.—Yours faithfully,

149 Lichfield Court, Richmond

HERMANN LEVY

A Labour Asset?

SIR,—In criticising Mr Churchill's recent broadcast speech you say that some of the Government's most important controversial measures have been vital even in the short run. With the exception of the nationalisation of the mines, to the principle of which little opposition was offered by the Conservatives, your generalisation seems of doubtful validity and one wonders what examples you have in mind.

Drawing on my memory as a regular reader of *The Economist*, it seems to me that most of these controversial measures have met a heavy barrage of criticism in your columns at one time or another. Can it be that your lack of logic on this issue is due to some vendetta against Mr Churchill which must be pursued at all costs?—Yours faithfully,

14 Leadenhall Street, E.C.3

K. M. PARRY

[No, it cannot be.—EDITOR]

Indonesia—The Real Issues

SIR,—As a British officer who served in Java in 1945 and 1946, I would like to comment on some of Mr H. A. Lunshof's statements in your number of August 16th.

What struck us most vividly in Java was the evident prosperity which the Europeans enjoyed and the poverty of the Javanese. A study of Dutch statistics has shown me that while in 1936 64,000 Europeans had an income of over 900 guilders, only 30,000 of the 60-odd million Indonesians could aspire to such an income.

One feels that Dutch rule can hardly be called successful when

94 per cent of the population is illiterate, when the death rate is 20 per thousand, or double that of the Netherlands, and where the expectation of life is 25 years, or about half that of the Netherlands.

Nor was democracy far advanced. Of the 61 members of the *Volksraad* only 20 were elected by the Indonesians, on a very limited and indirect suffrage. The Dutch, on the other hand, who comprise 0.5 of the population, elected 15 members. The remainder were nominated by the Governor-General.

I found among Indonesians not so much a hatred as a contempt of the Dutch colonials; a feeling which was not slow to spread among the British, Indian and Australian troops who came in contact with them.

One feels that if the Dutch Government had followed the example set by Britain in India, then the lives of many innocent people would have been saved and the world spared another terrible war.—Yours faithfully,

6 Cheyne Row, S.W.3

NEIL STEWART

"Keep Left"—But How?

SIR,—Please do not forget the other side to rationalisation.

I took my car to its world-famous maker and asked for the self-starter to be repaired. "We cannot do it now. We have only so many electricians and must not interrupt what they are doing or ask them to do extra jobs. We will give you a date to send it in, about three weeks hence."

Next day, at 8.45 a.m., I took it to my local garage, where a man of 40, brought up amongst cars since he was 13, proud of his skill and knowledge, took off the starter, re-set it and re-fixed it in twenty-five minutes. I complimented him. He said: "I was in charge of an army repair shop for seven years. I've seen inside some big factories. If a mistake is made you can never fasten it on the man who did it. If you do anything extra well or extra quickly you are looked at twice, but you get no promotion, especially if you are a youngster. And you make no friends of customers."

That is the problem of the civil service, the forces, the large firm. The youth who wants to be paid by results, for hard, more and more skilful work, and to see the result of his work, has another view of the division of labour, which is an older name for rationalisation. It has caused more "don't care," more sense of frustration, than even the ugliness of Victorian factories and streets. I think the work-a-day happiness and satisfaction of the masses depends on the opportunities for the small firm. We need it in thousands. On the question of efficiency—there is nothing to choose between small and large. I have worked for both, and in the civil service.—Yours faithfully,

Brewdon, Guiseley, Leeds

J. A. HARRISON

"Premium Days" in Engineering

SIR,—The new export targets for 1948 make increased output of the engineering and allied industries of vital importance. It is to be hoped therefore that the Government and trade unions will agree on the abolition of certain practices in these industries.

I refer in particular to the so-called "premium days" which follow every bank holiday. Men working on "premium days"

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AMERICAN SURVEY

The Entr'acte Begins

(From Our US Editorial Staff)

THE talks on the Loan Agreement have finished in a flurry of emergency expedients and tacit understandings. With the balance of the loan reduced to \$400 million there was little point in anything more. It was worth nobody's while to prod a sleeping Congress with doubtful interpretations. The solution—a moratorium on both convertibility and drawing—could offend nobody (and has already had the approval of Representative Jesse Wolcott, Chairman of the House Banking Committee); nor could the unofficial conclusion that it will not be considered discrimination for Britain to spend money she has, rather than money she has not. Nobody, however, thinks that Britain's problems have been solved and nobody knows what happens next. The British Government's action is called "emergency and temporary" and Sir Wilfrid Eady made it plain that Britain wants to re-establish the convertibility of sterling as soon as possible. This may be, it is thought in Washington, about ten years from now.

Whether Britain ever sees the last \$400 million or not (and it seems doubtful whether any way can be found of releasing it without involving Congress) the first effort at post-war recovery has gone wrong. The attempt by the United States to reconstruct the pre-war world economy by lending Britain a shoestring, on the understanding that anyone else who wants to go for a walk can borrow it, has failed. The over-optimism which caused it to fail was not only an American fault. When the President said, in his Economic Report recently, that the dislocations of the war had been under-estimated, he did not speak only for the United States. The British assumptions of financial burdens—contributions to Unrra and expenditures in Germany and Greece—are symptoms of the same misunderstanding in London.

It had been taken for granted that Mr Snyder would be tough with the British delegation and that the State Department and the Department of Commerce would try to stretch interpretations to their limits. What would have happened if the Secretary of State had not been in Rio it is impossible to say. Mr Lovett, the Under-Secretary of State, new to his job and lacking full confidence, was not inclined to take risks. And he had behind him a department to whose planners the loan was an irrelevant anachronism. They are at work on the Marshall Plan and they could not advise their Acting Secretary of State to do anything which might divert Congressional attention from the great objective. When the negotiations started, it was Mr Snyder who was sympathetic and helpful and Mr Lovett who delayed action. It was no lack of sympathy on Mr Lovett's part—only fear of criticism—and in the end he appeared as happy at the solution as anybody.

This somewhat unexpected reversal of roles is not out of character in the present situation. The Treasury was prepared to cure a financial crisis, which it could understand, by a remedy that had been effective before; a run on a bank must be followed by a moratorium. It is significant that it was the Treasury spokesman who explained the situation by using the parallel of the American Bank Holiday in 1933. The State Department, with its eyes on a future of customs unions, an integrated Western Europe and planned distribution of surpluses, was not interested in old-fashioned remedies for traditional diseases. The Marshall Plan is to be a cure-all, so there was no reason for wasting energy on curing a part. All energy must be concentrated on explaining The Plan, and only The

Plan, to Congress and the public. Nothing else is relevant.

The Chancellor's letter to Mr Snyder shows that the present retreat from multilateralism is considered a temporary and undesirable expedient. Whether or not it is undesirable, there is little disposition in Washington to consider it temporary. An American businessman, who said "If only we were still a debtor nation" recently, was speaking from the heart for many who still regret the pre-1914 pattern. That was a cosy and comprehensible world. But multilateralism seems an impossible ideal when one side of the figure is greater than the sum of all the other sides. The State Department's planners, though their ideas may have no firm shape yet, have recognised as much.

★

Mr Clayton, in Geneva and out of Washington circulation for some months, seems on the other hand still to be peddling his spring models, though with a few summer trimmings. That some inkling of what has been happening in Washington has reached him is suggested by reports from Geneva that he is advocating a Western European customs union. But the correspondent of the *New York Times* at the ITO conference says that "United States economic policy officials are convinced that the much-talked-of 'integration' of the European economy is a will-of-the-wisp affair if conscious planning is relied upon to bring it about. . . . In the United States' view one tried and tested way of 'integrating' the economy of a large and diverse area is to let the most efficient producers expand and force the less efficient ones to contract or convert to other activities." This paean of praise for chaos comes from Geneva at a time when officials in Washington, afraid that the "other activities" might include Communism, are consciously planning and calling on others for more and more plans.

"While Mr Clayton has been away Clause 9 of the Loan Agreement has been relaxed, officially, to allow discriminatory trade with the colonies and, unofficially, it is believed, with the Dominions as well." But "the United States will regard this conference as a real success only if the imperial preference system is thoroughly wrecked beyond hope of repair," reports this same Geneva correspondent, adding that the similar system of lowering tariffs within the Benelux area meets with the unqualified approval of these American officials.

All Mr Clayton's efforts, in fact, are still being concentrated on arrangements for ensuring a steady market for American goods. While busily digging a channel in which United States trade can run, he has not even paused to look behind him. If he did he might notice that restrictions on currency and imports are filling the channel as fast as he digs it. Until a method can be found of allowing other countries to earn dollars—and nobody has thought of one yet—American exports, except under some scheme of subsidies such as the Marshall Plan is to be, are impossible. The British crisis has taught that lesson because it was the first to hit Washington. Others will not be far behind. For the first time there is a suspicion that it may not be possible to rearrange the pieces into the pre-war pattern. A new pattern may be called for.

The first act of the post-war drama—set in "Cloud-Clayton-Land"—is over. After a respectable interval, which some of the performers may not have the wherewithal to survive, the curtain will go up on act two. The scene will be "Somewhere in Marshallania." The great question now confronting the United States is whether, when the third act begins, in perhaps ten years time, the programme can read "Same as Act One."

Hollywood on the Ropes

(From a Correspondent in Hollywood)

THE Hollywood Producer is by legend a man of violent and individual temperament, and while legend may have over-drawn the type, there is a sufficient basis of truth for it in the characters who wield an almost absolute despotism in their own studios in a calling in which gastric ulcers have long been recognised as the occupational disease.

The lack of violent and individual response to the news of the proposed British import duty on American films is a real gauge of the serious nature of the threat; firstly, because discipline among so many individualists has rarely before been achieved and, secondly, because a violent reaction in the shape of drastic lay-offs of studio man-power has hitherto been the immediate response to any breath of a threat that box-office takings are on the way down—and the news from England contains more than the breath of a threat.

This unaccustomed discipline and restraint has clearly been enforced by the Motion Picture Association—the major arm of the Johnston Office. Recent telephone calls to the public relations offices at three of the major studios were answered with a degree of caution which was a remarkable contrast to the cheerful barrage of information about current and future production that such a call usually elicits.

The general directive seems to be that a rigid (and unnatural) abstention from comment on the proposed British measure is necessary to preserve the friendly atmosphere in which it is believed that the negotiations will proceed between the Johnston Office on the one hand and the British delegation in Washington on the other. Everywhere there is a feeling of certainty not only that these negotiations will take place but also that they will result in some relaxation of the proposed duty. This optimism, which has been much heartened by the meetings and petitions of the British Exhibitors and Producers groups in London, is typical of the lack of realism which affects Hollywood production and which is due to the fact that the primary impact of any crisis is always on the main offices in New York, which are still the treasuries and policy-makers for the subsidiary production companies on the Coast.

But if this enforced restraint and the optimism which its enforcement engenders—as if, indeed, the restraint was some sort of penance which must earn its reward—is a symptom of a lack of realism, a much more vivid and vituperative lack of realism is exhibited in the local and trade press, which is under no sort of enforced discipline. Here the proposed measure has been described as “confiscatory,” “retaliatory” and “recriminatory.” It is said that the tax is aimed alternatively at the State Department or the American public as a threat of what will happen if a further loan is not granted. (The fact that no loan has been solicited has been disregarded). It is claimed that it is a protective measure designed to foster the growth of British production at the expense of American, and, at the other end of the scale, there has been registered a faint reproach that this injury should be inflicted on an industry which ran so pro-British a lobby at the time of the debates on the original loan.

Nowhere has the simple reason been either discussed or entertained: that the British Isles can no longer afford the dollar luxury of American entertainment; and perhaps here the British

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Government was at fault in not having accompanied its proposals with a simple explanation. There can be no question that neither the trade press nor the American public are in any way convinced that this is the sole and compelling motive for the proposed legislation.

Yet another reason for the lack of realism in regard to the duty is because the effect of it on the industry is, from the point of view of the production companies, too bad to be true. The number of feature motion pictures produced in Hollywood and registered with the Johnston Office in 1946 was 397, and it is estimated that their total cost was about \$410 million. The total sum recovered from the British Isles was some \$72 million, which represent a yield of 17.5 per cent on the total investment. This percentage is not, however, a fair reflection of the position, since of the 397 films probably some 90 were designed entirely for the American market and were at no time intended for exhibition overseas. Though it is true that these films produced for the domestic market alone are low-budget films, they nevertheless carry their full appropriation of the studio overhead—in many cases as much as 50 per cent of their production cost.

A truer reflection of the gravity of the position is to be found in the profit statements of the production companies. The total profits from motion picture production activities last year have been estimated at \$125 million and, if the import duty of 75 per cent is applied to the rentals from the British Isles, the yield from that territory will be reduced from \$72 million to \$18 million and the profits, on last year's basis, from \$125 million to \$71 million, which represents a much lower yield in the highly speculative field of entertainment than the financial houses are prepared to entertain. It must be remembered, further, that these figures comprise the industry as a whole, and do not reflect the position of the individual production companies, whose position may vary from profit to loss by reason of such imponderables as production programmes, star values, stories acquired and even exploitation policy.

In face of these facts, it would seem that the resolution of the Motion Pictures Export Association to ban the export of all American films to England is perhaps little more than a bargaining approach, since an individual producer's share of the \$18 million thereby renounced might well represent the difference between profit and loss in his balance sheet; and there is reason to believe that the Society of Independent Motion Picture Producers, headed by Mr. Donald Nelson and representing producers of such calibre and independence as Mr Sam Goldwyn and Mr David Selznick, was more than reluctant to commit itself to such a self-denying ordinance.

The production companies have always been quick to adjust themselves to trends in box-office returns and since April of this year there have been unmistakable signs that the lush war years are over, when the quality of a picture seemed to bear only a remote relation to its earning capacity. But the gearing down of the industry to meet the uncertainty in its domestic market is something very different from the slashing that will have to take place if seventy-five per cent. of the British profit is going to disappear; and the apprehension felt through every branch of the industry, from crowd player to production executive, is a very real symptom of the fact that Hollywood has some serious problems to overcome.

It is understood that Mr Rank's group of producers anticipate earning some \$12 million in the American market in the next 12 months. Allowing, perhaps optimistically, another \$6,000,000 of American revenue for other independent British production, the figure of dollar earnings approximates to the amount that the American production companies will be able to gain from

the British Isles, under the full incidence of the proposed duty. A possible solution of the present difficulties might be to permit sterling earnings to be converted to dollars on a *pari passu* basis with all British dollar earnings in excess of \$18 million. This would stimulate the American distributors to efforts which they have never previously undertaken on behalf of British films.

American Notes

Prosperity Now

A growing industrial concern over foreign trade prospects in the light of the British crisis finds no reflection in the latest official business forecast by the Bureau of Labour Statistics. After revealing that a new burst of construction activity had brought “the biggest summer housing boom in history,” Mr Ewan Clague, director of the Bureau, declared a few days ago: “There is not a thing in sight to show that a depression is coming,” while he also took the opportunity to assure a national audience that current high prices were not of “an economy-wrecking, explosive nature.” On a more factual basis, the Department of Commerce a few days earlier confirmed the preliminary estimates of national income revealed in the President's mid-year report to Congress, while significantly stressing that current income levels follow, not from increasing production at this stage, but from “price distortion.”

From this point onwards, industry will wait eagerly for further signs of an ebbing export tide. As already noted, a sharp fall in the export surplus, which has been running recently at an annual rate of \$10 billion, would not in itself necessarily be sufficient to bring about a general deflationary spiral, though it would mark an important phase in the current business boom, and remove an important prop from the present price structure. But the effects of such a fall in exports would not, of course, be confined to a simple subtraction from present national income figures. An export deflation would have some cumulative effect on business as a whole. Moreover, if it occurs simultaneously with a reduction in the present inflated level of expenditures for capital equipment, and with a reduction in “buy-at-any-cost” consumer expenditures (as prices outmatch wage rates, and as durable goods become steadily more plentiful) it could then reinforce a very wholesome and salutary process of deflation. Unfortunately, crop reports are now giving a new twist to the inflationary spiral, and industry altogether is still more generally concerned with rising prices for basic commodities—cement is the latest example—than with the prospect of price recession later this year.

Budget Revision

A sharp revision of Budget estimates for 1947-48 does give some promise that Treasury operations within the near future will exercise a deflationary effect. It has taken a week or two to disentangle the controversy surrounding the net yield from the Republican Party's economy drive, but it is now quite apparent that Congress has found no more than very modest savings to be possible. Against January estimates of \$37.7 billion for revenues, and \$37.5 billion for expenditures, the Budget Bureau now lists a revenue estimate of \$41.7 billion, with expenditures at a revenue estimate of \$41.7 billion, giving an estimated surplus of \$4.7 billion against \$37 billion, giving an estimated surplus of \$4.7 billion against \$37 billion figure in the first Presidential report. Mr Truman has credited the Republican Party with savings of \$1.5 billion, against earlier claims of anything up to \$4.4 billion, and a broad-cast “target” of \$6 billion.

These political arguments, however, are now less important than the revised estimate of the Budgetary surplus. The figures now given, do not, of course, include any future commitments under the moves now taking place for European aid. On the other hand, they do include authorisations for expenditures which are not expected to accrue during the fiscal year 1947-48 and which might, conceivably, amount to \$3 billion. The Treasury will also be able to enforce some marketable debt reduction from sales of special savings bonds.

Monetary policy continues to be hesitant and timid in the face of an unprecedented price boom. But events are forcing the Treasury gradually to retreat from the rigid pattern of cheap money rates established through the war years. Following the break-away from the $\frac{1}{4}$ per cent rate for Treasury Bills a few weeks ago, it has now broken the $\frac{1}{2}$ per cent rate structure for one-year Treasury Certificates in a refunding operation that offers 1 per cent for 12½ months. While this process of revision is still

in the early stages, the immediate effect of the refunding operation has been renewed strength in the general list of Treasury Bonds as the commercial banks seek to offset reduction in income by an extension of maturities. The process of “debt monetisation” is thus continuing, and Treasury policy is sharply criticised in commercial quarters where it is held that autumn operations must work much more firmly for higher short-term rates.

Corn Crop Damage

The sharp decline in farm prices, until recently predicted by so many official and unofficial observers, is still beyond the horizon. After several years in which the wheat crop has been sustained at far higher than average levels for the past decade or so, US farmers are again harvesting a bumper crop of more than 1.4 billion bushels, against the previous peak of 1.1 billion last year. Reports from the corn (or maize) belt, however, have become steadily less pleasant, and Washington is plainly concerned by the dual threat to prices and supplies in 1947-48. The cash market in corn is relatively small in most years, since most of the crop is reserved by farmers for feeding animal stock, with a modest balance for industrial consumers. In volume, however, it ranks as the most important grain crop, and the 1946 output of nearly 3.3 billion bushels exceeded the combined supply of wheat, oats, barley, rye and rice.

The Department of Agriculture this year urged farmers to make every effort to secure bumper crops and until quite recently the corn crop estimate was about 3 billion bushels, a level which would have provided a very comfortable margin above home and foreign demand. The late spring floods in the corn belt, however, have been succeeded by drought conditions in which crop estimates have dwindled steadily, the latest figures suggesting a final crop of no more than 2.4 billion bushels—the smallest for eleven years. Rains may still assist a crop which is late enough to be threatened almost as much by early frost as by present drought, but more favourable weather from now on cannot restore earlier damage. Recent unofficial reports, indeed, point definitely to fresh deterioration. The result has been a tremendous growth in speculative activity in the Chicago market, with corn for September delivery at nearly \$2.50 a bushel. Not for many years has corn outpaced wheat (now \$2.50, Chicago) and present price levels have not been approached since the peak of the 1919 crop boom. The corn price in 1947 is higher than it has been in a century.

The prospect for other feed crops is still described as favourable, and grain speculators may overplay their hand in the Chicago futures market. But the world crop position and the abnormal level of domestic demand still suggest that every ton of available grain will be needed, and the Department of Agriculture has again abandoned hopes of acreage reduction despite insistent warnings that the present peak area for arable farming is well above the safety level and must, if sustained, bring a longer-term problem of soil erosion, or sub-normal crops.

Adverse weather conditions threaten crop quality no less than volume, and there is the further threat that farmers will be forced to use more than a normal proportion of the corn crop for autumn feeding, bringing a heavy increase in near-term supplies of pork, beef and poultry products—at the expense of 1948. In this event, overseas shipments would certainly not keep pace with livestock slaughter, while the American farmer would dip heavily into wheat stocks on the farm for his surviving hogs and cattle.

Power Shortage Ahead

The transient vision of an atomic age for industry has been replaced by far more sober considerations. It is now realised that whatever benefits may accrue from atomic energy in terms of flexibility and economy, there is bound to be a considerable period of development during which industry must grapple with the problems of capital costs, processing hazards, and danger to personnel. Moreover, it is plain now that the first impact

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of atomic energy upon industry would be the displacement of earlier sources of fuel for heating systems rather than a radical change in the generation and transmission of power. In the meantime, the United States is faced with the very definite prospect of a power shortage throughout the main industrial centres this winter, and a return to the "brown-out" which represented North America's pattern of war austerities.

Spokesmen for industry sometimes assert that the prospective power shortage follows from the political interference of recent years, the Acts under discussion being, of course, the Federal Power Act, and the Public Utility Holding Company Act of 1935. The latter has only begun within the last two years to effect the integration of utility systems, and is now generally regarded as a reasonable measure which has performed very useful work under the operative control of the Securities and Exchange Commission. The Federal Power Act, through a supervision of regulatory bodies by the Federal Power Commission has also helped the industry to strengthen a financial structure weakened in the boom years by improvident finance.

Politics may have played a minor part in the relatively slow expansion of the electric power industry in pre-war years. But, until 1939, the industry had very considerable reserve capacity. By last year, however, with installed capacity of 50 million kw. reserve capacity fell to below 10 per cent, a figure much below normal and much below the safety line.

The trouble has arisen since 1942 when all but emergency orders for switchgear, pumps, boilers and turbines were shifted to meet clamorous war demands, especially from synthetic rubber plants, and merchant and service shipping. The heavy manufacturing industry too, was crippled by strikes in 1946, and has since been delayed by shortages in steel, coal, and copper. Now, expansion is going ahead again, and the power industry is demanding ten million kw. in generating capacity over the next few years. It is precisely in such directions, of course, that Washington must face sternly competitive demands for domestic expansion and foreign rehabilitation.

Near-term expansion, in any event, will not save some regions from a fairly tight position through the winter months—if industrial activity and individual consumption hold near recent levels. The mid-western industrial area, east of the Mississippi, and north of the Ohio, is expected to face sharp regional shortages; partial relief may follow from the development of "grid" networks—although this, too, is expensive in terms of time and equipment. A sustained economy drive by American consumers, however, would no doubt relieve existing capacity by an amount sufficient to avoid any serious industrial dislocation.

Taft-Hartley in Action

The Taft-Hartley labour law, the Republicans' only major success in domestic legislation during the past session, became fully effective on August 22, except for provisions allowing certain contracts to run on. In the months since it was passed over the President's veto, the larger labour unions have been energetically devising detours around the new road-block. Either, like Mr Lewis, they have demanded "able and willing to work" clauses, or they have refused to continue the "no strike" provisions in existing contracts, as a means of protecting union treasuries from suits. In some cases, unions have determined to sign no contracts at all, relying on union discipline and management's amenability to perpetuate the closed-shop in fact, if not in law. The decision of the Congress of Industrial Organisations to boycott the National Labour Relations Board is one which will appeal to the stronger unions, for it relieves them of the necessity of filing anti-Communist affidavits and information on union finances. Sentiment in favour of this course will be strengthened by evidence that Mr Denham, the new counsel for the Labour Board, intends to interpret the act with enthusiastic strictness. The Board itself, despite its new members, is thought still to be sympathetic to labour, but Mr Denham, whom the new law has made the most powerful single figure in labour relations, has already been reproved by Mr Truman for his anxiety to co-operate with Senator Ball's "watch-dog" committee, rather than to pursue an independent course. The new regulations governing the filing of anti-Communist affidavits provide, for example, that the failure to file of a single national officer of the Congress of Industrial Organisations, or the American Federation of Labour, would deprive every member union of its right to use the machinery of the Labour Board.

Of direct challenge of the Act on economic grounds, there has been surprisingly little, even on the issue of the closed shop, the prohibition of which is a heavy blow to many unions. On the political side, however, there is no slackening in the effort to wipe the Taft-Hartley Act off the statute books. Defiances of the ban on political expenditure are daily occurrences. The ban on direct political contributions to candidates, on the other hand, is not likely to be contested. In the case of the CIO, these, as well as much political expenditure, are handled by the Political Action Committee, which is believed to be immune from the Act, and local unions are urged to keep their PAC bank accounts separate from union funds. The AFL is endeavouring to increase political contributions, and the CIO is waging a campaign for a \$1 a head contribution to the PAC from every CIO member.

THE WORLD OVERSEAS

Sweden and the German Vacuum

(From Our Stockholm Correspondent)

FOR both geographical and historical reasons the Swedish economy has traditionally depended to a large extent on trade with Germany. During the first world war Swedish foreign trade was inevitably directed mainly towards the German market. Although the inter-war years partly restored the pre-war balance, Germany secured its position as Sweden's leading source of imports—responsible for 22 per cent of total imports, and its second best customer—taking 18 per cent of its exports. In 1940 the occupation of Norway and Denmark cut off Sweden from its western markets and almost overnight made Germany the dominant trade partner. Germany's share in Swedish imports rose to no less than 48 per cent, while 42 per cent of Sweden's exports were sent to that country. Incidentally it is remarkable that Sweden could in these circumstances so balance its trade with Germany that it got through the war period without having granted Germany any credit whatsoever. On the contrary, Germany ended up with a clearing balance, besides which the Swedes managed to get paid the interest on Germany's considerable pre-war debts to them and substantial amortisation payments as well.

For the time being the paralysis of Swedish-German trade has had by far the most serious repercussions on the import side.

During 1946, total imports from Germany were worth no more than about 50 million kronor, as against a total import value of 454 million kronor in 1938. Because of the sharp increase in prices during the same period the decline in volume is even greater than appears in this comparison. The range of Sweden's imports from Germany was very diverse, the principal items being machinery, electrical equipment, iron and steel products—mainly commercial and constructional iron—textiles, chemical products, coal and coke. In many lines German imports ranked very high. Almost half of Sweden's imports of machinery and electrical equipment and more than one third of its imports of chemicals came from Germany.

Gambling on the Future

The loss of these imports has severely strained Sweden's supply situation. It has been found possible to replace this loss in some measure by imports from other countries and by increasing domestic production, but this compensation has been achieved only at some cost. Firstly, the prices paid to other countries have often been considerably higher than would have been demanded by a highly efficient Germany; secondly, the expansion of domestic

capacity has meant diverting scarce labour and building materials to capital investment, which in the long run might turn out uneconomic. Even with these measures Sweden has not been able to replace certain important products, for instance textile machinery, commercial iron, coal and coke, and chemicals. Another direction in which the impossibility of getting substitutes has made itself seriously felt is in spare parts for industrial machinery, originally imported from Germany.

As a receiver of exports the German market was also important in Sweden's international relationships. In 1938 Sweden exported goods to Germany worth no less than 335 million kronor, representing 18 per cent of total exports. These exports were concentrated on a few bigger items, principally iron ore, iron and steel products, and paper and pulp. The first item especially was very important; in 1938 the value of the iron ore exports to Germany was 160 million kronor, or 70 per cent of Sweden's total iron ore exports in that same year. With the disappearance of German demand this industry has met serious difficulties in finding new outlets for its products. The export figure for 1946 was only 5 million tons—far below the 1938 level of 12 million tons. As for the other types of export which formerly would have gone to Germany, the problem of finding new markets for these is relatively easy so long as present world shortages prevail.

When speaking of the immediate effects of the German vacuum, it is also necessary to point out its indirect effects on Sweden's foreign trade. The industrial systems of a number of other countries, especially of the Netherlands, Belgium and Switzerland, with which Sweden has intimate commercial relations, have also been adversely affected by the collapse of Germany's foreign trade. As a result, not only has their capacity to export certain important commodities to Sweden—for instance coke, iron and steel and machinery—seriously suffered because of the lack of German imports, but their ability to buy goods from Sweden has also been curtailed. This last factor is, however, obviously not so important in the short run.

Turning to the long term aspects of the problem, it is only possible to make rather vague conjectures. First, as regards the necessary redistribution of our imports, it seems not unlikely that countries like Switzerland and Belgium will permanently take over Germany's role as suppliers of certain machinery and iron and steel products. The trouble is that productive efficiency in these countries, because of the more limited scale of production, compares unfavourably with that of pre-war Germany, thus implying higher import prices for the Swedish economy. In this respect the United States and Great Britain would be preferable as sources of import, but here the very limited export capacity has up to now been the main obstacle.

Outlook for Iron Ore

There is also small doubt that the current tendency of Sweden's production structure towards more autarkic ideas will be hard to stop. Already during the war, Sweden increased its iron and steel capacity, especially for commercial and constructional iron. This expansion was made necessary not only by insufficient German imports and by heavy building activity and military requirements, but also by lower productivity in the domestic iron and steel industry, which was mainly a result of substituting wood fuel for coal. The total disappearance of German imports has accelerated this development and the Swedish iron and steel industry has very extensive investment programmes for the next few years. The advisability of this expansion has been questioned by some economists. If the possibility of a freer flow of imported iron and steel products later on is borne in mind, as well as the necessity to concentrate on regaining the pre-war markets for Swedish quality steel, part of this new capacity might seem uneconomic. The fact that even now the iron and steel industry is finding it very hard to get sufficient labour has also been advanced in support of this theory.

Another sector of the Swedish economy where the impact of war has stimulated increased capacity is the engineering and machinery industry. But it is to be doubted whether the disappearance of German imports in this field will be a sufficient guarantee that this new capacity will be long and fully used. Swedish producers might find it hard to shut out British and American imports of many kinds of machinery, especially as the Swedish cost structure is rather unfavourable in many lines. There is, however, one exception to be made in this connection, and that is for the electrical equipment industry. Not only are Swedish prices for this type of commodity highly competitive, but the export outlook seems very promising. The requirements of the Russian trade agreement alone will take care of any excess

capacity. It should be added that the war and the German collapse have caused other industries, too, to expand their output and new firms to be set up, the future of which seems rather uncertain. The danger on a long view is, of course, that these investments, made in a sort of "hothouse atmosphere," will in the end become vested interests, hampering Sweden in its endeavours to re-establish its trade on a free, multilateral basis.

The loss of Germany as a customer is a major difficulty mainly for the iron ore industry. Sweden will have to face the fact that, whatever happens, German heavy industries will not be rebuilt to such an extent that Swedish exports of iron ore can attain anything like pre-war figures. Yet a sharp decline in the mining of the ore would create serious social problems, as this industry dominates the economic life of the traditionally undeveloped and relatively poor northern region of the country. There are, however, some hopes that Sweden will be able to expand iron ore exports to the United States and thus make up, at least partly, for the loss of the German markets. As regards the other commodities which used to rank high among Sweden's exports to Germany, the long-term problems seem relatively small. Exports of forest products will have to be curtailed anyway, in order to adjust production to the current yield of the forests. And no doubt the Russian trade treaty is to be regarded as offering a possible solution to the problem of finding new markets for Swedish exports formerly bought by Germany.

Labour and Politics in Latin America

[FROM A CORRESPONDENT IN LATIN AMERICA]

THE first impression of an observer in Latin America is that there is a great wave of unrest surging up throughout the whole continent. This takes different forms in different countries, and for the most part is a blind sort of thing—an awakening of largely uneducated and culturally backward masses, who only know that they are no longer satisfied to live under the oppression and exceedingly bad economic conditions which have hitherto been their lot, and who, in the main, are willing to follow any leader who will offer them a better existence. In Brazil, for example, this revolt is centred in the Communist Party and the *Partido Trabalhista* of ex-President Vargas, a group not unlike the *Partido Peronista* in Argentina. In Argentina, the whole of this movement has been canalised into the *Peronista* movement, which whatever its defects—and they are many—is without doubt a "popular" movement. In Chile, the unrest has largely followed the Communist Party; while in Bolivia the fascist *Movimiento Nacionalista Revolucionario* has crystallised this spirit of revolt among the tin miners, and the left wing *Partido Obrero Revolucionario* and *Partido de la Izquierda Revolucionaria* have also increased. In Peru, without doubt, the *Aprista* Movement is the real popular force, and as yet there has not been organised any really effective opposition to the *Partido del Pueblo*, as the APRA is now called. On the other hand, in Ecuador, the Socialists who won a considerable victory, particularly in the region of the capital of Quito, and who now have nearly a third of the members of Parliament as a result of recent elections, seem to have been the chief gainers from this spirit of unrest.

The diversity of this movement of revolt indicates its lack of cohesion. It is not a conscious movement with a well-thought-out programme, but rather a blind attempt to strike out against the wrongs and fancied wrongs from which the poorer classes and the oppressed racial groups have so long suffered. The spirit of rebellion no doubt arises in part from the general world situation, in part from the promises made by all concerned during the two World Wars, and from the slow seeping of a minimum of education and the beginnings of industrialisation into these countries, expanding the horizons and bringing new desires and wants to these people. And although the movement is one for liberation, it is not always channelled into organisations which are democratic. Thus, for instance, in Brazil there is a great need for some popular democratic socialist or similar grouping to rival the two totalitarian organisations which are the Brazilian Communist Party and the *Partido Trabalhista*, the PCB and the PTB. In Argentina the *Peronista* movement has indicated that the masses of that country are willing to sacrifice liberty and freedom in return for a promise of a better economic and social future.

This tendency of the Revolt of the Masses in Latin America

not to concern itself unduly with the ideas of democracy and liberty indeed represents a great challenge to those who hold these ideas dear. There is a great necessity to orient this spirit of rebellion in a direction which can bring not only an end to the age old caste system which has dominated so many of the Latin American countries, but which can also bring these countries a democracy and a liberty which but few of them have ever known. There are some elements in all of these countries which are trying to meet this challenge. For instance, there are Socialist parties in Uruguay, Argentina, Chile, and Ecuador which are of some importance. In Uruguay there is the *Baillista* Party which is a lower middle class and working class group which has a long history of working for social reforms in that country, and which is largely responsible for the very genuine and very advanced democracy which exists in Uruguay. In Brazil the situation is still very chaotic politically, since that country suffered under fifteen years of severe dictatorship from which it is only now partially recovering. During those fifteen years there was no chance for younger and more progressive political elements to emerge, and the development of such groups needs time. There are small left-wing groups, such as the *Esquerda Democratica*, around which in time perhaps a really democratic movement can be built. Finally, in Peru, although there are those who disagree, it is probable that the *Apristas* will in the next few years bring about a profound social revolution which not only will attack the age-old problems of the land, education and health, but will bring real democracy as well to that country which has so far known little more than its sham.

The second important observation which one can make about the labour and political situation in Latin America is that during the last decade the trade union movements of all these countries have grown swiftly. For instance the labour movement of Argentina has during the last four years more than doubled, and has reached into areas such as the packing houses and the sugar plantations where there had never before been effective trade union organisation. In Chile, since 1936 when the *Confederacion de Trabajadores de Chile* was formed, the trade union movement membership has jumped from less than 100,000 workers to some 300,000 or 350,000 and practically all the industries of any size are organised. Even in Bolivia, one of the continent's most backward countries economically, the trade union movement has grown in the last few years. Since 1942 the miners have been firmly organised, and in the city of La Paz, the principal industrial centre, the 18,000 factory workers have almost all become members. In Peru during the last two years of democratic government, the labour movement has more than doubled its strength and even in Ecuador where it is really only beginning, it already comprises practically all of the "organisable" workers.

Highly Political Trade Unions

In connection with the trade union movement it is very important to note that the labour movements of all the countries of the continent are highly political. In Chile, for instance, the labour movement is split between the Socialists and Communists. In Peru the same thing is in process, with the Communist-influenced unions breaking away from the pro-*Aprista* *Confederacion de Trabajadores del Peru*. In Argentina, the vast majority of the trade unions are dominated by the *Peronista* Party. In Brazil, the Communists have succeeded in gaining control of a large number of the unions, in spite of the exceedingly close control which the government has over them, and many of the others are dominated by the *Partido Trabalhista*. In many, if not most, of the countries, the political parties which have a mass following work actively within the unions, forming cells of their affiliates in as many of the organisations as possible. Of course, all this does not prevent the trade union leaders of all these countries being all but unanimous in affirming that they themselves do not take political considerations into account in administering their unions—though almost always these same leaders affirm that those of the opposite political group do give weight to such considerations.

Almost all the countries of this continent have a special body of labour legislation, which in a number of countries is dignified with the name of a Labour Code. The purpose of these codes seems to be twofold—on the one hand to provide certain rights to social security, freedom of organisation, and so on, to the workers, and, on the other, to give the governments of the respective countries some kind of legal control over the workers' organisations. This aspect of control of labour organisations goes farthest in Brazil, which is still operating under the corporate system inaugurated by President Vargas on the fascist model. In Brazil there is for all practical purposes no collective

bargaining and contracts between the workers' organisations and the employers are almost never signed. Instead, all problems between the workers and the employers are referred to the Labour Courts, and the activity of the unions insofar as relations with the employers go is restricted to providing a lawyer for those of its members who desire to institute proceedings in one of the Labour Tribunals.

At the other extreme is Uruguay, where government intervention in the unions is kept at a minimum and government recognition of trade unions is not necessary. In between these two extremes are ranged most of the other countries. In Chile, for instance, the government seldom intervenes in the internal affairs of the unions, though the possibility of doing so is provided for in the Labour Code. In Argentina, on the other hand, through the payment of labour leaders by the government and through the legal regulations of the unions, the government intervenes to a very great extent. Yet, for all this variety, it is safe to say that in the years just ahead the "Revolt of the Masses," and the trade unions as one expression of this revolt, will play an increasingly important part in the politics of the Latin American countries.

British Miner in the Ruhr

[These impressions of technical and working conditions in the Ruhr have been contributed by a miner from one of the best equipped of British mines. The author was one of the party of British miners who recently visited the Ruhr at the invitation of the National Coal Board.]

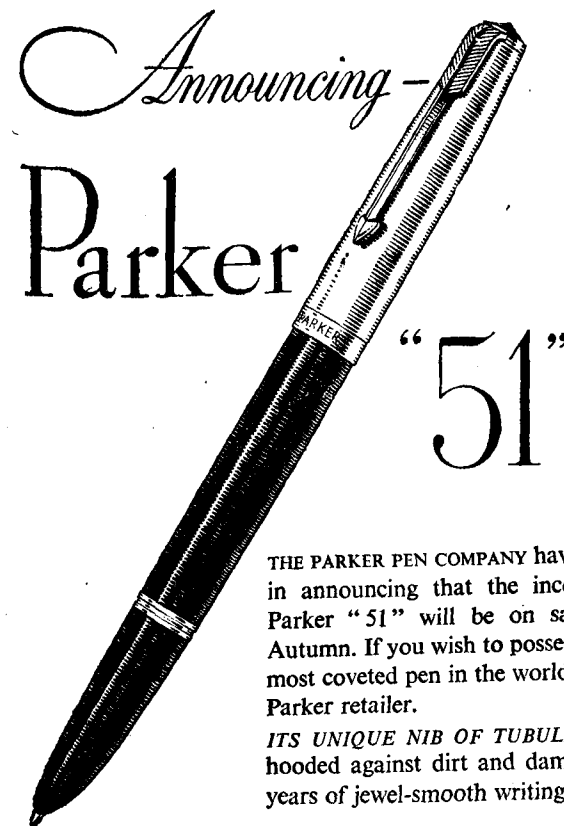
ONE of the first things that impressed me during my visit was the wonderful efficiency of the haulage system. The main roads are all driven at pre-determined levels, which means that they are all straight and level, and not undulating as they are in this country. Locomotives are in general use (diesel, electric and compressed air), and in the pits I visited I noticed a complete absence of ropes (endless, main and tail or direct). This system of haulage eliminates a considerable amount of labour and is very much safer; haulage accidents are reduced to a minimum. In the shaft bottom, after the full tubs are detached from the locomotives, they gravitate slowly to the shaft side. From my own personal experience I can testify that there is only one-tenth of the personnel employed in handling tubs at the pit bottom or pit top in the Ruhr compared with the British pits.

At the coal face also the Germans are far in advance of us; wherever possible a machine is used to lighten laborious tasks. On the surface the dirt, when it is extracted from the coal, is sent back down the pit and not littered all over the countryside in huge ugly dumps. The dirt is crushed small and is blown into the wastes through six-inch pipes, packing the wastes solid. This in turn maintains better roof conditions at the coal face. We saw the now famous coal plough. I would say that conditions have to be almost perfect for this machine to be effective; but it certainly was very effective where I saw it, and it was filling a tremendous amount of coal.

The living conditions of the German miners are, generally speaking, terrible. This is mainly due, of course, to war damage. They are erecting for the miners Nissen huts, which, with their internal fittings, compare very favourably with our own temporary pre-fabs. But they are not being put on prepared sites, and no roadways are being laid.

Output is very low in the Ruhr, particularly when one remembers the higher proportion of men actually engaged on coal filling and machine mining, which is so much more highly developed than in this country. The low output, in my opinion, is due entirely to the rations the German miner receives. As a heavy worker he is entitled to a much higher ration than the ordinary consumer, but he never gets it. He does get every day a bowl of soup (vegetable, not meat) at the colliery canteen and two slices of nearly black bread with some kind of sausage meat between them. But we saw hundreds of children going to the pits with their fathers, who gave the children the sandwiches to take home. The food is really atrocious, and I am certain it would be difficult to find one British miner who would eat it, let alone work on it.

The two main conclusions I have drawn from my visit are: firstly, I think it is hopeless to try to improve the output per man-shift until the rations are improved; secondly, in Germany far more money was put back into the collieries to improve them and instal new machines than there ever was in this country. If we had progressed in the last 25 years on the same scale as the Germans, there would be no British coal crisis to-day.

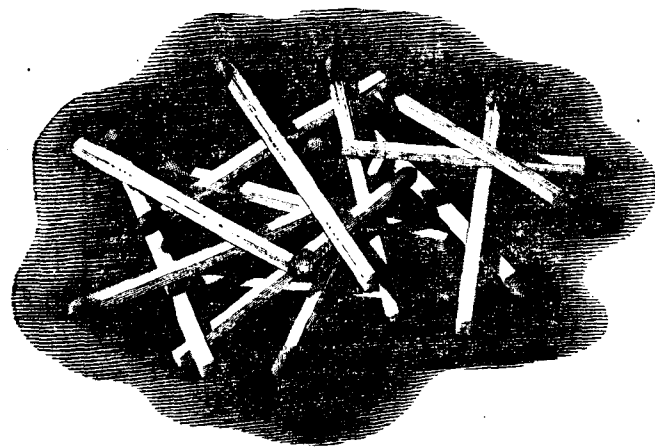


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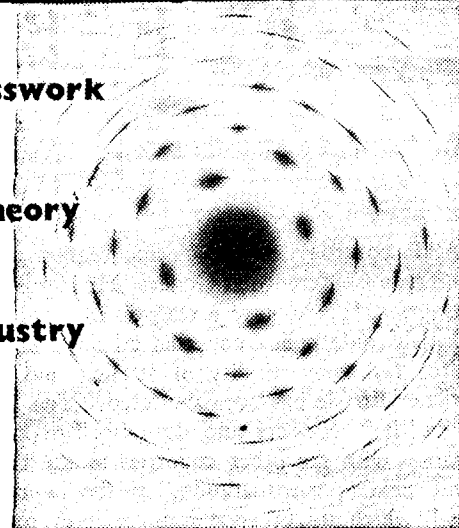
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THE BUSINESS WORLD

Britain's Trade Pattern

LAST Saturday, at the closing session of the International Trade Conference at Geneva, Mr Harold Wilson, Secretary for Overseas Trade, gave a realistic estimate of the future trend of British trade policy now that all hope of proceeding rapidly towards full convertibility of sterling and non-discriminating multilateral trade has been shattered. The British Government will find it "necessary and desirable" to have even closer co-operation with the other countries of the Commonwealth, and it will have to use methods "in the intervening months and years" which might appear opposed to the principles of the draft Charter of the International Trade Organisation. A Britain destitute of dollars has no option but to proceed by non-convertibility and discriminating trade in the immediate future and to secure such supplies as are available in, and will be willingly supplied by, countries in the new sterling orbit.

At this moment, countries of the Commonwealth and also the South American republics (technically outside the sterling area, but bound nevertheless by long-standing trade relationships with Britain) are revising their trade strategy. It is not the purpose of this article to forecast what they are likely to

do, but rather to indicate the trading framework within which their decisions, and Britain's, have to be taken. For this purpose, a series of tables has been prepared showing the value and sources of Britain's imports (Table I), a similar table for exports from the United Kingdom (Table II), a statement of the balances of visible trade between Britain and the principal countries of the dollar, sterling and other currency areas for the first six months of this year (Table III), the pattern of imports to the countries with which Britain has a trading deficit (Table IV) and a parallel table showing the pattern of exports of Britain's principal suppliers (Table V). This is a formidable statistical exercise, but it is no more than is needed for making a realistic estimate of Britain's future trade.

Table I shows in detail the all too familiar story of Britain's recent dependence upon the hard currency area (which has included Argentina during the first six and a half months of this year) for foodstuffs, raw materials and manufactures. The great bulk of the cereals, over half of the meat, and one-third of the dairy produce imported into Britain came from the United States, Canada and Argentina during the first six months of

TABLE I—IMPORTS INTO THE UNITED KINGDOM
(£'000)

	Half Year, 1938	Jan. to June, 1946	Jan. to June, 1947	Principal Sources, Six Months, 1947					
				U.S.A.	Can.	Arg.	Aust.	N.Z.	S. Af.
Food	203,416	272,357	374,607	57,694	67,315	40,609	19,134	34,787	4,361
Of which:—									
Cereals.....	37,209	46,014	71,569	13,423	45,830	8,117	1,546	32	...
Animal Feeds.....	5,710	523	7,429	207	6,100	...	...	...	...
Meat.....	45,340	70,597	69,762	2,665	11,745	24,624	7,139	13,110	...
Dairy Produce.....	40,007	56,254	59,879	17,237	3,640	420	8,084	21,029	...
Raw Materials	185,001	263,571	344,067	68,735	30,564	13,760	17,058	9,957	4,089
Of which:—									
Cotton.....	14,790	21,630	38,628	16,998	...	347	...	...	...
Non-fer. metals.....	28,577	21,271	40,611	4,230	9,581	6,348	4,153	...	506
Oil and seeds.....	13,251	28,674	48,144	1,598	99	...	...	406	348
Petroleum.....	24,083	44,939	41,716	15,481	19	...	54	...	...
Timber.....	21,426	18,107	26,811	4,231	11,511	...	140	...	...
Tobacco.....	11,642	30,436	24,819	17,533	2,655	...	...	...	...
Wool.....	21,309	21,146	24,518	...	...	226	11,295	7,346	2,436
Manufactures	66,909	48,945	89,761	22,743	8,513	1,981	404	176	640
Of which:—									
Machinery.....	10,919	6,316	12,041	8,542	864	...	26	...	...
Vehicles.....	2,266	1,503	2,416	855	878	...	...	...	...
Others	3,829	14,896	11,524	1,634	968	15	1,224	388	526
Total	459,754	599,767	819,958	151,280	107,636	57,220	38,159	45,331	10,476

NOTE.—Totals for individual countries are accurate; the sub-totals show differences owing to lack of detailed trade figures.

TABLE II—EXPORTS FROM THE UNITED KINGDOM
(£'000)

Principal Manufactures	Half Year, 1938	Jan. to June, 1946	Jan. to June, 1947	Selected Destinations, Six Months, 1947					
				U.S.A.	Can.	Arg.	Aust.	N.Z.	S. Af.
Textiles (incl. apparel)	50,584	83,396	105,505	5,102	9,091	2,121	9,912	5,058	13,770
Machinery	28,934	46,472	81,336	911	1,508	1,934	4,220	1,930	6,525
Vehicles	22,246	44,103	71,818	681	1,112	5,113	3,302	3,184	6,773
Iron and steel manufactures	20,846	39,970	38,957	207	405	1,598	1,223	1,058	3,321
Chemicals	11,140	31,695	30,975	1,181	653	1,043	1,629	521	1,507
Elect. goods	6,805	16,240	21,054	64	193	493	1,007	966	2,717
Non-fer. m.f.s.	6,170	18,164	18,012	162	220	281	553	454	897
Cutlery, etc.	4,514	11,337	15,812	292	452	406	1,442	714	1,712
Pottery, etc.	4,805	12,743	14,973	718	1,598	458	1,367	675	1,335
Total (incl. other items)	235,378	407,132	515,048	22,069	18,895	14,923	30,097	17,090	44,963

TABLE III—U.K. VISIBLE TRADE BALANCES
January–June, 1947 (£ Million)

Hard Currency Areas	Trading Surplus (+) or Deficit (–)	Other Areas	Trading Surplus (+) or Deficit (–)
U.S. Dollar Area	–138.7	British Sterling Area	–14.6
Of which:—		Of which:—	
U.S.A.	–117.5	Australia	–7.8
Cuba	–14.6	New Zealand	–24.4
St. Domingo	–8.0	South Africa	–34.7
Others	+ 1.4	India	+ 5.2
Canada and Newfoundland	–89.1	Others	–18.3
Argentina	–42.2	Non-British Sterling Area	+ 10.6
Brazil	–3.4	Of which:—	
Other Latin America	–4.3	Egypt	+ 2.4
Sweden	–0.6	Iraq	+ 5.4
Switzerland	+ 4.7	European Countries and their colonies (not incl. elsewhere)	+ 3.4
Portugal and Colonies	+ 3.7	Rest of World	+ 1.5
Total Deficit	–269.9	Total Surplus	+ 0.9

§ Egypt left the Sterling Area in July, as a result of the arrangements for immobilising accumulated balances.

TABLE IV—IMPORTS OF LEADING COUNTRIES, WITH EXPORT SURPLUS TO BRITAIN—1946

Unit	U.K.	Australia	Canada	N.Z.	India	U.S.A.	Others	Total
U.S.A.	Mn. \$ 156	145	883	...	238	...	3,512	4,934
Canada	Mn. \$ 201	20	...	12	28	1,315	351	1,927
Argentina	Mn. \$ 308	...	59	...	53	665	1,247	2,332
New Zealand	£'000 34,195	10,420	4,656	...	2,119	11,793	8,451	71,634
Australia	£'000 58,814	...	6,968	3,169	10,041	41,749	36,042	156,783

(a) \$ mn. Latin America 1,761, South Africa 151, Japan 110. (b) \$ mn. Venezuela 27, Mexico 15, Brazil 14. (c) Mn. pesos Brazil 338, Sweden 136, Switzerland 95, Venezuela 74, Belgium 67, Italy 58. (d) £'000's Ceylon 1,462, Fiji 1,258, Peru 886. (e) £'000's Iran 10,107

TABLE V—EXPORTS OF LEADING SUPPLIERS TO U.K.—1946
(Percentage Distribution)

	U.S.A.	U.S. Dollar Area	Other Latin America	Sweden	Switzerland	Canada	U.K.	Other Dominions	Other Empire	Other Countries
Brazil	42	2	10	3	1	1	9	3	1	28
Uruguay	30	6	4	4	4	...	23	2	...	27
Argentina	15	3	10	4	3	...	22	4	...	37
Canada	38	2	2	...	...	...	26	...	...	19
New Zealand	10	...	...	...	...	...	4	...	...	9
Australia	16	n.a.	n.a.	n.a.	n.a.	...	70	...	...	15

this year; among raw materials, nearly half of the cotton, a third of the non-ferrous metals, over a third of the petroleum, three-fifths of the timber, and four-fifths of the tobacco, though scarcely any of the wool; and three-quarters of the machinery and vehicles came from the same group. It is true that the general degree of British dependence on the dollar area for food, raw materials and manufactures is less marked. But, for the critical supplies of food and raw materials of which detailed figures are given, the degree of dependence upon the dollar area during the first six months of this year was very high indeed. Any appreciable cut in these supplies on grounds of dollar shortage would have a serious reaction on rations and on supplies of essential raw materials to industry—save perhaps in a few special cases like tobacco and cotton, where stocks are sufficient to tide over the country for perhaps a year or so.

The selection of principal British exports shown in Table II reveals the failure of British exports to make any adequate progress towards filling the dollar gap. There is not one item among Britain's leading manufactures for which American demand is predominant. This is no new discovery, but if British trade is in future to be redirected along the channels where British exports are acceptable, the consequences both for dollar exports and for British imports of essential foodstuffs and raw materials from the dollar countries should be obvious; relief for Britain depends largely upon the decisions of other countries—upon the outcome of the Marshall proposals, and upon the limits within which Britain's suppliers can force their trade into a strict sterling pattern.

Before these possibilities are discussed in greater detail, attention must be drawn to Table III, which sets out the deficits and surpluses of Britain's direct visible trade during the first six months of this year with the dollar and other hard currency countries, the principal sterling area countries and the rest of the world. Of the total visible deficit of £269 million for this period, more than half (£139 million) was represented by the dollar area deficit, and a slightly smaller total (£131 million) by the deficits with Canada and Argentina. This again is a familiar and unhappy position. Britain's deficit arises almost wholly in the Western Hemisphere, while trade with the sterling area is in rough balance (though even this is not entirely satisfactory if account is also taken of South Africa's sales of gold bullion to this country). Table IV shows that the British dollar deficit in American trade cannot be rectified by a major change in the sources of the United States imports, the great bulk of which come from South America, Canada and—to a much smaller extent—from India. Those who suggest that the dollar account can be squared by higher prices for rubber and tin delude themselves. Canada's position in the dollar crisis is scarcely less difficult than Britain's, for Canada is the textbook example of triangular trade—a heavy export surplus to Britain

is, in normal times, offset against a heavy import surplus of American manufactured goods, the third side of the triangle consisting of the sale of goods and services by the sterling area to the United States. Argentina's dependence upon imports from the United States is less exclusive—her imports are generalised more widely over several South American and European suppliers—but last year the value of imports of United States goods was more than twice that of imports of British goods. Even in the case of Australia, the latest available figures show that imports from the United Kingdom were not far ahead of those from the United States and Canada.

The primary demand for British exports, therefore, comes from countries in the Commonwealth, like New Zealand and Australia, whose export surpluses are normally sold in large part to this country. But as Table V shows, there are two special cases which will have a great influence on the future pattern of British trade. The first is Canada, to which this country is attached by long trade ties, and by the four-year wheat agreement. Canada will not wish to cut these ties; nor, certainly, will Britain. But the dollar dilemma will remain for Canada so long as Britain cannot earn sufficient dollars to pay for the balance of Canada's imports from the United States. It may be possible for Canada to reduce the level of imports from the United States but the balance of the Canadian economy rests on adequate imports from the United States, much of which Britain is in no position to replace.

The second special case is that of Argentina. Here the picture is different, for Britain is the largest single importer of Argentine produce, and if Argentina were to attempt to divert these shipments into the American market, it would be faced by the necessity to make a great sacrifice in prices. It may be that Argentina will preserve the present export outlets to Britain at prices already agreed, rather than face the risk of a permanent rupture of trade relations with Britain and the hazards of finding new markets for the bulk of its produce.

These, at any rate, are some of the calculations which the suspension of convertibility last week entails. Time will be needed before the answers are clear, but it is perhaps significant that so far no supplier to Britain has suggested the possibility of suspending shipments. The impression is gaining ground that Argentina, short both of dollars and sterling, will maintain the agreed meat exports to Britain, though it is well to remember that economic policy in Argentina is capable of almost overnight changes. Some solution has yet to be found to meet the peculiar difficulties of Canada—for in this case rigid bilateralism clearly will not work. As for the other countries, the figures here presented indicate future trading possibilities rather than solutions. Perhaps the one consoling thought, in examining them, is that trade relationships are often based on something wider than statistical necessity.

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World Rayon Outlook

RAYON is an outstanding example of the *ersatz* become staple. A decade or so ago, it was still compelled to masquerade under the misnomer "artificial silk." Now it is a synthetic textile fibre in its own right. Its position has been consolidated during the war, when old uses were extended and new ones developed. But the war also brought some important changes in the leading producers and consumers of rayon, the importance of which can be measured from figures given in the annual review of the industry by the American publication *Rayon Organon*, from which the data in the tables below are drawn. Table I shows the expansion in rayon production by all processes from 1930 to 1946. World output jumped from 458 million lb. in 1930 to 2,254 million lb. in 1939. Production then went on to achieve an all-time peak of 2,825 million lb. in 1941, but fell to 1,416 million lb. in 1945 and recovered part of the way by 1946 to 1,672 million lb. The fall in the middle years of the war was mainly due to reduced production in Europe and in Japan. Table II shows the effect of the war on the output of individual countries. As would be expected, ex-enemy states have suffered a drastic cut in their production. But the outstanding feature of the war years has been the astonishing and uninterrupted expansion in the rayon output of the United States from 287 million lb. in 1938 to 854 million lb. in 1946. Last year the United States produced over 50 per cent. of the world's total output.

The fall in world production between 1942 and 1945 was particularly severe in the case of staple fibre, because Germany, Japan and Italy, each of which had built up a large rayon industry before the war, were forced to reduce production in the later war years. This gap has not been filled by other producers, though the United States emerged in 1946 as the world's largest staple fibre producer with an output of 176 million lb., representing one-fifth of its rayon production. The United States is followed a long way behind by Germany with 89 million lb. and by this country with 71 million lb. It is not generally realised that, despite the major contraction in staple fibre production by 1946, Germany dropped only from first to second place among the world's producers. Figures for small rayon producing countries are given in Table III.

Although world production of rayon in 1946 was well below the 1941 level, this is likely to be only a temporary setback and output had already recovered noticeably by the end of last year from the low point of 1945. The level of production achieved over the next few years must depend on three factors: the level of world consumption; the adjustment of capacity to meet demand; and the availability of labour and raw materials.

Consumption of rayon per head of population for a selection of countries is shown in Table IV. Prewar figures for ex-enemy states are much higher than those of other countries, but they are an uncertain guide to possible levels of demand, since the rayon industry was artificially stimulated in those countries to reduce their dependence upon imported natural fibres. Similarly, their levels of consumption in 1946 were also probably affected by the special consideration that the natural fibres, like cotton and wool, were unobtainable. The gains which rayon has scored in ex-enemy states since the end of hostilities may prove temporary and will be lost during the next year or two, if the world's wool and cotton industries (including those of Germany, Italy and Japan themselves) can increase their production. The longer term prospect that rayon may continue to gain at the expense of wool, cotton and silk

is more difficult to assess, but three factors at least are working in favour of rayon. First, the world price of staple fibre is below cotton and wool—a vital consideration in markets where cheapness is of paramount importance. Secondly, rayon is offering increasing competition to cotton, in industrial uses, on its own technical merits. The coarser deniers of filament rayon, for example, are now competing successfully with cotton in tyre manufacture; it follows that the demand for rayon is so much the less dependent than it was before the war on the whims of fashion in consumer goods. The high level of consumption per head in the United States, where filament rayon has made most progress as a component in tyre manufacture, suggests that there should be scope enough for expanded consumption in other countries. Thirdly, assuming that there is no fall in post-war incomes, consumers will look to rayon piece-goods, soft-goods and suitings for the long-promised, and long-deferred, gaiety and freshness in dress; indeed, the figures of American consumption in Table IV suggest that an expansion in rayon output well beyond the peak wartime level may ultimately be required. Staple fibre is, of course, interwoven extensively with cotton and wool into mixed fabrics. To some extent, therefore, the demand for rayon is complementary to, as well as competitive with, the demand for natural fibres.

World capacity is now expanding to take advantage of the anticipated increase in world demand. In 1939, there were 26 countries producing rayon. When current plans are put into operation, this number will have increased to 37. But among the large-scale producers, a key position is held by the United States, where capacity is expected to expand to an annual rate of 1,120 million lb. by 1948, of which 300 million lb. will be for staple fibre. Already, the United States is producing sufficient staple fibre for its present needs. Such indications suggest that the American staple fibre market is now virtually lost to exporters, chief among which before the war was Britain.

World capacity is destined to expand beyond the levels of 1938, but will sufficient labour and raw materials be available to use it to the full? Labour presents no great problem, at least for countries which have some degree of industrialisation. Capital investment per operative employed is high in the rayon industry and it requires mainly semi-skilled and some unskilled labour—a fact which the Japanese were able to turn to advantage before the war. As for raw materials, rayon is made from cellulose which is obtained from wood pulp and refined cotton linters. In America, about 78 per cent. of the total cellulose used in the viscose process is derived from wood pulp, but only 63 per cent in the acetate process. Price relationships, however, favour the increased use of pulp. Regular tenacity viscose pulp (which is the kind used in ordinary rayon manufacture as opposed to the high tenacity qualities needed in rayon for tyre yarn) costs about 7 cents a lb. in the United States at present, compared with about 4 cents a lb. before the war. On the other hand, refined cotton linter pulp now costs as much as 21 cents compared with 6 cents a lb. before the war. On the evidence of existing prices, therefore, a continued effort to expand world rayon output is likely to exert pressure on world wood pulp supplies at a time when increased demands may also be expected from the plastics industry.

A series of good cotton crops in America would increase the supply of cotton linters, but the price is unlikely to fall far

enough, nor would linters be available in sufficient quantities from other cotton growing areas, to encourage a transfer from wood pulp to linters as the main source of cellulose in the event of a wood pulp shortage. Rayon can, of course, bid for pulp against the newsprint and paper industries, but the price which would have to be paid would react most unfavourably on rayon production costs—especially in the case of staple fibre.

In 1937, about one million tons of wood pulp were consumed by the rayon industry when world production was 1,831 million lb. In 1946, rayon production had recovered only to 1,672 million lb., so that, even allowing for a growing proportion of wood pulp being used, world demand is probably less than the one million tons level. Before the war, the main pulp producers were the United States, Sweden, Germany, Canada and Finland. Between 1937 and 1946, production of dissolving wood pulp (which is the variety of wood pulp used in rayon manufacture) in the United States dropped slightly, but the industry's capacity is adequate to achieve prewar levels of production if prices are favourable. The same is true of Canada. Capacity in Sweden was three times as high in 1946 as in 1937, but production was lagging behind capacity over the years 1937 to 1942—the latest years for which figures are available—owing to the need to use timber for fuel instead of imported coal. German sources of cellulose, such as hardwood on which considerable research work was done during the war, will probably be required for housing rather than for cellulose manufacture, and should Germany be allowed to expand its rayon industry to near prewar levels it would probably even become a net importer of raw materials for cellulose. Subject to a most important qualification, there seems no likelihood of a critical world shortage in rayon material supplies at least until the present expansion programme in the United States is completed and the future level of operation of the rayon industries in ex-enemy territories is known with greater certainty. The qualification is briefly stated: those countries which are mainly dependent on imports of raw materials—such as Britain and France—will have to pay for their cellulose supplies either with scarce dollars or, in the case of Scandinavian supplies, by exporting coal or capital equipment at a time when there are many other claimants for the limited amounts available.

This country is among the world's important rayon producers, and imports of material for cellulose and rayon exports are an important factor in British overseas trade. Rayon production has recovered strikingly from the concentration period during the war, and it rode out the fuel crisis with more success than any other textile industry. Production in June was 16.8 million lb.—the second highest monthly figure ever achieved. The industry has laid its plans for an expansion programme costing some £50 million. Production, however, has been hampered by a shortage of labour, raw materials and fuel. The industry has to be given full credit for its production record and its bold expansion plans and its well earned reputation for technical efficiency. The rayon industry has an important role to play in the British export drive, but increased competition must obviously be expected from other countries as soon as their capacity has been expanded or, in some cases, brought back into production. So far, British rayon prices have been lower than those of most of the competitors, but it has not been possible to take full export advantage of this creditable fact owing to the limitations upon production arising from coal and raw material shortages, and also owing to the needs of the home market. Those export markets which have expanded noticeably in filament rayon, have been mainly in Empire countries, rather than in the hard currency areas. The real test of British competition in world markets has still to come. Italy has already become once more an important filament rayon

producer. It is not known yet how much capacity Germany and Japan will be allowed to restore to production. But their return to the world market can only be a question of time. The United States market will offer little scope for competitive imports in a few years, when the projected expansion pro-

TABLE I.—WORLD RAYON PRODUCTION COMPARED WITH COTTON AND WOOL (mn. lb.)

	Filament Rayon		Staple Fibre	Total	Cotton	Wool
	Viscose*	Acetate				
1930.....	421	31	6	458	12,100	2,210
1933.....	592	73	28	693	12,500	2,170
1936.....	907	122	302	1,331	14,700	2,250
1939.....	978	178	1,098	2,254	13,050	2,460
1941.....	1,034	236	1,555	2,825	12,250	2,540
1942.....	958	238	1,455	2,651	12,225	2,490
1945.....	672	229	515	1,416	9,680	2,240
1946.....	851	252	569	1,672	10,175	2,210

* Includes small quantities produced by the cuprammonium and nitro-cellulose processes.

TABLE II.—WORLD RAYON PRODUCTION: THE LARGE PRODUCERS (mn. lb.)

	Rayon Filament	Staple Fibre	Total		Rayon Filament	Staple Fibre	Total
France.....	1938 61.8 1946 67.6	10.8 34.2	72.6 101.8	Italy.....	1938 101.4 1946 65.0	166.9 29.5	268.3 94.5
Germany....	1938 144.0 1946 18.3	340.0 69.3	484.0 107.6	U.S.....	1938 257.6 1946 677.5	29.9 176.4	287.5 853.9
				Japan.....	1938 213.9 1946 9.0	327.2 20.5	541.1 29.5
Gt. Britain..	1938 106.4 1946 112.0	31.8 71.0	138.2 183.0	World Total	1938 1,004.7 1946 1,102.7	929.9 569.0	1,934.6 1,671.7

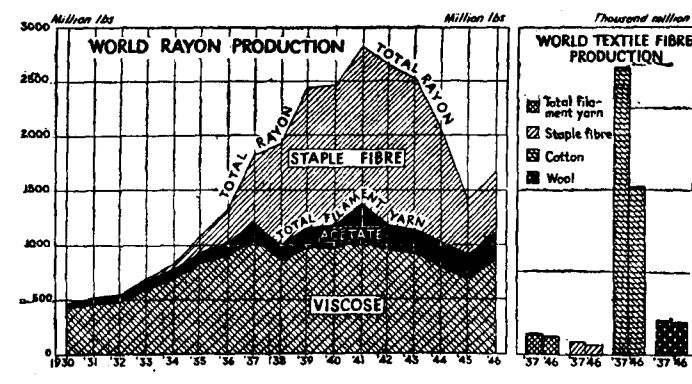
TABLE III.—WORLD RAYON PRODUCTION: THE SMALL PRODUCERS (mn. lb.)

	Europe*		South America†		Canada		Total	
	Fila-ment	Staple Fibre	Fila-ment	Staple Fibre	Fila-ment	Staple Fibre	Fila-ment	Staple Fibre
1938.....	91.5	23.0	13.9	0.5	13.7	Nil	119.6	23.5
1946.....	92.9	145.5	39.0	1.7	21.0	0.6	152.9	147.8

* Including Turkey, but excluding France, Germany, Britain and Italy.
† Argentina, Brazil, Chile, Colombia and Peru; also Mexico.

TABLE IV.—PER CAPITA CONSUMPTION OF RAYON (lb.)

	Belgium	Canada	Germany	Britain	Italy	Japan	U.S.A.
1938.....	1.1	1.6	7.1	2.2	3.7	5.9	2.4
1946.....	3.3	3.3	1.6	2.4	1.1	0.4	5.9



grammes are complete. By the 'fifties, much of the world will still be poorly clad, and rayon will play a full part in satisfying this demand. But it will be a highly competitive market, keenly contested by the various large producers, and also by the reviving strength of the other textile fibres.

Business Notes

Investing in the Closed Economy

Alone in the market, gilt-edged stocks have put a good face on this week's instalment of crisis news. The two "irredeemables," Old Consols and 2½ per cent Treasury Stock, have recovered further to 86½, and have thus progressed well clear of the 3 per cent yield datum to which—indeed, below which—they were beaten down as recently as a fortnight ago. The coincidence of the break in gilt-edged prices and the recovery of the last ten days with the beginning of formal convertibility of sterling on July 15th, and its suspension on August 21st, has attracted much attention. Some observers have inferred that the break was due less to "sentiment," as Mr Dalton would have it, than to foreign selling. It was, of course, invariably the foreign seller who was responsible for depressing gilt-edged prices in the days of free exchanges—and, of course, the patriotic British purchaser who put them up again. So, at least, market gossip usually had it before the war. But something more than gossip is needed to justify the view that foreign selling accounted for the major part of the recent reaction in prices. Whatever may have happened in the short bonds (where special factors prevailed, which are discussed in a later Note), the long-dated issues can hardly have been affected.

Meanwhile, the delay which buyers are now experiencing in getting delivery of gilt-edged stocks suggests that the size of the professional bear account was bigger than was at first thought. Now that recovery is in train, the closed economy argument is again being aired to justify the rise in gilt-edged prices. Inflationary surpluses are bound, so it runs, to find their way eventually into the gilt-edged market, because there is no other avenue of useful escape. The argument assumes that inflationary pressure will continue to increase; some of its supporters even contemplate a further bout of active credit creation on the lines of twelve months ago. But at this stage when the need for a disinflationary policy is universally conceded (except perhaps by the Chancellor himself), both assumptions look even more dubious than they did, say, three months ago. In any event, the effect of inflationary pressures ought to be seen more directly in the industrial market. But there a general atmosphere of deflationary gloom prevails, with the *Financial Times* industrial share index touching new low levels almost daily—it reached 112.6 on Wednesday.

Investors are now convinced that the coming winter will provide plenty of examples of specific deflation at particular points of industry, no matter what may happen to industrial prospects generally, or to the favoured priority groups, like steel and textiles. It needed the suspension of the basic petrol ration to have a significant effect on motor share prices, although their prospects, looking a year ahead, were already rather unsettled. The rot in shipping shares, on the other hand, seems to be based on the idea that international trade is likely to come to a virtual standstill, despite the evidence of current demand for freight space. Among the "money stocks," home rails are trying to recover in line with gilt-edged; Argentine issues (discussed in detail in a later Note) are trying, at the moment, to take a more hopeful view of the completion of the purchase agreement; but coal shares, which are "money shares" at second remove, until the compensation is finally allocated to individual companies, remain depressed. Few market observers would say that equities as a whole have fallen too far, having regard to the bleak economic outlook. But it seems likely that particular groups have suffered more than their due in the reaction.

The New Exchange Structure

So far as can be judged—and there is only scanty evidence from which to draw conclusions—the reactions abroad to Britain's withdrawal of dollar-convertibility from sterling have been more restrained than there seemed reason to fear. The situation is so complex that it would be unrealistic to suppose that overseas authorities already fully grasp the implications, but the absence of any explosive reaction at the outset holds fair promise that the problems will now be deliberately studied on their merits; and Britain could ask no more than that. Meanwhile, in London, a situation which the authorities describe as "fluid" is in the City regarded as highly confused. Perhaps there is not much distinction between the two definitions, but in construing the effects of the bewildering Payments Order (S.R. & O. 1947 No. 1785)

the policy-makers and their draftsmen presumably have an advantage over private financial circles and journalists who have been left without guidance.

Some of the broader technical consequences are, however, becoming apparent. From statements made at the outset last week (when the formal documents were not available to provide a crosscheck) it appeared that the range of restraint upon convertibility of non-resident holdings of sterling into dollars was narrower than is the fact. Except for the sterling on American and Canadian Accounts, all non-resident sterling which formerly was fully convertible is treated similarly, regardless of its origin or ownership, and is deprived of its automatic right of transferability to the US dollar area or Canada. This restriction applies equally to such sterling accumulated before the Chancellor's announcement as to new accumulations. There is, therefore, no distinction (such as was drawn in *The Economist* last week) between transferable sterling accruing from releases of old balances specifically conceded under the recent bilateral agreements and transferable sterling accruing from either old or new current transactions.

To this extent, last week's comment on the technical strength of sterling was rather more cautious than it need have been. In principle, the effect of the arrangements is to ensure that no part of the sterling balances accumulated by non-resident holders (i.e., countries outside the sterling area), and already subject to blocking agreements, can impose a direct strain upon Britain's remaining dollar resources. Provided that the system works as intended, the blocked portions are not available for transfer at all, and the "released" portions (in common with newly-accumulating "current" sterling) cannot be used for payments to the US dollar area or Canada or (with certain exceptions) to non-sterling countries with which no specific transferability arrangements had been made. In the absence of leakage or abuse, the only strain which such releases can now impose arises from the possibility that the funds may be used to buy sterling area goods which might otherwise have earned dollars or discharged adverse balances elsewhere. The drain from "unrequited" exports has not been wholly stopped. But there is some reason to believe that a high proportion of the non-resident funds arising from agreed releases has already disappeared, through the final rush to secure dollars before the door was closed.

Sterling Area Now

It therefore seems that the principal source of danger to the residual reserve—apart, of course, from Britain's own yawning gap—now arises from the sterling area, for here there are no such formal safeguards as have been introduced against withdrawals by non-sterling countries. Technically, the position of the sterling area is unaffected by the changes announced last week. The overseas monetary authorities retain the same degree of autonomy as they have enjoyed all along; the central reserve is regarded as the reserve of the whole system; and if they think fit to sanction payments to the dollar area, the Exchange Control and its agents here are bound to see that they are duly honoured. In the technical sense, the only basic distinction, compared with the position existing a few weeks ago, is that most of the accumulated balances have been blocked, either by specific arrangement (as with India) or informally; but specifically agreed releases are technically still available.

In practice, however, the British authorities are not so dependent upon the good husbandry of the overseas authorities as this informal arrangement might seem to imply. All members of the sterling area have been told plainly that they must exercise the greatest possible restraint, and it would be surprising if those which have lately been granted specific releases have not also been warned that these cannot be treated as automatically available. Britain, quite apart from its own desperate needs, has a duty to ensure that no member of the group secures more than a fair share of the exiguous reserve which must suffice for all. This week's omens seem to promise a high degree of very willing co-operation, but if any member shows signs of abusing the trust which the arrangement demands, the British authorities can be relied upon to bring strong pressure to bear, with the threat of excluding the member from the sterling area. In most instances, that would mean the freezing of virtually the whole external reserves of the country concerned, subject to such a ration of exchange as the authorities here deemed it appropriate to provide.

The potency of this drastic sanction does little, however, to

relieve the acute difficulty of the whole situation. In some cases, the possibility of undue strain may arise from the sheer administrative complexity of the problem which confronts the exchange authorities overseas, some of whom have little experience in sifting applications. Leakages arising from such considerations would certainly justify London in taking matters into its own hands. But dollar demands arising from import requirements upon the essentiality of which there is room for honest differences of opinion pose an entirely different problem. In principle, this is a case for fair shares between all members of the group, but the test when the resources are so slender is not how much more each should get but how large a cut each can stand. On what principles should, say, India's standard of living be compared with that in Australia or Britain? It is a forbidding problem—even assuming that all parties are equally determined in their drive for economy.

* * *

No Agreement on Miners' Hours

Protracted negotiations on Thursday of last week between the Government, the Coal Board and the National Union of Mineworkers on extra work in the mines to increase coal output, met with a complete *impasse*. The Coal Board have not felt justified in accepting the miners' proposal for Saturday work at overtime rates at a time when the conditions on which the five-day week was granted, especially the undertaking to reduce voluntary absenteeism, have still to be implemented. On the other hand, the miners consider that working an extra half-hour a day represents the abandonment of the principle of the five-day week, since it would extract from them more work a day, at normal rates, than was contemplated when the five-day week was conceded, and that in any case extra Saturday working would produce more coal than could be won by re-organising stints to take advantage of the extra half-hour a day.

The key to this problem, as indeed to most aspects of coal production, is the reduction of voluntary absenteeism. If that could be achieved, the miners' claim for a sacrosanct five-day week would have more justification and the Coal Board's arguments against Saturday working would carry less force. Absenteeism can be reduced only by a shrewd mixture of incentives,

cajolery and discipline. There is more to be gained from isolating mining communities by a prescription on those lines—despite anything that Mr Morrison has said—than by mere exhortations to public duty. Of cajolery, there is a liberal supply from the NUM itself. Incentives, too, have been provided in abundance by minimum wages, bonus systems and preferential treatment in the supply of rationed and pointed goods, but is it quite impossible to link the preferential allotment of food with the completion of five full shifts, say by the issue of emergency cards with the weekly pay packet, rather than by making extra rations automatically available to all miners and many other consumers in mining districts?

The abortive negotiations on extra hours have at least produced signs of a firmer line on discipline. The possibility of withholding the minimum wage from absentees and unofficial strikers was aired last week at a Lancashire area meeting of the NUM, and on Wednesday it was announced that the Coal Board would not take back 2,682 unofficial strikers (of whom many had been picking fruit at £1 a day) at Grimethorpe, near Barnsley, until they undertook new contracts of service, which include the working of a longer coal face—a step which received the immediate approval of Mr Will Lawther but was received with disapproval by a group of Doncaster miners, who have struck in sympathy with the Grimethorpe men. Meanwhile, trouble has flared up again between the National Union of Mineworkers and the Clerical and Administrative Workers' Union. It now seems likely that the clerks' union will raise the question whether it is to be eligible to negotiate terms of employment for its members with the Coal Board, independently of the NUM, at the Trades Union Congress which opened at Southport this week. Meanwhile, the country's urgent coal requirements will go unmet while the Coal Board and the NUM once more take up their bargaining positions and until the mineworkers show greater resolution in putting their domestic affairs in order.

* * *

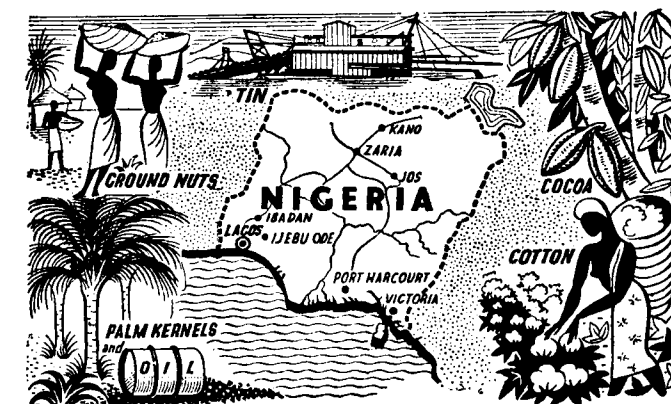
Higher Coal Prices

With the consent of the Minister of Fuel and Power, the National Coal Board has decided to increase the pithead price of deep-mined coal by 4s. a ton from September 1st. Corresponding

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increases in manufactured fuel, and in open-cast coal produced by the Ministry of Fuel and Power, will also be made. And further increases in prices will be necessary a month later, when the increase in railway freight rates, which involves an increase in the average rate for coal class traffic of 1s. 9d. per ton, takes effect. Mr Shinwell might well observe, as he did a fortnight ago, that "profit making in the mining industry has disappeared."

The Board is currently operating at a loss of 3s. 3d. per ton; including the cost of coal imports from the United States and Poland, this loss is increased to 3s. 9d. per ton. The chief item contributing to increased costs is, of course, the rise in wages following the introduction of the five-day week. The Board's financial statement puts the increased cost resulting from the five-day week, "after taking credit for improvements in output per manshift," at 2s. 6d. per ton. The gross cost cannot be "accurately assessed," but it is substantially more than the net cost of 2s. 6d. per ton, and the latter will only be further reduced when restrictions on output are eliminated and new recruits to the industry become fully productive. But the statement immediately adds that the price increase of 4s. includes no allowance for "the increasing effect of adverse factors not fully reflected in present results," or for any allocation to reserve, or for losses carried forward from the period May to August, which were only partially offset by profits for the period January to April.

A statement of the Board's profit and loss for the first quarter of this year will be published during the next few weeks. Meanwhile, it is instructive to compare the Board's present position with that of the coal industry under private ownership last year, when profits prepared for wages ascertained amounted to 2s. 9d. per ton. The Board has to provide for depreciation (8d. per ton) and for interim income to colliery owners until compensation is paid (1s. 5d.), and it is obtaining profits equivalent to 4d. a ton from ancillary undertakings. These items make a net adjustment of 1s. 9d. to be deducted from the ascertained profit, leaving a net surplus of 1s., on a comparable basis between the two periods. Wages now cost 2s. 6d. per ton more; other payments like holidays and welfare, 7d.; staff superannuation, 4d.; scientific research, education and training, 2d.; other additional costs, including national insurance, staff compensation, etc., 3d.; new staff, 1d.; timber stores, etc., 4d. These increases total 4s. 3d. per ton, leaving a current loss, before including the cost of imported coal, of 3s. 3d. per ton.

*

Clearly, this is not the end of the increases in coal prices, which have raised the pit-head price by 23s. 5d. a ton since 1939. The effect on the level of British industrial costs needs no emphasis. In conjunction with the rise in freight rates, it is likely to lead to an increase in steel prices in the relatively near future; gas and electricity will cost more; and industry generally will suffer by higher prices for fuel and intermediate products. And consumers will note that the National Coal Board in its references to the future has no single note of encouragement to offer.

* * *

See-Saw in Argentine Rails

Argentine rail stocks remain a tender market. Last week-end hopes were buoyed up by the report that General Perón had stated categorically that the purchase would go through—it had been approved by the High Court in London on August 21st—but a more careful reading of his words showed that he was referring only incidentally, and then in the past tense, to the agreement. The truth is that the market this week has been operating in the dark—which is no new situation for the few jobbers who now remain in it. In form, the Argentine authorities should now, within thirty days of the Court's sanction, proceed to complete the transaction. But in their anxiety to safeguard their dollar requirements for the rest of this year, they seem to have lost sight of the fact that they would be short of sterling. If, as is suggested, Argentina's accruing sterling has been promptly converted, its problem is to find the balance of £35 million to supplement the sterling balances of £115 million, so that the purchase price of £150 million can be met in full.

Even after the slight recovery in prices which is shown in the accompanying table, it is obvious that holders are taking a cautious view about the implementing of the agreement. Discounts ranging between 10 per cent on the senior stocks to 20 per cent on the juniors suggest that investors are not counting on the immediate completion of the agreement—and are not even certain that it is proof against revision. The presence of Sir Montague Eddy in Buenos Aires for discussions with the Argentine authorities may clear up these doubts. They turn partly on internal Argentine poli-

tics, and perhaps also on the legal construction of the purchase agreement. Is this an integral part of the monetary agreement which Britain has now abrogated in the all-important matter of convertibility? Or is it a totally different settlement to the joint

ARGENTINE RAILWAY STOCKS

Stock	Take-over Price	Price, July 28	Price August 21		Price, August 27
			Quotation	Lowest Marking	
Buenos Ayres Gt. Southern:—					
4 per cent Debenture	100	94½	89—91	88	90
6 per cent Preference	50	44½	38—42	40	40
5 per cent Preference	75	67½	63½—64½	66	62
Ordinary	20	17½	15—16	15	15½
Central Argentine:—					
4 per cent Debenture	100	94½	89½—91½	88	90
6 per cent Preference	37½	32½	30—35	...	30
4½ per cent Preference	32½	28	24—26	25	25
Ordinary	21½	18½	16—18	16	16½
Buenos Ayres & Pacific:—					
4 per cent Debenture	100	94½	88—91	...	90
Buenos Ayres Western:—					
4½ per cent Preference	100	92	83—90	85	83

company proposals for the railways which that agreement contemplated, and therefore unaffected by changes in the agreement itself? Will the lapse of convertibility provide an argument for the Argentine Government to try to secure a reduction in the purchase price? Will the current shortage of sterling from which Argentina now suffers mean a delay in completion of the contract until balances have been built up? Will the desirability of taking over the railways for political reasons be coupled with strong economic compulsions to retain the British market for Argentine meat, even though satisfaction of the agreement will mean exporting four months' supplies "for nothing" in order to find the balance of the money?

There are questions enough, and few answers. But the fact that no official denunciation of Britain's action last week has come from Buenos Aires is, in its negative way, a pointer of a sort. Present indications, such as they are, suggest that the general framework of the agreement is secure. There might be delay in completion, though it should not be difficult for Argentina to secure temporary finance in London for this purpose, granted the present pattern of her trade with Britain. But any attempt to reopen the bargain with the idea of getting the railways at a cheaper price would certainly have more serious consequences, particularly for the junior stockholders. That possibility may be remote, but at least the market has recognised it.

* * *

Short Bond Problems

Among the technical consequences of the convertibility crisis and its antecedents, one that has been overlooked is the impact upon the short bond and money markets, in which an interesting position has arisen. Upon the former, the direct effects are difficult to trace and may not, indeed, have been particularly large. The theory that overseas selling, for "convertibility" purposes, was largely to blame for the crack in the gilt-edged market may conceivably be valid, but is certainly hard to substantiate. There is fairly general agreement that the weakness originated in the shortest bonds and that at times even of major movements the reactions in the longer dated stocks were mainly sympathetic. As for experience in the shorts, all that is definitely known is that on several days in July there was substantial but rather localised selling, which may or may not have reflected overseas operations at one or more remove. These sales were particularly concentrated upon the 2½ per cent National War Bonds, 1949-51, but extended also to the 1951-53 and 1952-54 issues. During the final stages of the weakness, in mid-August, the volume of selling was both smaller and less concentrated, but came upon a market which was almost devoid of support.

In the short loan market, however, the effects of the movement of overseas balances are more readily discernible, and may have had some secondary repercussions on the bond position. For some months before the convertibility crisis, the discount market had been experiencing a particularly large turnover of money, attributable especially to large movements of funds from the "outside" circle of banks to the inner ring of clearing banks and also, at times, to the authorities. There were, of course, also reverse movements, but over the period the net result was to reduce the volume of money available to the market from "outside" banks—the funds of many of which reflect accumu-

lations of overseas sterling balances—and to increase the volume of call money obtained from the clearing banks.

It would be wrong, however, to attribute these changes wholly, or perhaps even mainly, to convertibility. Certain sterling balances were being depleted by sterling payments for exports—the "unrequited" exports—and in other cases reductions were attributable to purely special operations, such as the gifts from Australia and New Zealand to the Imperial Exchequer. In the latest stages, however, the reduction became more noticeable and certainly was attributable to the withdrawal of funds from the market for the purpose of conversion into dollars. In parenthesis, it may be noted that the immediate effect of such transfers is to reduce the supply of outside money without increasing the supply of clearing bank money, since the funds are paid away to the authorities, who would naturally employ them for the reduction of borrowings from the banking system on Treasury deposit receipts or bills.

* * *

"Bill" and "Bond" Money

The technical consequences of these changes has been a disturbance in the equilibrium between the discount market's "bill" money and "bond" money. In the past, the habit of the discount houses has been to finance a high proportion of its bill portfolio by money borrowed from the clearing banks, and almost the whole of its bond portfolio by money borrowed "outside." This situation arose from the fact that "outside" money is normally the marginal supply, and is always treated as such. In consequence, the outside lenders traditionally could not in general command a rate as high as the stereotyped rate charged by the clearing banks, and had less freedom in deciding whether to lend against bills or bonds. Since the Daltonian reduction in short money rates in October, 1945, the clearing banks' rates have been ½ per cent for loans against bills and ¾ per cent against bonds, whereas the outside bond money rate has normally been ¾ per cent.

Recent events have disturbed this position in two distinct ways. On the one hand, the discount market, until its position became fully extended, absorbed the offerings of short bonds, so that its requirements for bond money were increased. On the other hand, the shiftings of foreign funds reduced the normal supply

of such money—the "outside" money. In recent weeks, the clearing banks have therefore been called upon to provide substantial loans to the discount market against bond collateral. This is almost a novel situation; ever since 1934 the clearing banks have quoted a differential rate for loans against bonds, but the facility had never been substantially utilised.

The possibility that this situation might arise had long been foreseen, however, for it had never been supposed that the huge wartime accumulations of overseas balances would become a permanent feature of the London market; while it was evident that the discount houses would be likely to remain large operators in bonds for so long as any substantial proportion of the national debt is held in short-dated form. But the shifting of the balance of forces in the short loan market occurred not only suddenly but in circumstances which, from the banks' point of view, were unpropitious. They were called upon to lend more largely against bonds at the very time of pronounced weakness in gilt-edged, and especially in the "shorts."

* * *

New Problem for Banks

It is perhaps not surprising, therefore, that this situation produced minor friction. A fortnight ago it was suggested in certain press comment that the discount market's capacity to support gilt-edged—that is to perform its proper role as a shock-absorber for short bonds—was being circumscribed by inability to secure all the "bond" money it needed. It is doubtful whether money limitations of this particular kind restricted the activities even of individual houses, but there certainly was no perceptible constraint upon the operations of the market as a whole. It is true, of course, that the discount market as a whole is no longer in a position to increase its bond portfolio, but this is because the ratio of its bonds to its capital resources had already reached—and, in some cases, may even have surpassed—the conventional limits.

There remains, however, a technical problem to be solved if the market is to function with maximum flexibility. The clearing banks in general have not yet hammered out the principles upon which they should lend upon bonds. Some of them, realising the

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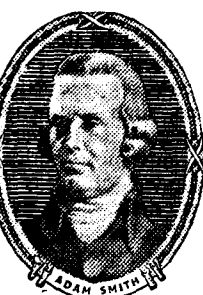
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novelty of the situation, are thinking on rational and liberal lines. But there is some reason to believe that others have been trying to legislate by past experience, and have been looking backwards to the days before the discount houses had a clear and acknowledged role in the short bond market and when almost surreptitious business in bonds was made possible only by the expedient of "mixing" them in parcels of bill collateral. But in those days there was no sort of assurance that the authorities would approve such operations if the question arose, whereas now, provided it has operated within prudent limits and has confined itself to bonds with less than five years' life to final maturity, the discount market has the assurance that the authorities will stand behind it. From this point of view, therefore, bank loans against bonds are almost on all fours with those against bills. There is, of course, the greater risk of depreciation, but the banks naturally safeguard themselves by exacting a fairly substantial margin of collateral. It would be useful, incidentally, if margin practice could be standardised.

* * *

"Staggering" the Power Load

This week's warnings of possible power cuts—in the middle of an August heat wave and the holiday season—were due to generators being taken out of service for summer overhaul. But they lent particular point to last week's announcements of the complicated arrangements which have been made to avoid the dislocation of industry by a repetition of last winter's widespread power cuts.

Even with "staggered" hours of work in the factories and the installation of diesel generators by firms to lessen their dependence on the "grid," there is no hope of closing the gap between the potential maximum demand of 11 million kilowatts and total generating capacity of 9 million kilowatts. Efforts are now being concentrated to ensure that the cuts, when they are made, should be orderly and predictable. The arrangements made by the Ministry of Fuel and Power give each electricity undertaking a "quota" of maximum demand to which its load must be reduced on the instructions of the Central Electricity Board—thus providing some measure of central surveillance over the regional allocation of the grid's total supplies. Within each area, those firms which cannot transfer a third of their demand for power from the morning peak periods to evening shifts, will be expected to submit to a rota of power cuts, which may take the form of the division of an area into five zones, each of which will be liable to have its power cut on a specified day each week. Should these cuts still be insufficient to reduce consumption, the rota system may be extended to all industries in the area, power being cut—on giving, say, twelve hours notice—for industries which had already transferred a third of their load to off-peak periods. Schemes on these lines have already been approved by the Ministry. Restrictions on space heating will not be imposed

this winter and, according to the Ministry of Fuel and Power, no compulsory restrictions are likely for domestic consumers.

The authorities now have a formidable array of chosen instruments for imposing power cuts; they include a statutory Order to enforce staggered hours, supply targets for electricity undertakings and a multiplicity of schemes and plans throughout industry for spreading the power load over a longer working day and ironing out the peaks. The complexity of this machinery is certainly a tribute to the intricacies of the problem. Each area has its industries which are unable to transfer a third of their power consumption owing to technical difficulties or perhaps even to labour resistance in some cases. The success of economy measures accepted by industry may still be jeopardised by the thoughtlessness of domestic users linked to the same circuits.

* * *

Golden Harvest

After an astonishingly short growing season followed by the easiest harvest for a generation, the general verdict on British corn crops is favourable. Yields are much better than was at first feared and the quality is good. But the European grain position generally looks far from healthy and the harvests promise to be even lighter, than earlier estimates suggested. The wheat yield in the Danube Basin has been poor, but to some extent this will be mitigated by the good maize crop. In Scandinavia and parts of Germany, the hot dry summer has caused some deterioration, whilst in Czechoslovakia the wheat harvest is expected to be only two-thirds of last year's, and rye 80 per cent; deficits of bread-grains and fodder have been estimated at 300,000 tons and 800,000 tons respectively. In Greece the production of all grains is reported to be 30 per cent below last year's harvest and 40 per cent below the pre-war level; the wheat crop is expected to yield 18.4 million bushels—a decline of 35 per cent on 1946. According to the latest FAO report, Europe, North Africa and Asia will require an import of 34-38 million tons of grain to cover basic needs in the coming season.

Even in the major grain producing areas there are unpleasant indications. The Australian crops are growing well on a larger acreage, but the wheat area in Argentina has been reduced. The first official estimates from Canada give the current season's wheat out-turn at 358.8 million bushels compared with 420.7 million bushels a year ago. Oats will be a small crop, and barley is also expected to yield less than in 1946. The latest forecast from the United States puts the wheat harvest at 1.4 billion bushels—another and even better bumper crop; last year's record out-turn was 1.156 billion bushels. This quantity would be sufficient to furnish 500 million bushels for export, which it is understood has been set for the coming season. But there are indications that even if action is taken by the US Government the target is likely to be unfulfilled. The American maize crop is expected to yield only 2.3 billion bushels compared with 3.3 billion bushels

SECURITY PRICES AND YIELDS

A fuller list containing 370 securities appears weekly in the *Records and Statistics Supplement*. Notes on the following company reports also appear in the Supplement; Arthur Guinness; Ropner Shipping; Suburban and Provincial Stores.

Prices, Jan. 1-Aug. 27, 1947	Name of Security	Price, Aug. 20, 1947	Price, Aug. 27, 1947	Net Yield, Aug. 27, 1947 (n)	Gross Yield, Aug. 27, 1947 (s, d.)	Prices, Jan. 1-Aug. 20, 1947		Last Two Dividends			Name of Security	Price, Aug. 20, 1947	Price, Aug. 27, 1947	Yield, Aug. 27, 1947
						High	Low	(a)	(b)	(c)				
103½	100½	100½	100½	100½	100½	113½	99½	100½	100½	100½	Other Securities	100½	101½	101½
103½	100½	100½	100½	100½	100½	105½	89½	105½	105½	105½	Australia 3½% 1955-59	101½	101½	101½
103½	100½	100½	100½	100½	100½	102½	100½	102½	102½	102½	Birmingham 2½% 1955-71	91½	92½	92½
103½	100½	100½	100½	100½	100½	142½	113½	142½	142½	142½	Argentine 3½%	101	101	101
103½	100½	100½	100½	100½	100½	232½	118½	232½	232½	232½	Anglo-American Corp. 10s	133½	132½	132½
103½	100½	100½	100½	100½	100½	80½	60½	80½	80½	80½	Anglo-Iranian Oil 11	180½	180½	180½
103½	100½	100½	100½	100½	100½	42½	33½	42½	42½	42½	Assoc. Port. Cem. Ord. Stk. 11	66½	65½	65½
103½	100½	100½	100½	100½	100½	95½	75½	95½	95½	95½	Austin Motor 'A' Ord. Stk. 11	34½	33½	33½
103½	100½	100½	100½	100½	100½	245½	180½	245½	245½	245½	Barclays Bank Ord. 'B' 11	182½	182½	182½
103½	100½	100½	100½	100½	100½	115½	87½	115½	115½	115½	Bass Rattray Ord. 11	90½	91½	91½
103½	100½	100½	100½	100½	100½	58½	44½	58½	58½	58½	British Oxygen Ord. 11	46½	45½	45½
103½	100½	100½	100½	100½	100½	29½	24½	29½	29½	29½	Courtauld Ord. 11	25½	25½	25½
103½	100½	100½	100½	100½	100½	81½	66½	81½	81½	81½	Dorman Long Ord. 11	68½	67½	67½
103½	100½	100½	100½	100½	100½	53½	41½	53½	53½	53½	Dunlop Rubber Ord. 11	44½	44½	44½
103½	100½	100½	100½	100½	100½	49½	40½	49½	49½	49½	Imp. Chem. Ind. Ord. Stk. 11	42½	41½	41½
103½	100½	100½	100½	100½	100½	57½	46½	57½	57½	57½	Langs. Cotton Ord. Stk. 11	50½	50½	50½
103½	100½	100½	100½	100½	100½	77½	51½	77½	77½	77½	Lever & Unilever Ord. 11	58½	56½	56½
103½	100½	100½	100½	100½	100½	84½	73½	84½	84½	84½	London Brick Ord. Stk. 11	78½	77½	77½
103½	100½	100½	100½	100½	100½	36½	29½	36½	36½	36½	L.M.S. 4½% 1st Pref. Stk.	34½	34½	34½
103½	100½	100½	100½	100½	100½	68½	53½	68½	68½	68½	N. Eastn. Elec. Ord. Stk. 11	53½	54½	54½
103½	100½	100½	100½	100½	100½	39½	30½	39½	39½	39½	Pobin Tinson Ord. Stk. 10s	32	32	32
103½	100½	100½	100½	100½	100½	63½	47½	63½	63½	63½	Prudential 'A' 11	48½	48½	48½
103½	100½	100½	100½	100½	100½	108½	91½	108½	108½	108½	Stewarts & Lloyds Def. 11	97½	97½	97½
103½	100½	100½	100½	100½	100½	147½	118½	147½	147½	147½	"Shell" Transp. Ord. Stk. 11	128½	128½	128½
103½	100½	100½	100½	100½	100½	79½	71½	79½	79½	79½	Tube Invst. Ord. Stk. 11	15½	15½	15½
103½	100½	100½	100½	100½	100½	107½	79½	107½	107½	107½	Turner & Newall Ord. Stk. 11	86½	81½	81½
103½	100½	100½	100½	100½	100½						Woolworth (P. W.) Ord. 5s	86½	81½	81½

(a) Interim. (b) Final. (c) Whole year. (d) Int. paid half-yearly. (e) To earliest redemption date. (f) Also a capital bonus of 2½ per cent. free of income tax. Yield worked on 15 per cent. basis. (g) Fifteen months to March 31, 1947 (yield basis 7.6 per cent.). (h) To latest redemption date. † Free of tax.

in 1946, and since there is a smaller oats crop, the feed situation begins to look precarious. Domestic consumption of food is likely to continue at a high level while prosperity is maintained in the United States, and a large diversion of wheat supplies from the export market to feeding livestock is likely to follow the maize failure. It is too early even to guess how much wheat may be used in this way, but the earlier estimate of a deficit of 4 million tons between world grain requirements and the world exportable surplus will probably turn out to be over 10 million tons.

For the first time in the history of the Chicago market, maize stands at a premium over wheat. Even if the Marshall Plan provides European countries with sufficient dollars to buy bread-grains, American farmers are unlikely to market sufficient quantities, except at high cost. Only a miracle can prevent an acute grain shortage in Europe during the next twelve months—and Europe is tired of waiting for miracles.

Baltic's Air Freight Section

It may be too early to say that civil aviation has started on the wrong foot. But it is a symptom of the times that states should have displayed almost universal eagerness to set up monopolies, and that not only in Great Britain, but also in the United States and elsewhere, they should have rejected the claim that air transport is a modern extension of sea transport. Private enterprise, operating in the limited field of charter and freight air transport, left open since the war, finds that the affinity of commercial air transport to shipping grows from day to day; hence the opening of an Air Freight Section of the Baltic Mercantile and Shipping Exchange must be regarded as a logical development. Numerous companies which now operate charter aircraft have been seeking for some time to establish a sound commercial basis for integrating their growing industry, and the experience and success of the Baltic Exchange in chartering ships for world commerce during 200 years suggests the way towards a solution. The shortage of air liner transport has tended to overstress the "air taxi" side of the business, but in the long run it is the carriage of goods by air which is likely to prove the main standby of commercial (as distinct from state-controlled) civil aviation. There are good cargoes to be carried, usually of a specialised nature, which can stand the extra cost of speedy transit; these include medical supplies, machinery and spare parts, luxury perishables, bullion, documents and commercial samples of every kind, including bulk commodities.

The main difficulty at the moment, from the charter aircraft

operators' viewpoint, is to find the cargoes at the right time, and, from the prospective shipper's point of view, to get the right aircraft at the right time and place to make its use profitable. Membership of the Baltic has now been thrown open to the air transport industry and as a result brokers should be able to "marry" cargoes and aircraft, as they have been doing with ships for so long. This step should go some way to obviate the common diseconomy that one-way cargoes have to bear the cost of the return flight without pay-load. Further advantages may be anticipated from the quotation of freight rates and the long overdue framing of satisfactory "time," "voyage" or "bareboat" charter-parties, similar to those which have long been universally accepted for carriage of goods by sea.

Air freight agents and operators overseas are watching the new development closely and there is a chance that the London air freight market may become the international centre of air chartering as it has been for so long of ship chartering. Some operators, however, still visualise a system which might be described as a cross between Keith Prowse and a supreme commander's "operations control room"; in particular they maintain that a mechanism suitable for shipping is too "slow" for arranging air transactions. They possibly do not realise that although the floor of the Baltic is open only from 10 to 4, it is the broker's job to provide a 24-hour service for his clients. There is welcome evidence of strong support for the new project from the more experienced aircraft operators. But a successful and internationally recognised market will not develop without the support of the principal users of air transport, and their participation, or that of their chartering agents, must be assured.

Trade in Tea

An initial step in the re-opening of Mincing Lane has been taken by the Government in sanctioning tea imports by merchants on condition that the tea is re-exported after blending. This move will be of some help in re-establishing the once pre-eminent position of London in the world tea trade, and it has come none too soon. Free auctions have been operating for some months in both Calcutta and Colombo, though since the United Kingdom has, in effect, boycotted them, dealings have been restricted. Nevertheless they are something of a threat, for either or both of these centres are trying to fill the lack of a central market in the world tea trade which has become evident since tea was freed from international allocation.

Mincing Lane possesses many advantages which do not exist in either India or Ceylon, and of these perhaps the most important is its expertise in blending. A number of large pre-war buyers of tea, including South Africa, Australia and America, are still buying their supplies direct from the growing countries, so that the volume of re-export trade in tea from this country is unlikely to assume its pre-war proportions for a long time, and even then could do so only with difficulty. Nevertheless, with its experience in blending teas to suit particular palates, London may well regain a useful proportion of this trade.

The Indian tea trade in the coming months, granted the difficulties of partition, will be somewhat insecure, and this may provide an opportunity for Mincing Lane to expand its operations. Most of the tea imported for blending will be destined for the Continent and certain colonies; this trade is quantitatively small, and its main value will be to enable the market to re-establish its trade connections and to prepare for the eventual day when the Ministry of Food ceases to be the sole purchaser of supplies for home consumption.

The Indian Government has granted permission to the Ministry of Food to purchase 268 million lb. of tea; this increase over the original 200 million lb. limit is to cover the additional contract offers. Provided that there is no hold-up in delivery, these supplies would cover a 2½ oz. weekly tea ration, but the Government has stated this week that the ration will not be increased beyond the present level of 2 oz. This decision, presumably, has been taken in order to increase stocks, which have been heavily run down during the past year.

Growth of the Trade Gap

Recent events have left only an academic interest for the July trade figures. Yet they deserve serious attention in their own right. Both imports and exports last month reached new peaks, but the adverse gap widened further to a new post-war record of £65 million. In 1946 the monthly adverse balance remained at about £27 million, for the expansion in exports during the year kept pace with the rising volume and value of imports.

The shortage of fuel and the severe weather last winter brought about a marked reduction in exports, and as the import programme was not readjusted, the adverse balance rose to £32 million a month in the first quarter of 1947 and jumped sharply to £57 million a month in the second quarter, when the secondary effects of the winter crisis synchronised with the full impact of rising import prices. Over the past six months, import prices have risen by 15 per cent, while export prices have risen by only half that extent.

Exports in July are usually high, for the month contains the maximum number of working days, and shippers are eager to clear documents before the holidays. On the basis of a national month of 26 working days, July shipments were 5 per cent higher than in June and thus continued the improvement from the coal crisis, an improvement which began last April. Owing to holidays this is likely to be interrupted in August and September. The following table gives exports for the past 8 months, recalculated on the basis of 26 working days a month:

	£ mn.		£ mn.
December, 1946	90	April, 1947	89½
January, 1947	88	May, 1947	89½
February, 1947	82½	June, 1947	101
March, 1947	82½	July, 1947	106

The volume of exports in July has been provisionally estimated at 125 per cent of the 1938 figure, which compares with 102 per cent in the second quarter of 1947, 101 per cent in the first quarter and 111 per cent in the last quarter of 1946. The July volume figure is the highest recorded since the war, the previous best being a year ago (July, 1946), when the export volume reached 121 per cent of 1938. The increase in exports compared with June was almost entirely represented by larger shipments of manufactured goods, with machinery (£17.3 million) and vehicles (£16.7 million) accounting, for the second month in succession, for over 30 per cent of total exports. The number of

VISIBLE TRADE BALANCE
(£ Million)

	Imports			Exports and Re-exports		
	I/1947 (Monthly av.)	II/1947 (Monthly av.)	July, 1947	I/1947 (Monthly av.)	II/1947 (Monthly av.)	July, 1947
Food, drink and tobacco	61.9	72.4	82.0	5.1	5.7	6.8
Raw materials	34.2	45.6	56.4	7.9	7.4	5.8
Manufactures	23.2	31.6	39.1	73.5	78.4	97.8
Others	2.0	1.7	1.7	2.8	2.9	4.2
Total	121.3	151.3	179.2	89.3	94.4	114.6
Visible Deficit				32.0	56.9	64.6

new cars exported totalled 12,156, which exceeded the May record by 1,486. The expansion was general throughout all categories with the notable exceptions of cotton and rayon goods, exports of which were both smaller than in June and in July last year.

Imports in July, totalling £179.2 million, were £25.4 million above the previous peak recorded in June—on a daily average basis the increase was 3½ per cent—and were the highest ever recorded with the exception of January, 1920. Food, drink and tobacco imports rose by £11.8 million on the month owing to increased arrivals of meat and dairy produce. Meat imports were 50 per cent heavier than in June, and about half the increased

quantity came from New Zealand; these arrivals were indeed timely, for meat stocks in the United Kingdom were estimated to represent less than a month's supply at the end of June. Retained imports of raw materials were £12.4 million, or nearly a third above the average for the two previous months. Imports of machinery were also higher.

Dollars from Tin

Although world tin production is improving, supplies available during the second half of 1947 are estimated by the Combined Tin Committee to be sufficient to meet only half the requirements of the importing countries. The additional allocation recently announced totals 15,710 tons, which together with the interim allocation of 11,331 tons made some seven weeks ago, gives a total for the second six months this year of 27,041 tons. The United States is to get 14,657 tons, France 4,115 tons, India 3,263 tons and Canada 1,000 tons. The Committee has emphasised that the present allocations must cover the major needs of the consuming countries for the period, although small additional quantities may be allocated towards the end of the year. A small reserve has been set aside to cover requests for minimum additional allocations to improve working stocks of those countries whose needs the Committee think are urgent. By this method it is hoped to mitigate the difficulties caused by the long distances between producing and consuming areas and the generally low level of stocks.

In Malaya, tin output is at long last expanding at a satisfactory rate. Rehabilitated dredges and open cast mines have been restarted; in June, 370 mines were in operation as against 252 in January. There has also been a steady increase in coal production, which in the first quarter of the current year totalled 23,760 tons and in the second 57,489 tons. These factors have resulted in an increase in tin output to 8,217 tons for the April-June quarter, compared with 4,614 tons in the first quarter of the year. Production in 1947 is expected to reach the target of 46,150 tons and to rise to 72,800 tons in 1948.

With the American demand still firm, tin is one of a handful of commodities which enjoy a certain dollar-earning capacity. But tin is subject to international allocation and controlled prices, so that its contribution towards redressing the dollar deficit has been limited. It may not be possible, for political reasons, for sterling producers to break free from an international marketing scheme so long as the shortage of supply exists. But it ought to be known, particularly in the United States, that despite Britain's dire need of dollars, it is not capitalising the world shortage of tin.

Shorter Notes

Agreement on staggered hours in the printing industry has been reached between the British Federation of Master Printers, the Newspaper Society and the Printing and Kindred Trades Federation. A shift system to ease the electricity load next winter has also been agreed by both sides of the cotton textile industry in the Bolton area of Lancashire.

The sharp increases in the maximum prices of home trade tops made from merino and fine crossbred wools will allow Bradford to purchase such wools at prices ruling at last season's auctions. First sale of the new season opens next Monday at Sydney and it will be interesting to see if prices continue their upward trend.

In addition to the short "Statistical Summary" which appears weekly in *The Economist*, a full service of statistical and factual information appears weekly in

Records and Statistics

Supplement to *The Economist*

Records and Statistics is a separate, self-contained weekly publication of from 16 to 24 pages. It includes not only many statistical tables but also factual records of public affairs, including Parliamentary activities and digests of state papers, and industrial and commercial reports from home and overseas. It is believed to be the most comprehensive statistical and factual report appearing weekly anywhere in the world.

The *Records and Statistics* Supplement to *The Economist* is available by postal subscription only. The subscription, which may be sent direct to this office or through a newsagent, is 30s. per annum. For those who are already direct postal subscribers to *The Economist*, the economy of posting both publications together makes it possible to quote a combined subscription of £4. Subscribers to *The Economist* who wish to receive *Records and Statistics* should notify this office as soon as possible, but are asked not to send any money until an account is rendered. It is regretted that it is no longer possible to supply back numbers of *Records and Statistics* or to date subscriptions back.

Paper shortage also makes it impossible to supply sample copies. For a limited time, however, subscribers to *Records and Statistics* will be allowed, if they wish, to cancel any unexpired portion of a subscription.

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COMPANY MEETINGS

JAMES HOWDEN AND
COMPANY

RECORD ORDER BOOK

MR C. W. HUME ON THE OUTLOOK

The forty-first ordinary general meeting of James Howden and Company, Limited, was held, on the 27th instant, at 195 Scotland Street, Glasgow, Mr Crawford W. Hume, M.I.N.A., the chairman, presiding.

The secretary, Mr James S. Niven, read the notice convening the meeting and the report of the auditors.

The following is the chairman's statement circulated with the report and accounts for the year to April 30, 1947:—

For the convenience of the shareholders, it has been thought advisable to revert to the practice of publishing the chairman's statement along with the directors' report and the accounts.

Since the last meeting, Mr James B. McGillivray, who has been associated with the company for 54 years and who has been a director since 1922, has tendered his resignation, which has been accepted with regret by the board. Having been with the company for so long, Mr McGillivray had accumulated a store of experience which was of great value in the work of the board and his counsel will be missed in the affairs of the company. On his retirement, the Board co-opted Mr James S. Niven and Mr Henry L. Paul, who have both served the company faithfully and well for a number of years, Mr Niven as secretary and Mr Paul as a senior executive. It is my confident belief that their services as directors will be of great value to the company.

The usual practice has been followed in setting out the appropriations in the directors' report. You will note that £30,000 has been transferred to the general reserve account, increasing this reserve to £185,000. A provision for taxation of £185,000 has been made, and it should be noted that last year we followed the practice of previous years and provided in the accounts to April 30, 1946, for income-tax due on or before January 1, 1947, whereas this year in the accounts now presented to April 30, 1947, we have provided for income-tax due on January 1, 1948, and January 1, 1949. This is a substantial additional provision.

DIVIDEND 30 PER CENT

You will also note that in addition to the interim dividend of 9d. per share, or 7½ per cent., less income-tax, which was paid on April 30, 1947, the directors recommend that a final dividend be paid at the rate of 2s. 3d. per share, or 22½ per cent., less income-tax, thus making a total of 30 per cent. for the year. This dividend, if approved, will be paid on the 476,000 ordinary shares of 10s. each, Nos. 1 to 476,000 inclusive. The 70,000 new ordinary shares of 10s. each, No. 476,001 to 546,000 inclusive, which were issued in April, 1947, by the conditions of the issue, do not rank for dividend at this time.

The issue of these shares increased the issued capital from £238,000 to £273,000. The premium, less expenses, has been added to capital reserve account, which you will note on reference to the consolidated balance-sheet has been increased by £85,852 to £100,385.

Reserves and undistributed profits now amount to a total of £371,513.

ADDITIONS TO FIXED ASSETS

On the other side of the balance-sheet it will be noted that considerable additions have been made to the fixed assets of the company to meet expanding activities. These additions, amounting to £95,397, include the purchase of a valuable site adjoining our main works, the erection of buildings and the purchase of plant, machinery and equipment. The excess profits tax post-war refund of £48,675, as shown in the balance-sheet, has been used towards this development expenditure. The further refund of excess profits tax, which last year was stated to be approximately £6,000, has not yet been received. It is now expected that the figure will amount to about £11,000, and this also will be applied in the same way.

Last year I stated that the company's factories were fully employed on peacetime products. The fuel and power crisis had not then arisen, and while this to some extent affected the output and employment in the factories during the early months of 1947, it also had the effect of bringing a very large proportion of the company's production into a position of the highest priority, for, as you know, our products are used extensively in the equipment of power stations. In spite of the difficulties, the output from our main works at Scotland Street constituted the highest in the history of the company. In the MacLellan Street factory a high level of production has also been achieved, but much ingenuity and improvisation have been necessary to overcome shortages of materials and bottlenecks. The demand for the products of this factory is extensive, and I believe we shall find it possible during the present year to maintain or increase its output.

FULL EMPLOYMENT ASSURED

Our order book, which reflects the demand for power station and marine equipment, continues to increase, and the orders we have on hand exceed all previous records. Given supplies of steel, fuel and power, and in this we are receiving the support and help of the Government Departments concerned, and provided there is no serious setback in the industrial activity of the country, full employment is assured for a long time to come.

The loyal co-operation of the administrative and executive staff and of the workpeople has again been evident, and I should like on your behalf to thank all the employees of the company for their faithful service.

The report and accounts were adopted; the proposed dividend was approved; the retiring directors, Mr I. J. Craik Henderson, Mr Norman Burke, M.I.Mech.E., M.I.Mar.E., A.S.M.E., Mr James S. Niven and Mr Henry L. Paul, M.B.E., were re-elected, and the auditors, Messrs William Hart, Jnr., and Wilson, were reappointed.

WATNEY COMBE REID AND
COMPANY, LIMITED

RESTRICTION OF OUTPUT

The ordinary general meeting of Watney Combe Reid and Company, Limited, was held, on the 28th instant, in London, Major Arthur C. Bonsor (the chairman) presiding.

The following is an extract from his circulated statement: Our output and profits have suffered from the 15 per cent. cut in our standard barrelage of 1945 imposed in May, 1946, to save materials. In August last a 10 per cent. cut in average gravity was also imposed. The change, while enabling us to make available more beer for the public, at the same time depreciated the quality. I am glad to say that this latter restriction has now been removed, and we have taken advantage of the relaxation to improve the quality of our existing beers, and we hope to be able

to brew a small quantity of stronger beers in the coming winter.

It has been a very difficult year, as we have had to face rising costs in both labour and material in conjunction with a lesser output. This limitation of output will, I fear, remain until the cereal position all over the world improves, but it is unfortunate, as we are precluded from producing enough beer to meet the legitimate requirements of the public. We are producing up to the maximum quantity allowed under existing restrictions.

With regard to the replanning of London, many schemes have now been prepared by the London County Council and local authorities which affect the future of our properties, and there are many more to come. Our policy is to watch your interests while at the same time co-operating with these authorities and with other brewery companies in the spirit of the Licensing Planning Act, 1945. One point I would like to make refers to the Greater London plan which has now emerged in what looks to be its final shape at the hands of the Ministry of Town and Country Planning. This plan envisages a great decentralisation of population—about 1,000,000 people—from London to the suburbs and outer areas, and the new residential areas will need an adequate number of licensed premises to serve them.

In some of the reception areas there is at present an unfortunate tendency among the local authorities concerned in preparing their plans to allocate too few sites for both "On" and "Off" licensed premises.

Having regard to the very difficult conditions with which we have had to contend during the year, the revenue from trading at £1,434,142 is not unsatisfactory.

The report and accounts were adopted and a final dividend of 9 per cent., making 15 per cent., and a bonus dividend of 5 per cent. on the deferred ordinary stock were declared.

DUFAY-CHROMEX, LIMITED

SIR HERBERT MORGAN'S SPEECH

At the meeting of Dufay-Chromex, Limited, held at Chartered Insurance Institute, 20 Aldermanbury, E.C.2, the chairman, Sir Herbert Morgan, said:

The consolidated revenue account shows that during the year to September 30, 1946, a net profit of £58,107 was earned after making provision for taxation and contingencies.

New subsidiaries, Coronet, Limited, and Standard Cameras, Limited, have made an encouraging start towards recapturing pre-war markets for cameras, and a "Cub" camera and "Cameo" camera are meeting with enthusiastic reception from all over the world. Cellulose acetate sheeting products are in great demand.

"Dufaylite Honeycomb," to which I made reference last year, now used in important airplane construction and for many other purposes. We are negotiating licences for manufacture of "Dufaylite Honeycomb" abroad, which we hope will provide us with steady source of revenue.

Our wholly-owned subsidiary, Polyfoto, maintains its position as largest individual photographic business of its kind in the country, serving some 1,000,000 customers a year.

We have ample capital for programme before us; practically unlimited demand with orders in hand capable of producing substantial profits in future years. As result of past research we have several products ready for market which should add to revenue.

Discussions are taking place between company and I.C.I., which, if they mature, should prove of lasting benefit to the development of the company.

I cannot conclude my remarks without acknowledging great debt owed to your managing director, Mr Demetre Daponte.

Sir P. Malcolm Stewart moved vote of thanks, which was carried by acclamation.

GOVERNMENT RETURNS

For the week ended August 23, 1947, total ordinary revenue was £45,403,325, against ordinary expenditure of £64,719,631 and issues to sinking funds Nil. Thus, including sinking fund allocations of £4,411,384 the surplus accrued since April 1st is £251,530,227, against a deficit of £395,199,373 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING
REVENUE AND EXPENDITURE

Revenue	Estimate, 1947-48	Receipts into the Exchequer (£ thousand)			
		April 1 to Aug. 24 1946	April 1 to Aug. 23 1947	Week ended Aug. 24 1946	Week ended Aug. 23 1947
ORDINARY REVENUE					
Income Tax	107,300	349,279	319,023	22,848	10,142
Sur-tax	80,000	14,446	16,380	330	2,570
Estate, etc., Duties	155,000	58,480	67,079	2,160	1,030
Stamps	57,000	13,250	18,430	1,400	1,030
N.D.C.	202,000	125,081	82,586	7,585	5,200
E.P.T.	1,000	148	100	5	...
Other Inland Rev.	156,800	573,143	514,728	35,253	19,842
Total Inland Rev.	736,960	223,471	299,676	9,941	14,012
Customs	643,040	225,100	231,300	10,728	9,900
Excise	138,000	448,571	530,976	20,669	23,012
Total Customs & Excise	50,000	8,685	9,863	...	...
Motor Duties	95,000	14,628	65,161	94	831
Surplus War Stores	55,000	...	25,000	...	...
Receipts from Trading	...	5,150	2,380	850	900
Post Office (Net Receipts)	11,000	1,760	2,640	...	...
Wireless Licences	1,000	390	410	...	...
Crown Lands	21,000	6,739	13,657	...	...
Receipts from Sundry Loans	270,000	13,756	156,570	7,900	818
Miscellaneous Receipts	345,100	107,283	132,136	64,767	45,403
Total Ord. Rev.	144,230	46,200	54,100	1,850	2,600
SELF-BALANCING POST OFFICE	49,000	92,437	10,769	4,185	3,138
Income Tax on E.P.T. Refunds	364,423	121,460	136,255	70,802	51,141
Total					

Expenditure	Estimate, 1947-48	Issues out of the Exchequer to meet payments (£ thousand)			
		April 1 to Aug. 24 1946	April 1 to Aug. 23 1947	Week ended Aug. 24 1946	Week ended Aug. 23 1947
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	525,000	197,998	200,876	3,794	5,140
Payments to N. Ireland	23,000	7,108	7,371	1,537	...
Issue to Nat. Land Fund	...	50,000	...	50,000	...
Other Cons. Fund Services	8,000	3,473	3,296	191	...
Total	556,000	258,579	211,544	55,522	5,140
Supply Services	263,511	120,562	85,900	48,369	59,580
Total Ord. Exp.	319,114	146,390	106,544	10,389	64,720
SELF-BALANCING P.O. & Broadcasting	144,230	46,200	54,100	1,850	2,600
Income Tax on E.P.T. Refunds	49,000	92,437	10,769	4,185	3,138
Total	338,344	160,257	113,013	10,926	70,458

After increasing Exchequer balances by £87,050 to £3,079,064 the other operations for the week increased the gross National Debt by £32,770,045 to £25,525 million.

NET ISSUES (£ thousand)		Totals	
		Aug. 17 1946	Mar. 31 to Aug. 16 1947
P.O. and Telegraph	400		
E.P.T. Refunds	3,836		
Overseas Trade Guarantee Act, 1939, Sec. 4 (1)	22		
Housing (Temporary Accommodation) Act, 1944, Sec. 8 (1)	2,000		
Local Authorities Loans Act, 1945, Sec. 3 (1)	4,100		
War Damage: War Damage Commission	2,000		
Finance Act, 1946, Sec. 26 (7) Post-war Credits	188		
Finance Act, 1935, Sec. 30 (1) 3 per cent Local Loans Stock	50		
			12,596

Statistical Summary

CHANGES IN DEBT (£ thousand)		NET REPAYMENTS	
NET RECEIPTS		NET REPAYMENTS	
Treasury Bills	39,891	National Savings	150
2½% Defence Bds.	607	3% Defence Bds.	*2,437
Tax Res. Certs.	32	3% Term Annuities	1,278
Other Debt	27,923	Other Debt	38
External	68,453	Internal	1,780
		Ways & Means Advances	30,000
		Treasury Deposits	35,683

* Including £1,703,482 paid off on maturity.

FLOATING DEBT

Date	Treasury Bills		Ways and Means Advances		Treasury Deposits by Banks	Total Floating Debt
	Tender	Tap	Public Depts.	Bank of England		
1946 Aug. 24	1940-0	2521-4	433-9	12-25	1657-5	6565-0
1947 May 17	2190-0	2627-1	348-0	5-25	1463-5	6633-8
" 24	2190-0	2620-1	327-5	...	1463-5	6601-1
" 31	2180-0	2603-3	337-5	1-5	1463-5	6585-8
June 7	2180-0	2584-9	341-5	5-5	1463-5	6575-4
" 14	2180-0	2592-1	347-1	10-25	1463-5	6582-9
" 21	2180-0	2614-4	341-9	10-0	1443-5	6589-8
" 28	2180-0	2537-3	369-9	...	1442-0	6529-2
July 5	2180-0	2584-9	356-7	6-25	1368-5	6496-4
" 12	2180-0	2541-0	378-6	...	1358-5	6486-0
" 19	2180-0	2503-1	328-9	...	1408-5	6420-5
" 26	2180-0	2493-4	270-9	...	1408-5	6352-8
Aug. 2	2180-0	2470-4	317-7	2-5	1400-5	6371-0
" 9	2180-0	2424-0	348-4	3-5	1400-5	6356-4
" 16	2180-0	2428-2	336-7	11-75	1380-5	6337-1
" 23	2180-0	2467-9	336-9	9-75	1350-5	6345-1

TREASURY BILLS

Date of Tender	Amount			Average Rate of Allotment %	Per Cent. Allotted at Min. Rate
	Offered	Applied for	Allotted		
1946 Aug. 23	150-0	263-7	150-0	10	1-52
1947 May 23	160-0	284-5	160-0	10	1-45
" 30	170-0	282-3	170-0	10	1-66
June 6	170-0	290-5	170-0	10	1-49
" 13	170-0	277-7	170-0	10	1-61
" 20	170-0	282-0	170-0	10	1-65
" 27	170-0	288-4	170-0	10	1-43
July 4	170-0	292-1	170-0	10	1-51
" 11	170-0	299-8	170-0	10	1-09
" 18	170-0	294-5	170-0	10	1-39
" 25	160-0	292-4	160-0	10	1-24
Aug. 1	160-0	287-9	160-0	10	1-11
" 8	170-0	276-6	170-0	10	1-44
" 15	170-0	235-6	170-0	10	2-34
" 22	170-0	258-4	170-0	10	1-58

On Aug. 22nd applications for bills to be paid on Monday, Tuesday, Wednesday, Thursday and Friday were accepted as to about 55 per cent. of the amount applied for at 99 17s. 5d. and applications at higher prices were accepted in full. Applications for bills to be paid on Saturday at 99 17s. 6d. and above were accepted in full. £170 million (maximum) of Treasury Bills are being offered for Aug. 29th. For the week ended Aug. 30th the Banks will be asked for Treasury deposits to an amount of £30 million (max.).

NATIONAL SAVINGS

	Week Ended		Totals
	Aug. 17 1946	Aug. 16 1947	Mar. 31 to Aug. 16 1947
Savings Certificates:—			
Receipts	2,000	3,250	97,500
Repayments	1,750	2,300	56,250
Net Savings	250	950	41,250
Defence Bonds:—			
Receipts	1,810	1,110	35,360
Repayments	1,102	755	14,373
Net Savings	708	355	20,987
P.O. and Trustee Savings Banks:—			
Receipts	12,909	11,238	256,793
Repayments	9,620	12,663	264,538
Net Savings	3,289	Dr 1,425	Dr 7,745
Total Net Savings	4,247	Dr 190	54,492
Interest on certificates repaid	280	414	11,118
Interest accrued on savings remaining invested	2,136	2,242	40,599

BANK OF ENGLAND

RETURNS

AUGUST 27, 1947

ISSUE DEPARTMENT

£		£	
Notes Issued:		Govt. Debt...	11,015,100
In Circulation	1393,436,169	Other Govt. Securities...	1438,405,793
In Bank, Department...	56,811,664	Coin other than Gold...	570,043
		Amt. of Fid. Issue	9,064
		Gold Coin and Bullion (at 172s. 3d. per oz. fine)...	1450,000,000
			247,833
			1450,247,833

BANKING DEPARTMENT

Capital	£ 14,553,000	Govt. Secs....	£ 308,126,175
Res.....	3,887,825	Other Secs....	
Public Deps.*.	14,040,792	<i>Discounts and</i>	
		<i>Advances</i>	<i>16,635,987</i>
Other Deps.:		<i>Securities.....</i>	<i>23,876,330</i>
Bankers.....	282,032,109		
Other Accts....	93,396,364	Notes.....	40,512,317
		Coin.....	56,811,664
	375,428,473		
	407,910,090		407,910,090

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

27/10/1947
MADRAS GOVERNMENT

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September 6, 1947

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Elbow Room for Essentials

THERE is a lull this week in the storm. It is, of course, not yet over, and next week Sir Stafford Cripps, the original inventor of austerity, is to disclose his plan for exports, which will certainly not be pleasant reading for the domestic consumer. But this week it has been the turn of soothing syrup à la Strachey, and ringing protestations of faithfulness to destiny at Southport.

The interval will be welcome if it is used for some clearing of minds. The Government have been buffeted in the last few weeks by criticism, the range and strength of which must be almost without precedent. No doubt they have deserved it. But criticism alone is not enough, and not all of the critics would have an answer ready if they were challenged to say what they would do now. When the crisis of 1947 first came over the horizon there was no alternative policy in being, either in the ranks of the official opposition or elsewhere. Gradually, an alternative is crystallising as public discussion continues. But it is neither clear nor definite yet and the best service that the Government's critics can render, when their anger is spent, is to give what help they can in clarifying the issues and in distinguishing sense from nonsense. There has been a great growth of humility among the members and supporters of the Government in recent months, and if an alternative policy were clearly and cogently formulated, they might even adopt it as their own. And such a turn of events is certainly a far more practicable, and to very many people would seem a far more desirable, issue from our present afflictions than a change, before the General Election, in the party complexion of the Government.

Diagnosis is an essential preliminary to prescription, and it is necessary first to agree on what is chiefly wrong with the British domestic economy—except of course for those who still hold that nothing is wrong in these islands and that all our troubles come from abroad. The official doctrine is that what is chiefly wrong is low output due to insufficient effort—We Work or Want is the slogan. An attempt was made here some weeks ago, not indeed to suggest that this diagnosis is wrong, but to show that it is very incomplete and that it omits the major piece of the puzzle. The general level of output of the community, it was suggested, is not low, but high; what is wrong is partly that it is distorted and mainly that it is overwhelmed by the wholly unreasonable demands that the community is putting upon it, that lack of supply may be a difficulty, but that excess of demand is a much greater.

This thesis led to some protest in our correspondence columns from Mr S. R. Dennison and Sir Hubert Henderson, and the resulting statistical argument, as often happens, tended to obscure the wide measure of agreement on the main issue. No one would contend that production is so high that it might not well be higher; and, equally, few economists would argue that there is no danger from the present bloated and inflated state of demand.

No one would argue against the necessity for harder work and greater effort. But indiscriminate higher effort all round is not the remedy. For one thing, there are millions of men and women who cannot work any

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Entries must be received on or before October 1, 1947, at the offices of the Association, 22, Bedford Square, London, W.C.1.

ASHRIDGE-BERKHAMSTED, HERTS. (Principal-General Sir A. Bernard Paget, G.C.B., D.S.O., M.C.). Ashridge is a residential College for education in Citizenship and provides an open forum for discussion. Course 37 Weekend September 26-29, 1947. INTERNATIONAL AFFAIRS: THE NEAR AND FAR EAST. Subjects: Reconstruction in China. His Excellency the Chinese Ambassador; The Future of Japan, John Morris, Esq., M.A., M.Sc.; The American Outlook, Professor T. Walter Wallbank, University of Southern California; The Near East in World Politics, Professor H. S. Deighton, M.A., B.Litt.; The Pacific Campaigns, William Courtenay, Esq., War Correspondent. The Course assemblies Friday evening and disperses early Monday morning. Inclusive Fee £3 3s. Application for enrolment should be made to the Bursar, Ashridge, Berkhamsted, Herts. Telephone: Little Gaddesden 3191.

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harder because they are limited by shortages of materials. And for another, the nation does not need more of everything. If everybody, throughout the nation, were to work an extra hour a day, the main effect would be to concentrate a still greater weight of purchasing power, derived from the payment for the extra work, on the few crucial shortages. It can even be argued that the nation would benefit if less work were done in those industries which, less essential themselves, compete for manpower, for materials and for resources of all kinds with the crucial bottleneck industries, those producing coal and power, those producing exports, and those producing food. Just as the 1940 slogan of "Go To It" would have been more accurate if it had been "Munition Workers, Go to It; the Rest, Keep out of the Way," so now the rugged simplicity of "Work or Want" is misleading. The difference is that while the oversimplification of 1940 did no harm, that of 1947 may do plenty, because it distracts the public's attention from the crucial necessity of giving the essential industries room to breathe, of providing for them a labour supply ample to their needs, of allowing them to build up the stocks of materials and products that are essential to non-stop running, of giving them prompt and efficient transport service—all of them things that are incompatible with an all-round intensification of activity. The most essential thing for the nation to do at present is not to put an equal pressure for increased output on all its activities indiscriminately, but to do what is almost the opposite, to restrain some of its projects so that others may go forward, not to try to advance all along the line, but to withdraw units of resources for regrouping.

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Another example of the need for clear thinking can be found in the country's programme of capital expenditure. It is probably true that the greatest single cause of the present inflationary state of affairs can be found in the fact that the community is attempting to carry out more capital expenditure of all kinds—in building, re-equipment and restoring working capital—than there are resources to implement. It is therefore tempting to say that one of the first things to be done should be to cut down the capital programme drastically. The Federation of British Industries, in the memorandum they published last week, suggested a reduction of £450 million, which would be about one-third of the total.

It is perfectly true that the present capital programme could and should be pruned. But it is supremely important that the process should be a discriminating one. Some capital expenditure can be postponed—new Government offices and some of the housing projects are in this category—but other forms of capital expenditure are the most vitally necessary things that the country is now attempting to do, since they offer by far the best prospect of raising its productive efficiency and increasing its exporting power. The way to tackle the capital programme is to draw two clear distinctions. The first is between "productive" and "non-productive" capital, defining "productive," for once, in the narrow sense of those forms of capital which will contribute directly and indispensably to higher output within a period of two or three years. A dwelling-house may be indirectly productive in the long run, but it is "productive" in this sense only if it is strictly necessary to get an additional coal-miner, farm-worker or export-producer on to the job. The second distinction is within the productive category, between capital projects that will earn or save dollars and those that will not. The order of priority should be dollar-saving productive capital first; other productive capital second; non-productive capital third. The first category should not be cut at all; indeed, one of the objects of the whole policy should be to give it elbow room to go ahead more rapidly. This should be, as in Russia, the super-priority of all priorities. The second category should not be cut very much. The third category should be

left to take its chance with the rest of the community's expenditure.

This procedure might very well result in a capital programme that was still larger than the savings available to finance it. This is the more likely because the flow of funds available for capital creation has hitherto been swollen by the Government's overseas borrowings. These have now ceased, and if the capital programme has to be cut down to the total of gross savings being done by the British people and by business firms, then it will indeed have to be cut by at least one-third. If this can be done by sacrificing only "non-productive" projects (in the narrow sense used above), then well and good. But nothing could be more akin to national suicide than to sacrifice any dollar-saving productive projects, or any large proportion of other productive projects, to a shortage of savings. If there is a shortage of savings, the Government must fill the gap by a true budget surplus of the required amount.

The task, therefore, is not one of indiscriminate pressing for greater effort but of re-sorting and re-aligning, of re-adjustment of the economic machine to new circumstances. By what methods is the re-adjustment to be carried out? The crucial difficulty, as all the world now knows, is not that of making plans but of carrying them out. How is it to be done? *The Economist* has been much attacked in recent weeks for suggesting that a moderate degree of unemployment would help in the process. Mr Shinwell described this as "an amazing doctrine."

The Labour Party (he said) believes that we cannot rely upon the fear of unemployment and poverty in order to induce the workers to respond to the Government's appeal for higher production.

No one can feel very happy about the conclusion that unemployment—even the moderate amount that *The Economist* contemplated—is a necessary element in keeping the economy under control and responsive to the helm. So far as this journal is concerned, it was made clear that the conclusion was reached with reluctance. But what is the alternative? How little Mr Shinwell has found it possible to abolish the fear of unemployment and poverty was illustrated, almost as he spoke, by the National Coal Board's action in dismissing the striking coalminers of Grimethorpe. And how little Mr Shinwell has discovered anything to take the place of these sanctions was shown by the failure of the appeal he made, in person, to the same striking miners.

Why is there so much unwillingness to face the facts? There must be, in every economy, some mechanism for adjusting individual desires to collective reality. What alternative mechanism have the Socialists to suggest in place of the carrot of material rewards and the stick of fear of insecurity—something that will work, not in the sweet by and by, but here and now? Can they point to an effective working economy where these methods have been successfully replaced by something else? Of course they are unpleasant. Of course they are unpopular. Two resolutions that would be passed by acclamation at any Congress of Donkeys, held at Southport or elsewhere, would be that the distribution of carrots should not depend on the amount of work done and that sticks should be wholly abolished. But where then would be the motive power of the Donkey Economy?

The stakes are high. For ourselves, we believe that keeping the British economy alive is, for the moment, far more important than anybody's dreams of better worlds to come. Somehow, reinforcements must be rushed to the danger points and until some reason is produced for believing that some other method will do the trick, we shall stick to our belief that a moderate degree of elasticity in the labour market is an indispensable prerequisite for the de-congestion and lubrication of the British economy. It is well worth while postponing the millennium to avoid starvation.

Uno's Plan for Palestine

THE report of the United Nations Special Committee on Palestine contains eleven unanimous recommendations, a twelfth agreed with two dissentients, and two plans, of which one received seven votes, and the other three, Australia abstaining in both cases. Of the recommendations, by far the most important are the first two, calling for the earliest possible termination of the Mandate in Palestine and for the establishment of an independent state. Noteworthy, too, is the sixth, insisting on the extreme urgency of an international arrangement to deal with the "250,000 distressed European Jews" now in assembly camps; the seventh, which makes a "basically democratic" political structure a prior condition to the grant of independence; and the ninth, demanding that the "economic unity of Palestine" be accepted as a cardinal principle.

Of the two plans for giving effect to these recommendations the majority's is a scheme of partition, the minority's of federation. The majority plan would divide Palestine into seven zones, of which one, the city of Jerusalem and the immediately surrounding villages and towns, would be an autonomous zone administered directly by the United Nations through a non-Palestinian Governor. The Arab and the Jewish State would each consist of three non-contiguous zones. The Arab zones would be western Galilee, the hill country of Samaria and Judea, and the coastal plain from Isdud to the Egyptian frontier. The Jewish zones would be eastern Galilee, the Plain of Esdraelon and most of the coastal plain, and the whole of the Beersheba sub-district containing the triangular southern part of Palestine known as the Negeb. Figures of the exact size of these two "states" have not yet been received, but a rough estimate is that of some 10,000 square miles of Palestine, about 6,400 square miles would be in the Jewish State. The populations would be approximately: Arab State, 620,000 Arabs, 15,000 Jews; Jewish State, 550,000 Jews, 500,000 Arabs.

The plan provides for a transition period of two years during which the United Kingdom would carry on the administration under the auspices of the United Nations, with the assistance of one or more nations if desired. During this period 150,000 Jewish immigrants would be admitted into the proposed Jewish State at a uniform rate of 6,250 a month (the present rate is 1,500 a month) and the Land Transfer Regulations, which limit the sale of Arab land to Jews, would not apply within its borders. It is further ruled that if the transitional period should continue for more than two years, Jewish immigration should be allowed at the rate of 60,000 a year.

The minority plan (supported by Yugoslavia, Persia and India) provides for a federal state comprising an Arab state and a Jewish state, with Jerusalem as its capital, to be created after a

transition period not exceeding three years. The boundaries of the Arab and Jewish federated states in this plan are a good deal less favourable to the Jews than in the majority plan. In particular Jaffa, and the western portion of the Beersheba sub-district, including Beersheba town and a strip along the whole length of the Egyptian frontier, are assigned to the Arab State. There would be full local self-government for the Arab and Jewish States, but immigration would be one of the subjects reserved for the federal government. The form of the latter would depend on the Constituent Assembly, which would be elected "by popular vote" during the transition period, and therefore presumably have an Arab majority. Immigration during the transitional period would be determined by economic absorptive capacity as estimated by an international commission of three Arabs, three Jews, and three United Nations nominees. An administering authority for the transitional period would be appointed by the United Nations Assembly.

Of these two proposed solutions, the minority plan concedes so much both in form and substance of the Arabs' own demands that it is curious to find it bracketed with the majority plan by the Mufti's office in Cairo in one sweeping rejection. The majority plan, on the other hand, goes further in appeasing the Zionists than any previous plan for partition. Even the Jewish Agency plan discussed by the Woodhead Commission in 1938 was less drastic. The Jewish State is given some two-thirds of Palestine's total area, both its ports, most of its vital water supplies, most of the Arab as well as the Jewish citrus plantations, 45 per cent of its Arab and 91 per cent of its Jewish population. With the important exception of the Dead Sea potash works, nearly all Palestine's industry, including most of the more important Arab industries as well as those set up by foreign enterprise (neither Arab nor Jewish) would be in the Jewish State, although this result would be mitigated by the provision of economic union, including a customs union and joint operation of the ports and railways.

It is thus broadly true to say that although structurally the two plans—with their separate governments and their central agencies—somewhat resemble each other, they nevertheless differ profoundly in that the majority plan favours the Zionists (who have already given it cautious approval) while the minority plan favours the Arabs. This is obvious not only in the very striking difference in the territorial arrangements but in two points which have always been at the heart of Arab-Jewish controversy. The first is taxation. It seems that in the majority plan each state will be responsible for its own taxation and thus it will not be possible for the very poor Arab community to gain any share in the benefits derived from taxing the wealthier



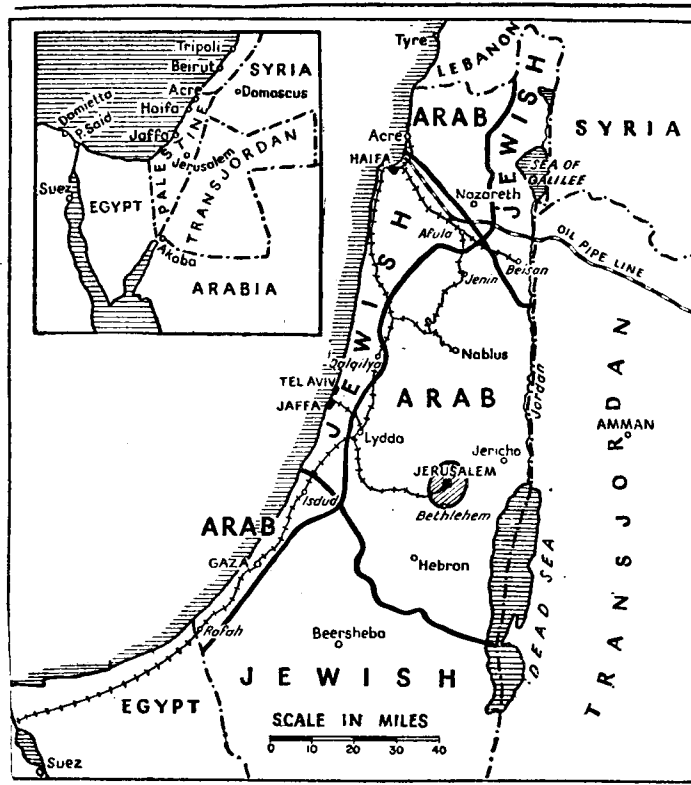
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Jewish communities and enterprises and it is difficult to see how the two states could co-operate for joint economic development schemes if the Arab community had as little to offer as would be the case under the majority plan. In the minority plan on the other hand, the Federal Government would have power to tax for federal purposes and thus the disparity between the two communities would be evened out. By far the more important point is, however, that of immigration. Under the majority plan, each state would decide the matter for itself. In the minority plan, a double check is placed on any increase. During the transitional period, a body with a non-Jewish majority would determine the Jewish state absorptive capacity (which would be the objective test). Afterwards, immigration would be reserved to the Federal Government which, if it were based on strict parity, would permit the Arabs to produce a permanent stalemate, and if on democratic principle, would give the Arabs a majority.



What should the attitude of the British Government be to this Report in whose discussion and application they are bound to be a prime mover? Generally speaking, the twelve recommendations—the principles on which the Report is based—can reasonably be accepted, with perhaps a few minor reservations. But the plans for partition—the specific applications of the principles—are on a very different footing. With partition itself there can now be no quarrel, even though it is anything but a pleasant and effortless solution and, whatever form it takes, will arouse opposition, even violent opposition. But the particular plan of partition put forward by the United Nations Committee is both unjust and unworkable. It is unjust because far too much of Palestine's wealth and territory has been conceded to the Zionists and some little equality of sacrifice there must be at the start if the two communities are ever to live side by side. It is unworkable because of the distribution of population between the two states, each of which would consist of three non-contiguous areas. A Jewish State, in which half the population would be Arabs, will contain, in view of the great difference in the respective birth-rates, an Arab majority at an early date. The Jewish numbers would, therefore, have to be steadily and massively increased by immigration. The departure of Arabs from the Jewish State might be looked for, were it not for the magnets of the oil refineries

and the port installations and industries of Haifa and Jaffa, which indeed are likely to attract still more Arabs from the parched hills of the Arab State. How, then, can a democratic state in such boundaries remain Jewish, or a Jewish State remain democratic? And if the Arabs are to be driven out by various disabilities—insistence on speaking Hebrew, for instance—how can there be any talk of either political pacification or economic union?

The fact of this internal unworkability makes it all the more impossible for Britain to accept any responsibility in administering the proposed plan during the proposed period of transition. Not only is the period of two years far too long in itself, but during it the country is to be prepared for partition by the injection of Jews at a rate of 6,250 per month, or over four times the present rate, a figure which the need to outstrip the Arabs might push upward still further. But what under such conditions would be the cost to Britain of securing an orderly transition? Keeping order in Palestine has already cost over £35 million a year. The rate would certainly rise during such a period of forcible adjustment, and the total cost for the two years might be not less than £100 million. Worse still, it is not certain that two years would be enough, and the ultimate duration of the transition is left open. But far more important to Britain than the money cost are its relations with the Arab world, which during such a period would inevitably deteriorate to something like open warfare. Britain is not required to obstruct the United Nations in carrying out such measures, but must resolutely decline to be associated with any power or group of powers which is prepared to accept responsibility for enforcing them.

It is important that this should be made clear. The British Government should say of Justice Sandström what Andrew Jackson said of another Chief Justice: "John Marshall has given his judgment, now let him enforce it." The General Assembly of the United Nations will be working in an unreal atmosphere unless it is put upon notice that its decisions must be accompanied by some consideration of how, and by whom, they are to be carried into effect.

What then is the upshot of the United Nations investigation? It has established beyond doubt the need both of ending the Mandate and of achieving partition. But it has not offered means of relieving Great Britain of an intolerable burden nor has it evolved a workable scheme for partition. Great Britain is, however, in a reasonably strong position since clearly no other Power is willing to accept the responsibility instead, yet the fulfilment of the plan turns on some outside authority being ready to act for the United Nations. Such a situation can, of course, be used to recreate the miserable deadlock of this year, and Mr Bevin would be very ill advised if he permitted his Middle Eastern officials to persuade him to avoid or postpone once again the decision on partition which must be made. But the situation can surely be developed towards an honourable solution if the British were now to do what they should have done last Christmas—produce a scheme for partition which they would be ready to execute—and present it to the United Nations as the only alternative to a British withdrawal this year. Such a scheme would inevitably be less acceptable to the Zionists but an equality of discontent is preferable to the furious hostility of one or the other side, and if the alternative were a British withdrawal and the opening wide of the whole strategic situation in the Middle East, the American Government might be prepared both to moderate its own Zionists and to co-operate in the execution of the plan. One of the most unsatisfactory features of recent developments over Palestine has been the total inability of the American and British Governments to work together. The United Nations report provides a new opportunity for better understanding. Given reasonableness and flexibility on both sides, co-operation can perhaps be achieved.

Away from Potsdam

EVER since the Allies accepted full responsibility for the German people, they have faced two alternatives—either to let them rot in the ruin and dislocation the Nazis had caused or to restore them to a self-supporting existence, whatever the implications. The Americans and the British, being what they are, could never fully accept the former alternative, but neither did they unequivocally accept the latter. The result has been two years in which Western Germany has not finally and irrevocably collapsed—Allied doles were just sufficient for that—but has done no more than cling to the rim of chaos.

The new Anglo-American plan for the level of industry in Western Germany is clearly a step away from the present policy of subsidised ruin. It revises in an upward sense almost every figure fixed at Potsdam in March, 1946*. The increase in heavy industry (which formerly accounted for about 65 per cent of Germany's export trade), in machine tools and in the production of chemicals is particularly marked. The new figures, it is calculated, would permit Germany to have the level of industry prevailing in 1936; but the increased population in Western Germany, which has already increased by about 6,000,000 and may grow by another 2,000,000 by 1952, means that production per head of the population would be 25 per cent lower than in 1936. This figure is, however, so great an improvement on the statutory stagnation imposed at Potsdam that it does seem as though a decisive break has been made with the old restrictive mentality and a genuine step taken in restoring a Germany that can pay its way.

But is the break really decisive? Or rather, is it certain that all the beneficent consequences that might flow from the new plan will, in fact, be worked out—and worked out in time? Nobody should be deceived by the fact that the new plan is called a plan for the level of industry. In fact, it does nothing to determine what the level of German industry shall, in fact, be; it is not a production programme. Its purpose is simply to determine how much German plant and equipment is redundant and can be removed as reparations. The real relevance of the fact that the permitted ceiling of production in this industry or that is now raised to 85 or 90 per cent of the old prewar level is only that the plant to be dismantled is reduced to 15 or 10 per cent. And while the 85 or 90 per cent is permissive and remote, the 15 or 10 per cent is meant to be compulsory and immediate. It is not a Level of Industry Plan so much as a Level of Reparations Plan. Moreover, there is as yet very little evidence to suggest that the statesmen, the soldiers and the administrators responsible for Germany have yet worked out how to get from the present desperate situation to the happier picture portrayed in the new plan. The full implications of restoring Germany as a viable partner in Western Europe have certainly not been squarely faced. On each of these scores trouble may lie ahead for the Allies.

Sir Sholto Douglas and General Clay made it reasonably clear on their return to Germany from the London talks with France that a vigorous attempt would be made immediately to "complete the programme of dismantlement." They said that a final list of factories would be ready in another three weeks. Then, presumably, it is hoped that a lightning operation will clear the matter up once and for all. A moment's reflection must show that such a policy is very unwise. Not only is Western Germany so crippled by its labour shortage that the diversion of the necessary thirty-odd thousand workers to demolitions might upset the very modest achievements in industrial revival

already recorded. Not only is the transport system so undermined that it probably cannot carry extra coal even if it is brought out of the ground. But the Germans themselves are no longer in the mood of 1945. Two years have passed in increasingly bitter uncertainty and a mass removal of plant now, on the eve of winter, would be the signal of a move of political resistance which it would be difficult to abate. The German trade unions are already reported to have passed secret resolutions frankly refusing to co-operate. The authorities in the states and municipalities may well follow suit. War plants proper and possibly some steel plants could be permanently closed and scheduled for removal when conditions make it practicable, but a "blitz" operation of dismantling now would place the seal of certainty on disaster for this winter.

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The difficulties inherent in carrying through a policy of dismantlement are simply one aspect of the generally low and stagnant conditions in the zone, and it must be emphasised that the new plan for the level of industry can have no possible effect on Germany's immediate problem—which is quite simply to survive the coming winter. The Germans in the towns have now lived for two years on rations that have never really reached 1,550 calories and for some periods have fallen to 800. Their physical reserves are used up. And what has happened to the people has happened to their industrial system. Here, too, the reserves are used up, the small hoards of raw materials and spare parts, the unused capital, the workable equipment. This process has reached its climax in the transport system, which is expected to break down almost completely when, in November and December, the distribution of the local harvest is added to the carrying of imported food and the despatch of exported coal.

The financial situation is admitted by all to be chaotic, the official price schedules meaningless. And these economic evils are reflected in the paralysis among the Germans at Frankfurt, where the Christian Socialists, by drawing on the most conservative elements among them, have driven the Social Democrats into virtual opposition and produced a stalemate. Yet Western Germany needs government almost as much as it needs food.

If this concentration of evils is not to lead to collapse in the critical months of March and April next year, measures must be taken now which have, frankly, very little to do with long term levels of industry. What is needed is not a "blitz" operation of dismantling, but an equally violent, rapid and determined effort to build up certain sectors—an immediate repair and replacement plan for the railways, the importing now of stocks of key raw materials, especially of steel, above all, a frontal attack on the food problem, both by much more ruthless requisitioning of local food which the farmers are hiding in increasing quantities and by the securing of a steady pipeline of imported grain with six to eight weeks' reserve stored in the zones. In the last two years, food supplies have failed with the utmost punctuality in March and a catastrophic fall in coal production has followed. It will be almost wholly attributable to administrative inefficiency and lack of foresight if the same disaster occurs for the third time next March.

The one element which is not a question of sensible planning is the problem of payment. The increased supplies of food and raw materials cannot be met by increasing British expenditure in Germany still further. It is also true that these supplies are, to some extent, competitors with the Marshall offer, with which Germany is to be associated. But, whatever the fate of the Marshall offer, relief for Germany cannot wait until January or March. It is as responsible occupying authorities rather

* Details of the new plan are given in this week's issue of the "Record and Statistics" supplement to *The Economist*.

than as Marshall planners that the Americans must brace themselves to find means of providing the necessary dollars for Germany, not in six months' time but now.

The problems generally raised by the new plan for the level of industry do not properly belong to the next twelve months. They may cast their shadows before, particularly in France, but their impact will not be felt until some future year—1950, say, or 1951—by which time the effect of greater production in Western Germany will have begun to impinge on the European economy. The essence of the problem is that by then Germany will appear as a competitor to the two principal countries within the Marshall plan, France and Great Britain, and this economic fact is aggravated in the case of France by the old haunting desire for military security. If Western Germany continues to be cut off from its old eastern agricultural hinterland, its position will very much resemble that of Great Britain. It will need to export its manufactures to food-producing areas in order to feed its people. Potentially, therefore, there is a direct conflict of interest between them. France is likely to be more self-supporting in food, but the form in which it fears German competition is in an industrial revival based on steel, which both absorbs the coking coal which might have expanded France's steel production and recreates military strength.

But, while it is possible to state in general terms the likely conflict of interest in Western Europe, it is much more difficult to guess how acute it may become. Will the industrial areas of Western Germany in fact be cut off from their old food supply? The issue of German economic unity is not lost yet and should be made the principal point at the Four Power Meeting in November. Even if, like Arab and Jew, "Russian Germans" and "Western Germans" cannot live politically under the same roof, they could at least, perhaps, be given the economic unity which Uno is devising for Palestine. Nor will all German links with Eastern Europe be broken. Even today,

Czechoslovakia is "Bizonia's" best trading partner. The splitting of the estates in Eastern Germany and the development of industrialism by the Poles and other countries of Eastern Europe may reduce the old agricultural surpluses, but this is not inevitable if farming technique improves. And, if trade between East and West continues, it is not certain that German competition will be any fiercer than it was, say, in 1936. Nor are France's fears of a shortage of coking coal likely to be justified. The experts working in Paris on the Marshall plan estimate that, in 1951, European production will be sufficient to justify a level of steel output in France of 12 million tons and in Germany of ten. France's preoccupation with the angle of security is understandable and should be met, but not by the restrictionism which produced Potsdam and has placed a brake on European revival, from which all are suffering.

Germany's need to export to live admittedly creates problems for other countries. But they are not insoluble problems. There are ways and means of avoiding them, provided the opportunity existing now—perhaps fleetingly—is seized. If, as a result of the Marshall offer, Western Europe could move towards the kind of economic unity enjoyed in the United States, there is no reason why such a highly developed and well populated area should not achieve similar standards of production and demand. America today consumes some 90 million tons of steel a year. In a comparable area in Europe, there could hardly be damaging competition between the Ruhr, Lorraine, Luxemburg and the Black Country, which on the most optimistic assumption will not together be producing much more than 40 million tons of steel in the 1950s. It is only if the dominant policy is negative and fearful that the potential conflict of interest raised by the new German level of industry becomes a danger to stability and peace. Widen the framework, raise the sights, achieve the unity, and within it there is room for everything the Germans can produce.

The Balance of Payments—III

Achieving a Balance

THE preceding article in this series was devoted to a discussion of the statistical ratio that has become known as "the terms of trade." In its crude form it is a simple comparison between an index of import prices and an index of export prices. When export prices are high in relation to import prices, the terms of trade are said to be "favourable." But the article went on to give reasons for approaching this concept with caution. In particular, it would be wrong to suppose that a "favourable" shift in the terms of trade is all that is needed to solve the problem of the balance of payments. Policy has to take account not only of the relative prices at which trade is done but also of the volume of trade that can be done at those prices. The aim should be not merely to shift the terms of trade in Britain's favour, but to achieve such a relationship between import and export prices that Britain can sell enough goods to pay for the necessary volume of imports.

It follows that any attempt to calculate the probable shape of the British balance of payments in a "standard" year of the 1950s must take account of several variables and will return alternative answers varying with the assumptions on which they are based; anything as simple as the official figure of a 75 per cent increase in volume is almost certainly wrong.

There are, in fact, four main sets of variables. The first concerns the definition of "the necessary volume of imports." The calculations are usually done on the imports of 1938, when the volume was the second highest on record, some 9 per cent above the average of the five pre-tariff years 1925-29. This

would suggest that some reduction below the 1938 level could be borne without causing such scarcities that rationing or allocation schemes would be permanently necessary. But on the other hand, in this country imports and the popular standard of living are very closely related; 1938 was certainly not a year of full employment and even modest assumptions about higher employment and better standards of living would require more imports to carry them out. For the purposes of calculation, it is assumed in this article that 100 per cent of the 1938 volume of imports would be no more than reasonable and that 85 per cent of that volume is about the lowest that can be contemplated without severe dislocation. This may be called Variable A.

Variable B is the level at which the value of money in general, and export costs in particular, settle down in this country. The basic—though not quite the decisive—factor in this is the cost of labour. The official index of standard weekly rates of wages now stands at about 166½ of the pre-war level. Costs, at the moment, are doubtless higher, because the employer gets less out of a week's work, because he has to pay overtime, because delays in production are universal, because profit margins are swollen at every stage, and for many other reasons. It may be assumed that there will be very little reduction in wage rates, but the rise in total costs may be somewhat higher or somewhat lower. It is here assumed that the level of British export prices, when things settle down, will be somewhere between 150 per cent and 175 per cent of the 1938 level.

Variable C is the Terms of Trade properly so called—that

is the ratio in which the price of imports stands to these export prices. At present, the terms of trade are about 10 per cent less favourable to Britain than in 1938. One extreme assumption is that this relationship continues—which is to say that if British export prices are 150, the prices of imports will be 165, or if British export prices are 175, import prices will be 192½. The other limiting assumption is that the price level of imports settles down at 10 per cent below British exports—that is, at 135 or 157½ respectively. And in between is the assumption that the ratio of prices is exactly the same as it was in 1938.

Variable D is the volume of exports that Britain contrives to sell at these price relationships. There is, of course, a strong reciprocal connection between Variables C and D. If the terms of trade are strongly "favourable" to Britain, that is likely to mean either that Britain's customers are impoverished by the low prices they can get for their produce in the world market, or alternatively that British goods are relatively dear. In either case, it would be foolish to expect a large volume of exports. Conversely, if the terms of trade are "unfavourable," if foreign countries are prosperous or British goods are cheap, then large sales may be possible. It has long been clear that the Government's figure of 175 per cent of 1938, by volume, is an impossibility. For the present purpose, it has been assumed that the volume of exports is unlikely to exceed 150 per cent and will not fall below 100 per cent of the 1938 level.

Strictly speaking, there ought to be a Variable E, the net total of the "invisible" items, including interest and dividend payments and receipts, Government overseas expenditure, insurance and shipping earnings, etc. But, as was argued in the previous article, this net item will in future be too small to have much influence on the final result and it has seemed more convenient to make the rigid assumption that there is, in all circumstances, a net receipt of £70 million a year (as against £232 million in 1938) from this source.

These four sets of variables can be combined in a great number of different ways. For example, a fairly optimistic combination would be as follows (Assumption I):—

Variable A—85 per cent of 1938 imports is enough.
Variable B—British export prices are 150 per cent of 1938.
Variable C—Import prices are also 150 per cent—i.e. the terms of trade return to the 1938 ratio.
Variable D—The volume of British exports is 150 per cent of 1938.

A less optimistic combination (Assumption II) would be:—

Variable A—100 per cent of 1938 imports.
Variable B—British export prices 175 per cent.
Variable C—Import prices 192½ per cent—i.e. terms of trade 10 per cent less favourable.
Variable D—Volume of exports 135 per cent.

The results are as follows (in £ millions):—

	Assumption I	Assumption II
Imports	1065	1607
Exports	1200	1268
Invisibles (net)	70	70
Surplus (+) or Deficit (–) ...	+205	–269

It would be wearisome to work all through the permutations and combinations, particularly since the results can be fairly simply summarised:—

If the necessary volume of imports is 100 per cent of 1938—
With the terms of trade— The account would be balanced with exports of—

10% more favourable 135% of 1938
same as in 1938 150% " "
10% less favourable much more than 150%

If the necessary volume of imports is 85 per cent of 1938—
10% more favourable 120% of 1938
same as in 1938 135% " "
10% less favourable 150% " "

These are the targets for the balancing of the British accounts. But to set out the targets is not the same thing as establishing that they are attainable. Are any of these combinations possible? With the terms of trade as set out in the first column, are any of the export targets in the second column reasonably possible?

These questions could only finally be answered by experience, and it would be unwise to be dogmatic. But it does not require very much insight to see that it will be difficult to the verge of impossibility to pay for the full 1938 volume of imports. An export programme of 135 per cent of 1938 would not by itself be impossible; but it would have to be combined with terms of trade 10 per cent more favourable than in 1938—that is, 20 per cent more favourable than today. Such a large shift could only come about by a very sharp fall in the prices of all primary products combined with great rigidity of British export costs. High prices in a deflated market are hardly a formula calculated to produce an increase in the volume of sales of as much as one-third.

An important preliminary conclusion would therefore seem to be that policy should be based on the assumption that it will not be possible for Great Britain, even in the medium-long period, to pay for imports of the same volume as in 1938. If there is a great expansion in world trade and British exports increase beyond what it now seems reasonable to expect, this conclusion will be proved too pessimistic and the country will be able to choose between expanding its imports and building up new overseas investments. But it would be foolish to lay any plans on the assumption that this will happen; it seems obviously wiser to base economic policy on the assumption that the volume of imports, in the next dozen years or so, will have to be kept down to something like 85 per cent of the 1938 volume.

*

This would have some consequences for the domestic economy, which will be discussed in a later article. But it is first necessary to establish that even this reduced volume of imports could be paid for. Even with the terms of trade 10 per cent more favourable, it would require a 20 per cent increase in exports; and if the terms of trade remain as they are now, the increase would have to be 50 per cent. Which, if either, of these combinations is likely to be the more practicable?

The volume of exports that Britain can expect to sell at a given relationship of prices is dependent on the elasticity of demand for them in the consuming countries. By how much can the purchasing countries be expected to increase their demand for British goods? There is a crucially important distinction to be made here. It is difficult to believe that there are many countries in the world which will readily increase the total volume of their imports. This is particularly true of the countries to which British exports have in the past been mainly directed. All of them are feeling the urge to economic nationalism and economic self-sufficiency; all of them are in greater or lesser degree dependent, for their earnings of foreign exchange, on the British and West European market, which is obviously going to be limited for some time to come. It takes a great deal of optimism to believe that the elasticity of the world's demand for imports-in-general will be very large. It follows that Britain's chance of securing an increase in exports depends almost entirely on doing better than other exporters, and by far the best way of doing that is to offer goods at attractive prices. The world market is still a highly competitive place, and if British goods were, quality for quality, cheaper than the competitive goods, the elasticity of the world's demand for them might prove to be very large. "Favourable" terms of trade mean that British goods are dear in foreign countries. Competitive prices mean relatively "unfavourable" terms of,

trade. It might well be much easier to balance the books with terms of trade no more favourable than in 1938, even though that would require exports of 135 per cent or thereabouts, than to sell 20 per cent more exports with "favourable" terms of trade. It might be still easier to get 150 per cent exports if Britain could undersell the world by 10 per cent.

The argument thus leads inexorably to the paradoxical conclusion that, although the unfavourable shift in the terms of trade is responsible for a great deal of the present troubles, a simple reversal of what has happened may not be the best way out. Britain should certainly hope to get its imports cheap; but greater hope lies in selling its exports still cheaper. The surest avenue of escape from the present dilemma lies in exploiting the only elasticity of demand that is certainly large—

NOTES OF THE WEEK

On the Eve of a Paris Plan

The last stage of the Paris Conference has been reached. Last week-end Mr Kennan and Mr Bonesteel, joined by the two Ambassadors, Mr Douglas and Mr Caffery, went over the proposals and figures so far brought together and gave the leaders of the conference their views on the best way of drafting and presenting them. Two points above all appear to have been emphasised by the American experts. The first is that the European nations should guarantee to be self-supporting by 1951. In other words, they should by that time be able to dispense with dollar subsidies. Otherwise Congress may see the help they are asked to give simply as "good money going down the drain." The second point is that the plan should be something more than a statement of need, a shopping list, and should show some effort on the part of the European nations to achieve the "more perfect union" always lurking at the back of the American imagination.

What are the prospects of the European nations meeting these American conditions? Equilibrium by 1951 depends upon so many completely hypothetical points that it can hardly be more than a hope—a determined hope, perhaps, but not a certainty. What will be the world terms of trade by then? How successful will internal stabilisation have proved? Will production, as opposed to targets for production, really have reached the proposed levels? The nations could guarantee to balance their collective budget by drastic cuts in their imports. But this, sensibly enough, is not what the Americans are looking for. They insist that equilibrium must be achieved by expanding production and exports—which raises another unanswered question: America's future willingness to buy.

Sir Oliver Franks is quite emphatic in his insistence that the conference will produce more than a list of needs. The committees have already assembled a variety of methods of co-ordination and integration which genuinely go beyond the purely national approach. By a joint planning of assets and needs, some bottlenecks in the European economy have been eliminated. For instance, the hope of securing sufficient coking coal for the needs of the next four years has replaced an estimated deficit of 12 million tons, thanks to the various countries' readiness to increase output and to use substitutes. Again, the agreed hydro-electric scheme is expected to be on a dramatically large scale. Certain industries whose plans for development might have proved competitive—for instance, the steel industry—have agreed on some degree of sensible co-ordination and division of labour. There has also been a measure of agreement on achieving the utmost utilisation of European surpluses; for instance, Dutch vegetables and Scandinavian fish. Above all, competent groups of experts are discussing the possibilities of a West European Customs Union and of the stabilisation of currencies. All these ventures are far from negative, and taken together the European delegates feel that they represent something more organic and constructive than the shopping list to which many critics—Mr Molotov not least—have referred.

Mr Bevin at Southport

Mr Bevin's speech to the Trades Union Congress at Southport, for all its formlessness, had the accents of leadership. There is no loss of confidence, no timidity there. It will inevitably strengthen the movement, already strong, for an exchange of offices between Mr Bevin and Mr Attlee. Whether such an exchange will actually take place must remain uncertain. It is

that is, the elasticity of the world's demand, not for imports-in-general, but for British-goods-in-competition.

The argument of this article has been abstract and hypothetical, but it has arrived at an important practical conclusion. The spotlight has been fixed on the level of costs in the British export industries. The task is not simply to push the terms of trade back in our favour; it is almost the opposite, to see that British export prices are not left high and dry by the receding tide of world prices for primary products. In the next article, an attempt will be made to forecast what the tendencies of the world market will be, and what British policy can do to attain the objects here sketched. In a final article, something will be said about the internal consequences of importing less and exporting more.

unlikely that anybody in the Labour Party is willing—or is yet willing—to force Mr Attlee's hand. But personal modesty is one of the Prime Minister's most attractive characteristics and he is quite capable of stepping down voluntarily. The decision probably depends on an estimate of the size of the Left Wing which would be irreparably estranged by Mr Bevin's promotion, and if he can prove that it would be insignificantly small, his chances should be good.

In politics, personality and psychological impressions are three-quarters of the battle, and in these respects Mr Bevin is well endowed. But a statesman must also have a policy, and for that his speech can be searched almost in vain—that is, for a policy to meet the immediate needs of the nation. Indeed, the speech, with its candour about the mistakes of the past, its warm idealism for the projects of the safely remote future, and its vagueness about what is to be done here and now, was very reminiscent, in a rough-hewn way, of Lord Baldwin.

Out of the many *obiter dicta* in the speech, two have attracted particular attention. One was the suggestion that the United States should have redistributed the gold at Fort Knox. This seems to show an attachment to the *mystique* of gold that it is strange to find in a member of the Macmillan Committee. Does Mr Bevin not know that the accumulation of gold at Fort Knox is a consequence, not a cause, of the disequilibrium in the United States' balance of payments, and that so long as that disequilibrium is uncorrected, any gold that was "redistributed" would infallibly be turned into dollars and sent back to Fort Knox? What exactly did he mean?

The second was the personal proposal for a customs union for "the Commonwealth and certainly the Empire." No one, nowadays, will dispute the necessity for a thorough-going policy of developing the resources of the Commonwealth and Empire. But at the same time it is difficult not to have doubts about a Customs Union as a necessary, or even as a helpful, first step. Mr Bevin seemed to put it forward as something that would be easier to achieve than a Western European Customs Union. It is true that it is not likely to be any more difficult. But one of the salient differences between the two projects is that whereas the Western European countries are likely all to be in favour, in principle, of a Customs Union, the countries of the Commonwealth and Empire are likely to be all against it. The Dominions, with the possible exception of New Zealand, would not touch it: Canada is too closely attached to the United States and all the Dominions are determined to protect their industries against external (i.e. United Kingdom) competition. As for the Colonies, most Colonial Governments are largely dependent on customs revenue. Possibly the Imperial Exchequer could reimburse them, though it would itself be losing a tidy sum. But the Colonies have often made it clear that they want to be masters of their own finances.

And even if these difficulties could be overcome, would a Customs Union make all that difference? What needs to be done in "the Commonwealth and certainly the Empire" is surely not the liberation of trade, which is already fairly free, but the development of productive resources. The economic integration of the Empire needs to be pursued by much subtler techniques than a Customs Union and it would be a great pity if an Empire Customs Union became, in the public mind, either a preferable alternative to a Western European Customs Union, or, as Mr Bevin said of the latter, "a panacea for our difficulties."

The Issue at Grimethorpe

The real issue which is being fought out at Grimethorpe, where the miners have now been on strike for more than three weeks, can be summed up as a struggle between rationalisation and syndicalism. The argument over the extra working at the coal face appears to be merely the pretext for a show-down on whether control is to be exercised by an all-powerful Board or whether the workers are to be given a measure of influence in the management of their own pits. Many miners expected nationalisation to result in workers' control; instead it has resulted in a large bureaucratic machine leaving the individual miner face to face with the same managers with whom he has been wrangling over the past twenty years.

This is an issue on which the National Coal Board cannot be defeated, for management and responsibility cannot be divorced. Managers must manage, and there is no reserve of experienced colliery managers on whom the Board can draw to replace those who are already there. Only time can solve this problem—time to educate existing staff and to train new men in modern mining techniques and in staff management; time to convince the miners that the past is really done away with. But, as Mr Morrison said, it is time that is the greatest shortage. In the Grimethorpe case all the official negotiations were conducted correctly: full agreement was reached between the local officials of the Board and the union; the extra stint was considered feasible. But the men have rebelled; they refuse to use the conciliation machinery or to accept the offices of the more remote union representatives. There appears to be no other explanation than that they wish to decide the issue themselves; hence the spread of sympathetic strikes around them.

This division of purpose is critical: the Board cannot yield, but neither can the nation forgo its coal. It is clear that a greater measure of decentralisation is required. The improvements in labour relations which the nationalisation of the industry has, in spite of such setbacks, already achieved cannot be maintained unless divisional and area boards have greater powers delegated to them and the individual colliery manager is given every possible freedom from control compatible with greater output. It will may be that the present deadlock in the method of extending the five-day week could have been avoided if area boards had been instructed to arrange locally whatever extension of hours suited local conditions. As it is the Board and the National Union of Mineworkers appear to be locked in struggle over Saturday working, while the Government skirmishes on the flanks about an extra half-hour's work a day. Meanwhile the chances of getting through the winter without a major coal crisis fall lower and lower.

* * *

No Reshuffle in Greece

In spite of a vigorous summer campaign conducted by the Greek regular army, no term has been set to the activities of the guerillas. In the mountainous districts, from the Peloponnese to the North, armed bands are at work among the farms and villages and the country carries on its life against a perpetual background of violence and unrest. Were the movement entirely the work of Greece's northern neighbours, it would be easier to contain, but it is rooted in Greece itself and there are no short cuts to its elimination.

But it is clearly nourished by the reactionary inefficiency of the Greek Government, and the creation of a more able and representative Cabinet is one of the essential preliminaries to domestic pacification. The Americans hoped, when their Mission arrived, that it would be unnecessary "to intervene in Greece's internal affairs," but non-intervention is helping them as little as it used to help the British. It simply commits them to supporting the Government's repressive and negative policies and to watching the disappearance of American economic assistance with little solid work of reconstruction to show for it. Thus the American Mission has been led—as were the British—to attempt an intervention. They are tied by the fact that the Populists and the extreme Right still have a majority in the Greek Chamber but no longer command the respect even of the other deputies let alone of the ordinary public. The Americans feel they can hardly get rid of Mr Tsaldaris or Mr Maximos, yet the terms upon which other more moderate parties will serve with the Populists are so stiff that the majority party will not accept them. The Cabinet crisis has thus trailed on for over a week and has ended, momentarily, in the return of Mr Tsaldaris with a Populist Ministry. But it is not thought that this "solution" will last many days.

This atmosphere of complete Governmental instability helps to explain the American Government's unwillingness to see the

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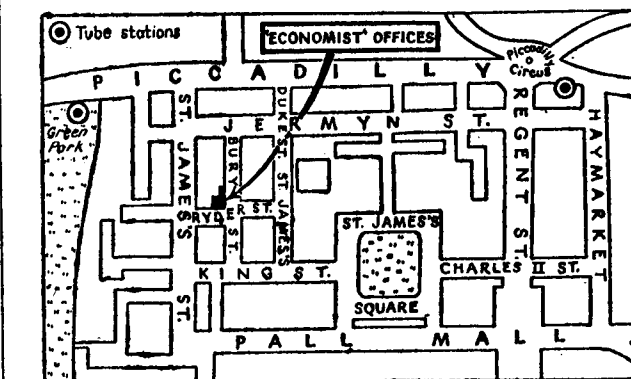
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5,000 British soldiers still in Greece depart. The troops have taken no part in the fighting, but the Americans insist that their presence has a "steadying effect." From the British point of view, the request is obviously awkward. The purpose of the transfer of responsibility from Britain to America in Greece was to relieve the British of obligations the economic crisis had made it very difficult to carry on. Today the crisis is even more acute, the reduction of the armed forces a crucial political issue. What is Mr Bevin to say to critics who ask why American troops should not take their turn in Greece?

* * *

GI Joe Abroad

It is this possibility—that the containing of Communism may involve the United States in something more than economic assistance—that underlies the State Department's anxiety to keep British troops in Greece. At present there are about 1,000,000 men in the American Army. Half this number are overseas—two divisions in Europe (with special police units in addition), seven divisions in the Pacific—and these armies (very largely made up of untrained volunteers) are absorbed by the tasks of occupation. The only reserve is the four divisions in the United States that are responsible for home defence. The War Department has three headaches—the possibility of keeping up even the present figure without a universal military training service Act (both Mr Truman and Mr Dewey urged the American Legion—successfully—to support such a measure at their New York Convention this week); the disparity between American and Russian forces which according to American estimates amount to 102 Soviet divisions in Russia, 93 divisions in Europe and 13 in the Far East; and, lastly, the chance that the foreign situation may make more calls on America's armed forces in the near future. If the British were to withdraw completely from the Middle East, would American garrisons be needed in Greece, Turkey or, worst of all, Palestine? Would the proposed despatch of an American Military Mission to modernise the Egyptian Army be an adequate substitute for British forces on the Suez Canal?

The only relief the Americans see to offset these possibly expanding commitments is the withdrawal of some 15,000 American troops from Italy. Russia's sudden decision to ratify all the peace treaties last week permits the Americans (and the British) to withdraw their Italian armies of occupation—with the exception of the 10,000 men who will remain at Trieste. The Americans will now presumably rescind their recent decision to maintain and renew their units in Italy and have already signed an agreement with the Italian Government on the timing and methods of withdrawal. The British Foreign Office might, perhaps, point out that there is really no reason why 5,000 of the retiring forces should not return to America via Greece.

* * *

Hungary Toes the Line

During the course of this summer, the sharpening antagonism between Russia and the United States has been reflected in almost every government in Europe. The dismissal of the Communists from the French and Italian Cabinets was the constitutional and unviolent reaction of the West. In the East, the methods used have been equally in keeping with the tradition and outlook of the different countries. In Bulgaria and Rumania, the opposition has been wiped out—by the outlawing of the parties and the arrest of the leaders; in due course their judicial murder is likely to follow. In Yugoslavia, too, a number of arrests have given another screw to Marshal Tito's vice-like control. In Poland, the pattern is similar, though milder. The farcical spring elections destroyed the Opposition, but Mr Mikolajczyk and other leaders are still at large and their party has not been banned. In Czechoslovakia, most Western of the Easterners, the Coalition is still stable and representative. In Hungary, lying on the border line between two worlds, the struggle has been complex and devious and although the outcome—Communist domination—is dictated by Hungary's position in the Russian sphere, the political situation after last week's elections and the methods which led to their result lack the clear-cut brutality of recent developments in Rumania and Bulgaria.

The largest Hungarian party—the conservative Smallholders—who received nearly 60 per cent of the votes at the 1945 election, may very possibly have toyed in the spring with the idea of following Signor de Gasperi's example and dropping the Communists from the Cabinet. In Hungary, however, the Communists were too firmly entrenched throughout the Government and in the

key Ministry of the Interior. And at their elbow was the Soviet Military Commander. Their counter offensive took a dual form and has taken two or three months to accomplish. Too small and unpopular to stage a direct coup, they concentrated on splitting the unity of the Smallholders (not a difficult task since the party included a variety of elements from extreme right to moderate left) and on weakening the position of the Socialists. By pressure, by exposing real and imaginary plots, by judicious arrests, the Ministry of the Interior led the campaign which detached the right wing of the Smallholders, banished the Prime Minister to the United States, and thoroughly intimidated the left wing which was still willing to co-operate. A similar, although less violent, campaign weakened the cohesion of the Socialists. At the same time, the Communists threw themselves into the new electoral campaign and by hard work and better organisation seriously weakened the position of the more numerous easy-going Socialists.

The elections revealed the success of the Communists' tactics and the weakness and divisions of their opponents. The Smallholders' right and centre fell away into three new opposition groups—Mr Barankovics's Democratic People's Party, Mr Pfeiffer's Hungarian Independent Party, and Dr. Balogh's Party. The Right was further weakened by the disfranchisement of some 400,000 voters who had been connected with political life in the period before liberation. At the elections themselves, the Communists made use of "flying voting squads" (the Ministry of the Interior admitted to printing half a million non-residential voting permits), and, according to the Socialists, actually falsified the instructions issued on the conduct of the elections. By these means—a mixture of energy and deception—they increased their vote from 800,257 in 1945 to 1,082,597 and emerged as the largest party.

The results (732,178 to the Socialists, 757,082 to the Governmental Smallholders, 805,450 to Mr Barankovics, 718,193 to Mr Pfeiffer, and 256,396 to Mr Balogh) do not suggest fraud or violence by genuine East European standards. The combined vote of Smallholders and Opposition is about as big as the Smallholders' vote in 1945, and the people have been free to give it. But the Communists have achieved their aims by more subtle means. They dominate the coalition. They have shown once again that it is almost impossible for them to collaborate on any genuine basis, and in the present situation lies no guarantee that domination will not, when it is convenient, be dropped in favour of total control.

* * *

Britain's Food Supplies

The Ministry of Food has this week published (Cmd. 7203) an up-to-date version of the White Paper on "Food Consumption Levels in the United Kingdom," which gives comparative figures from the average pre-war period onwards up to the middle of this year. It shows that in 1946-47 the calorie equivalent of the supplies of food available for consumption was 96 per cent of the pre-war level, a fall from 98 per cent in 1945 and 100 per cent in 1944 which is presumably due to the introduction of bread rationing. It also shows, by detailed tables of individual food-stuffs, the change in the national diet from the beginning of the war—more potatoes and vegetables, more liquid milk, more, far more, fish, but less eggs and less, far less, fats.

All the figures contained in the White Paper are based on the total food supply, imported and home-produced, moving into consumption divided by the number of civilian consumers. Some allowance is made for wastage in distribution, but no allowance is made for wastage in the home and no allowance is made for changes in retailers' stocks or for changes, which may be considerable, in the stocks of individual households. As a picture of actual consumption of food the White Paper is, therefore, very incomplete. The 3,000 calories available a head a day before the war masked, as is well known, very great differences in the standard of nutrition of different sections of the community. Similarly, the 2,880 calories available today mask similar differences—although not in the same classes of people. It is not possible to come to any conclusion about the standard of nutrition at the present time until information is given on the actual consumption of food, at home, at work, at school and in restaurants, of representative groups of people. Only then will any idea be obtained of whether differing needs are being adequately met. The promised publication of the Ministry's family food surveys will throw some light on this.

But what the public is now, rightly, anxious about is not its past and present supplies of food, but its future supplies. In this respect the Government, and particularly the Minister of Food, are showing an utter lack of responsibility in confusing people to the extent that they are doing. At Dundee last Sunday Mr

Strachey stated that Britain had for the time being stopped buying food from the United States. He also gave a very clear account of the coming struggle to pay for imports, of food from elsewhere and of raw materials, tobacco, machinery from the United States and elsewhere, out of the proceeds of exports. On the information available, it is clear that the fight can only be won by a reduction in food imports. Why, then, did Mr Strachey deliberately refuse to prepare people for further food cuts? Why did he say: "Of course, we shall come through all right"? Why did he say we can manage for some time without buying food from the United States? If his optimism is well-founded, let him produce the facts. If not, let him tell the public the truth or at least keep quiet.

* * *

Anglo-Danish Trade Talks

The trade negotiations about to open between Britain and Denmark form the latest in a series bedevilled from the first by the post-war lack of a world market and a world price for food-stuffs. The Ministry of Food, as sole importer of staple foods, drives with each of the supplying countries a separate bargain whose terms reflect partly those countries' costs and domestic political pressure, partly their desire to maintain a footing in the large and prospectively valuable British market, and partly any political or sentimental goodwill. Thus Canadian wheat costs Britain \$1.55 a bushel, American over \$2, and Argentinian an unpublicised but even higher figure, and Danish butter is considerably dearer than that from the Southern Dominions. Normally, of course, arbitrage and the pressure of economic incentives on the farmer would soon reduce these differentials to those corresponding to differences in quality, but no such norms operate in Government trading.

The Danes are in effect demanding a cost-plus basis for the deal; feeding-stuff costs have doubled in the last two years (mainly thanks to President Perón's stranglehold on Argentine exports), and it has taken a stiff government subsidy on both home-consumed and exported produce to keep the Danish farmer going. The Dane sees without enthusiasm his beer and schnapps taxed, as savagely as the Englishman's tobacco, in order to supply Britain with farm produce below cost; and as Denmark's foreign exchange position is even weaker than Britain's he does not see why he should make sacrifices to keep his customers, even his best and steadiest customers, in the style to which they are accustomed. Against this view it is argued that if one item in the Danish farmer's costs has risen, it is his responsibility to bring other costs down to a level related to the price those customers can, emergencies apart, be expected to afford; and that Danish foreign exchange difficulties are largely due to earlier Danish unwillingness to face the postwar facts of life, particularly those relating to austerity in hard-currency imports.

In the last analysis all these debates, whether between Danes and British, Argentines and British, or farm blocs everywhere and their governments, are reducible to one issue: what is the proper parity—to use the American term—between agricultural and industrial prices. Farmers everywhere remember the 30s—the 25 cent wheat, the fourpenny butter—with a horror even sharper than that of a trade union recalling a 50 per cent unemployment rate. Traditional price structures have been as thoroughly shattered as traditional frontiers; and the farmers, as wary as Mr Molotov, are also as anxious as any Russian to preserve their present advantage and to establish a strategically safe norm, from which any downward deviations will still leave them with something in hand. The economic diplomats in Copenhagen and elsewhere have their work cut out.

* * *

The TUC and Direction of Labour

It was only to be expected, after the General Council had already announced its agreement, that the Trades Unions Congress at Southport would accept the necessity for some form of direction of labour. Logic, indeed, compelled such acceptance. As Mr Lincoln Evans, the steelworkers' leader, insisted, the trade union movement could not reasonably demand planning for everything and everybody and then refuse planning for themselves. The unions' acceptance of direction, however, was unhappy and reluctant in the extreme, and was taken against every instinct and tradition of the Labour movement. They clearly wanted to be assured that direction would be applied fairly over the whole community and not merely against the workers, and that there would be adequate safeguards in its operation.

Their very natural desire for information about the Government's intention was, however, largely thwarted, and delegates came away from the debate more confused and bewildered than they had gone in. Apart from his natural history analogies and his promise that the powers of compulsory direction would be used as a last resort, mainly against "spivs and drones," and that the Government would proceed by persuasion and not compulsion, Mr Isaacs gave absolutely no indication of the scope and method by which direction will be applied. This is not altogether surprising, for the direction of labour in peacetime cannot be fully effective without the wartime machinery to operate it, without the registration of all potential workers at employment exchanges, without the machinery of enforcement and sanction, without the provision for the compulsory transference of workers who become unemployed as a result of the closing down of non-essential factories to areas in which production will be concentrated. It is most unlikely, in fact, that the powers of direction will ever be used, unless the Control of Engagement Order breaks down completely and fails to achieve its purpose of "guiding" workers into the desired channels. For the adoption of direction of labour in peacetime the Labour movement is itself largely responsible because it has consistently refused any form of re-distributing labour by Government intervention in the wage market—even the new branch of the Ministry of Labour, whose function is merely to collect information on wages and hours, was given only a grudging and guarded acceptance at Southport. But direction is a cumbersome substitute for incentives and the pull of the market, and since it is only likely to be used against a small minority of workers, it is hardly worth the ill-feeling it will cause.

* * *

The Canberra Talks

The Commonwealth Conference at Canberra closed on September 2nd after deliberations which appear to have been most valuable and constructive as a preparation for drafting of the peace treaty with Japan. The environment of the conference has been conducive to a broad view of Pacific affairs, for the problem of dealing with Japan has inevitably been seen from Canberra in the context of Australian interest in the economic development of the whole Far Eastern region, and Mr Chifley, in his concluding speech, linked together the making of peace treaties with the task of finding solutions to the economic problems arising from the war. Thus the peace settlement in the Pacific has been studied in Canberra not merely as a matter of rendering Japan incapable of renewed aggression or of collecting and sharing reparations, but in terms of Japan's future part in the economic progress of the Far East. Dr Evatt spoke of a comprehensive international effort to raise the standards of welfare throughout eastern and southern Asia, and declared that Japan's future could not be considered in isolation from this larger whole.

These principles are altogether admirable and it has been well worth while to have had a discussion on these lines between Commonwealth representatives before the wider preliminary Allied conference of the Far Eastern Commission nations which is to meet in Washington. What has been made public is naturally couched in general terms and there has been nothing in the nature of a manifesto of detailed proposals for the treaty. The attitudes of the various Commonwealth Governments on the more controversial issues likely to arise are still unknown. On one point however, the conference seems to have made assumptions which are somewhat too easy. It anticipated that after the treaty has been signed in a few months' time, Allied supervision over Japan can be confided to an Allied Control Council acting by a two-thirds majority without any veto right. But is it likely that Russia will ever agree to this and, if not, what will be the situation? The autocracy of General MacArthur may have caused irritation in

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many quarters and have been contrary to the original intention of the Allied Powers, but it has kept Japan quiet and orderly to a degree which can easily deceive superficial observation. Japan may be a very different place when the lid is taken off.

General Wedemeyer Passes Judgment

General Wedemeyer, who during the war replaced General "Vinegar Joe" Stilwell as Chief of Staff of the China command under Generalissimo Chiang Kai-shek, was recently sent back to China on a "fact finding mission" as President Truman's personal representative with the rank of Ambassador. He was obviously better qualified than a civilian to estimate the military situation in China, on which Washington needs reliable information, but he was also instructed to report with the aid of his staff on the political and economic affairs of China. On his arrival his public relations officer announced that he was not empowered to make any requests or proposals to the Chinese Government. But fact finding can produce some definite ideas on what ought to be done, and after a month in China, General Wedemeyer made a statement in which the tone of admonition was strong. As might be expected, he has found that things have gone wrong in China and that almost everybody deserves a reprimand. In distributing the blame he has followed his predecessor, now Secretary of State, in a scrupulously fair alternation of kicks to the seats of both the Kuomintang and Communist pants. The government is told that instead of spending its time "blaming outside influences or seeking outside assistance," it should carry out "drastic and far-reaching political and economic reforms," while the Communists are told that if they are really patriots they should go in for "peaceful means" instead of "violence and destruction." All this is excellent advice and except for the lack of appropriate quotations from Confucius might almost have come out of an old-fashioned censor's memorial on the degeneracy of the age. But it gives no clue to the question in which Chinese are most interested: whether the United States is going to give China any more economic aid and on what conditions. The Nanking official case is that if the Truman Doctrine is applicable to Greece and Turkey, it must be applicable to China as well, and, for Americans who deplore the civil war, the Kuomintang propagandists have a nasty habit of bringing up Abraham Lincoln and pointing out that he would not allow the Confederates to secede. The recent cancellation of the seats previously reserved for Communists on the State Council and in the National Assembly does not suggest any weakening of the Government's determination to unify China by force, at any rate south of the Great Wall.

Korea, General Wedemeyer's second assignment, he will find in no less sorry a case than China, but as the antagonists here are in the first place Russia and the United States, he will hardly be able to hand out condemnation with the same equal measure. The Korean situation is about as bad as it can be short of actual hostilities, for American-Russian negotiations for setting up a Provisional Government have broken down for a second time. The United States has now declared that no purpose is to be served by going on with these negotiations and that the question must be referred to a conference of the Four Trustee Powers—the United States, Russia, Britain and China. It remains to be seen whether they will be able to do any better in solving by agreement the real issue, which is whether or not Korea is to have a Communist-controlled Government. Meanwhile the two halves of this unfortunate "liberated" nation continue to live their respective lives to north and south of the 38th parallel of latitude.

The Statute of Algeria

The Statute of Algeria is intended to satisfy moderate Arab nationalism and to soothe existing political tension, without either depriving France of the essential attribute of sovereignty or sacrificing the interests of 1,000,000 French colonists to the 9,000,000 Moslem majority. Under its provisions, Algeria becomes financially autonomous. Two equal electoral colleges, French and Arab, jointly elect the assembly which votes the budget. Certain Arabs, however, are honorary members of the first college, so that the French are slightly outnumbered. To redress the balance, it is stipulated that no decision can become law without a two-thirds majority. The appointment and leadership of the government rests with the Governor-General, nominee and representative of the French Cabinet, who conserves his present title.

The Bill, which is the outcome of many months of haggling, had a stormy and slow passage through the two Houses of the French Parliament, where over 100 amendments were tabled. The Assembly's Commission (which, unlike the Assembly itself, com-

mands a pro-Arab majority), together with Communists, Socialists and Moslems in the Assembly, systematically obstructed it, in favour of a project of their own. The Socialist party at its national congress instructed its members and ministers to vote in favour of this alternative. It was only by openly defying his own Party that the Prime Minister, M. Ramadier, prevented a Cabinet crisis and at the same time secured acceptance of the compromise plan. The reason for the collapse of Socialist opposition, the Communist decision to abstain, not oppose, and the support, however unwilling, of the Centre and Conservative groups is probably the fact that the French urgently require some answer to the burning pan-Arab propaganda campaign which is being organised from Cairo and which urges the North African Arabs to "throw the French, bag and baggage, out of North Africa."

The prospects for reconciliation have not been improved nor the French prestige among the Arabs raised by the interminable debates in the Assembly, which have been passionate and dogmatic on both sides. The Moslem deputies finally refused to participate in the discussions. Before they retired, one of them mounted the rostrum to denounce the French for their "aggression" of 1830 and to propose an appeal to Uno.

No Alternative . . . ?

It is an axiom in a constitutional democracy that there must exist an alternative government ready and willing to accept office if the government in being fails, in one way or another, to command the support of the country. Judged by this standard, it is difficult to feel convinced that the Opposition in Britain at present is discharging that duty. It may, in the secret places of its heart, be ready and willing to take over; its outward demonstrations of that over the last month have been few and, it must be confessed, lacking in conviction. True, Mr Eden spoke at Carnoustie a week ago, and to an audience of some 20,000 people, but a great deal of what he said might have been said by a left-wing Labour critic. The Government seem to have hypnotised not only themselves but their opponents. What is the cause?

Not all the blame can be laid upon the Conservative Party. It is difficult honestly to disentangle those elements in Britain's present difficulties which exist whatever the political theories of the Government and those which have been caused by the actions of the Government itself. In many cases the Government have aggravated rather than caused the troubles. In others they have found solutions which a full-blooded Conservative Government might have failed to find. In the main the complaint against this Government is that of failure to prepare, both plans and above all the people, and it is hard to found a rallying-cry now on the one slogan, "We would have told you more twelve months ago!" What the average man wants to know is what is to be done here and now.

But the Opposition cannot escape all criticism. With respect to Mr Churchill, what Britain has not got from two years of a Socialist Government is a Gestapo police state—unless the police tolerance of Fascist meetings and war-cries in London is to be treated as a symbol of that. It has not been given an iron dictatorship of the Left. It has been given a woolly compromise, typified in what Mr Shinwell said in effect on his return from Doncaster last Sunday, "We mustn't be cross with the miners at Grimethorpe. They have a grievance." If everyone with a grievance stopped work Mr Shinwell's task would indeed be over—with those of everyone else with authority or responsibility.

The Conservative Party annual conference opens at the beginning of next month at Brighton. As with the Labour Party, the time has passed when its leaders should content themselves with talking about their worst fears. As a suggestion, would it not be practicable for them to announce at the opening session what the executive of the party is agreed that it would do—the detailed administrative and legislative actions that it would take in the first three months—were it returned to power on, say, October 31, 1947?

Diagnosis Agreed

Outside the Government and the general body of the Labour movement, there is an astonishing degree of unanimity about at least one of the causes of the present economic crisis, and that is a cause for which the Chancellor of the Exchequer is responsible. Last week two more voices were added to the swelling chorus of plans to check inflation: the Design for Freedom Committee and the Federation of British Industries. In a pamphlet called "Design for Survival," Mr Peter Thorneycroft, MP (Conservative) and Lady Rhys Williams (Liberal) are quite specific in their pro-

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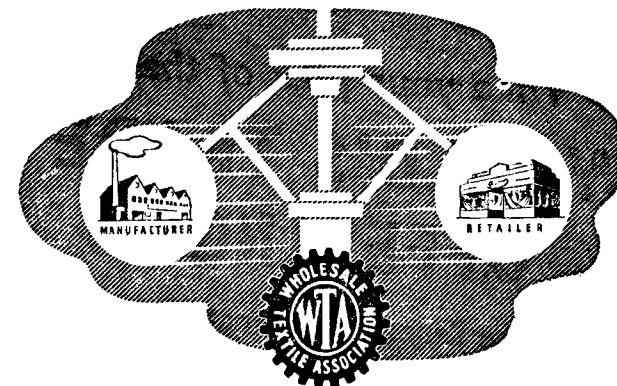
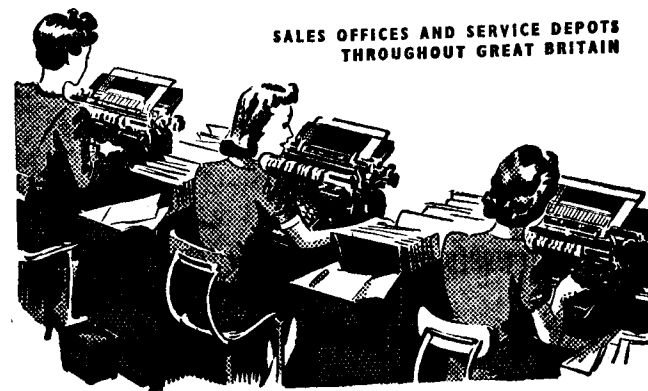
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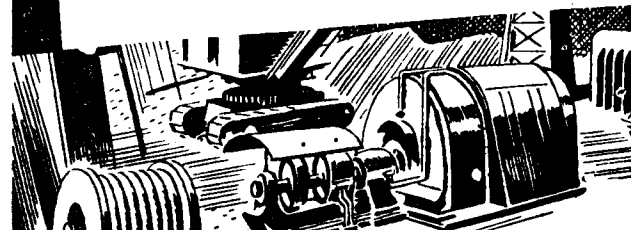
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posals. The cost of living subsidies should be reduced by £300 million, and the resulting rise of 2s. 3d. a head a week in the cost of food should be partly compensated by an increase in old-age pensions, family allowances and unemployment benefit. Stiff indirect taxation should be imposed on luxuries and semi-luxuries to bring in an additional £150 million. Government expenditure—capital expenditure at home and military expenditure overseas—should be cut drastically to save £200 million. As against these economies, the standard rate of income tax should be reduced to 6s. 8d. in order to restore incentives to enterprise and effort. The result would be a budgetary surplus of £560 million.

The FBI is less specific in its proposals. But it, too, proposes big cuts in Government expenditure, and though it does not go so far as to suggest a reduction in income tax, it states that any higher taxation that is imposed to check inflation should be indirect rather than direct. Yet even if the consultants are agreed on the diagnosis, what general practitioners could be found to carry out the treatment prescribed? There is no sign that the official leaders of the Conservative Party will take up the ideas of the authors of "Design for Survival," who, it should be emphasised, are by no means solely concerned with a prescription for immediate needs, but also with the old problem of the role of the state in economic affairs. They champion the Liberal-Conservative alternative as the only possible choice between the "two-light chaos" of the present Socialist administration and the old Capitalism. It follows, they claim, directly in the tradition of the 1944 White Paper on Employment Policy. Perhaps next month's Conservative Party conference will show whether the Conservative leaders responsible for that White Paper agree with them.

The Colonies and the Crisis

A personal message sent by the Secretary of State for the Colonies to all colonial peoples illustrates the complexities of the present economic crisis. In brief, the colonies are asked to regard themselves as part of the United Kingdom. They are asked, that is, to cut their consumption to the minimum, particularly their consumption of dollar goods but also of goods produced within the sterling area since this will release more goods for export in exchange for hard currencies. Colonial sterling balances, in consequence, should not be drawn upon; they should indeed be added to by a reduction in colonial imports below what can be paid for by current earnings.

From the point of view of the United Kingdom's balance of payments difficulties, such a request is logical and reasonable. But what will be its effect, if it is acted upon, in an individual colony? For some time, many colonial governments have been worried lest inflation should get out of hand. The higher prices received for colonial produce from the beginning of the war, the shortage of consumer goods in the same period, and the demobilisation of colonial troops with gratuities and accumulated pay to spend, have all produced an excess of purchasing power which cannot be curbed, as in more advanced countries, by controls, rationing or even direct taxation. The colonies have, therefore, been looking forward to an increased supply of imported goods to meet the higher colonial incomes. Secondly, the colonial development and welfare plans are being to a large extent financed out of colonial resources, especially from the sterling balances out of colonial production which would recoil on the United Kingdom. The problem of finding incentives for, say, the African, is even more difficult than finding them for the British worker. But it is almost certain that he will not produce more groundnuts or copra or commodities for export to hard currency areas if he receives less piecegoods in exchange. On the other hand, it is even more certain that if the United Kingdom cannot get through this crisis satisfactorily, an end is put to all plans for colonial betterment. There is clearly a conflict of interest here which cannot readily be resolved.

How Not to Do it

Spaced out over the last few weeks have come announcements that the basic petrol ration would be cut by one-third; that it would be abolished from October 1st; that there would be no carry-over of September coupons; that September coupons would

be honoured during the month of October only; and that petrol in the motorist's tank could not be used after November 30th. There the matter now rests except for the forthcoming wrangles between individual motorists and their local Petroleum offices, which may or may not have consistent and reasonable directives to work by.

This is really not good enough. The abolition of basic petrol (announced, with typical psychological ineptitude, well after the right moment had passed) probably causes more dislocation, waste of time and energy, and general frustration, per dollar saved, than any other cut which could be thought of; and it is a safe bet that it would not have been imposed on any group of good trade unionists. This is not to say that it is unnecessary; although the Government might well have tried the alternative policy of allowing motorists to keep a basic ration but putting a swingeing tax on petrol supplied under it—"supplementary" petrol granted, on much stiffer tests, for essential purposes being taxed at the ordinary rate. Nevertheless, much worse things may prove necessary soon. But for the prohibition on spinning out the few remaining gallons according to private convenience there is no justification whatever. It is, of course, easier for the police if the mere presence of a car on the road indicates lawbreaking; and the black marketers and their clients are correspondingly hampered. But are these two considerations really enough to justify preventing the ordinary car-owner from banking his coupons and running his car, while they last, as often or as rarely as he pleases? Or using his last gallon, if he so chooses, on Christmas Day rather than November 30th? On only one assumption can the answer be "yes"; that the proper regime for this country is—as has been well said—government of the people, by the police, for the bureaucrats.

But if petrol shows up the planners this week, it provides no advertisement for private enterprise either; for it is now of all times—with consumption cut to the bone, with economy in manpower and everything else imperative as never before—that there is announced the imminent return of branded petrol. For all the anticipated pleasure of seeing Shell posters on the hoardings again, it would be hard to find a sillier and more uneconomic manifestation of the competitive spirit. It is as well to have an occasional reminder that government planners have no monopoly of error.

Housing Lack of Progress

Another depressing housing return (Cmd. 7204) has made its appearance. (Details appear in the *Records and Statistics Supplement* for this week.) When are the number of houses completed in a month going to show the sharp upward movement so long awaited? As it is, the number completed by local authorities in July (8,333) showed an increase of only 5.3 per cent over June, whereas between May and June the increase was 8.3 per cent. Yet the weather this summer could hardly have been bettered; if houses are not completed in large numbers now, it is difficult to see when they ever will be. It is surely nothing less than scandalous that the rise from the low level reached in the atrocious weather of February and March should have been so relatively small. The fault is, as has so often been pointed out, partly the low output of the present, extravagantly swollen, building manpower and partly the dissipation of resources on too large a number of houses. But the number of houses under construction by local authorities still shows no signs of the big contraction that is called for. Since the return goes no farther than the end of July, it does not reflect the decisions, if any, that were taken during that month and August to curtail the housing programme—Mr Strachey's references to housing at Dundee imply, in fact, that Mr Bevan has won his battle and that for the time being housing has been reprieved. But whether there will eventually be a marked pruning of the total programme or not, the target for the rest of this year is clear: it is to finish as many as possible of the 230,000 houses at present under construction by local authorities and private enterprise and to prevent another large carry-over of unfinished houses into the new year.

Shorter Note

The High Court in London last week refused a motion for a writ of *habeas corpus* made on behalf of the 4,500 Jews deported from Palestine in July and subsequently sent on to Hamburg. The application was heard by Mr Justice Jenkins, and the main ground for his decision was that as the original deportation from Palestine was within the legal powers of the High Commissioner, the Court could not be concerned with the ultimate destination of the ship on which they were placed, the more so since those on board had had an opportunity of disembarking in France.

Letters to the Editor

The Education of Our Masters

SIR,—If the prospect of losing his job is to hold any terror for the unsatisfactory worker and induce him to improve his performance, he must be afraid that he will have great difficulty in finding employment elsewhere, or at least employment under conditions as good as those he has left behind. This fear does not exist at the moment; we have a state of "over-employment." Hence, so runs your argument, the level of employment must fall appreciably (by implication) before it is useful to show the stick. And many employers will agree with you.

It would be better to think again. Unemployment might indeed be a solution to the problem posed by the unsatisfactory worker. To suggest, however, that, even leaving general social considerations aside, this advantage is worth the cost is to paint a picture that is sadly lacking in proportions. Of the disastrous effects on output of the fear of unemployment there can be no doubt. Only one other fear, that of rate-cutting, can rival it in breeding restriction of production. As early as 1924 a report of the Industrial Health Research Board concluded that "the fear of unemployment is always an obstacle to efficiency, and unless it can be entirely removed maximum efficiency will never be attained." Good workmanship is not compatible with fear, and it is a mistake to believe that insecurity stimulates the competitive spirit. Unemployment, in fact, does nothing to remove the urgent need to find incentives for the worker; instead it reduces or eliminates such incentives as exist. It would also kill stone dead whatever contribution is expected of joint consultation and other efforts to enlist the workers' co-operation.

Far too much, not too little, fear of unemployment is still left in the minds of the workers of today. It does not affect only those who have been unemployed; it is passed on to others besides. Lately, restriction of output even in the building industry has been authoritatively attributed to this fear. In the middle of the war, the Select Committee on National Expenditure reported that "it is difficult to persuade the men that the present drive for production is likely to be a lasting one." The urge towards shorter working hours is still sometimes connected with the tendency to unemployment inherent in modern economic systems. Recruitment to several industries, even those requiring a high degree of skill and hence regarded as interesting, is bedevilled by the very same fear. Moreover, uneven production flows in post-war Britain, due to irregular supplies of raw materials and fuel, do little to convince the workers that, despite all the fine talk about full employment, they are not, after all, working themselves out of a job.

It is important to find means of spurring the unsatisfactory worker to greater efforts. But whatever the suggestions that are adopted—and little imagination has been shown so far—they must not be allowed to spread fear of unemployment among the great majority of workers. Has it ever struck your readers that some firms seem to have much less difficulty with their workers than many others?—Yours faithfully,

69 Exeter Road, N.W.2

R. P. LYNTON

[Mr Lynton should draw a distinction between the prolonged mass unemployment of the 1920s and 1930s, which no one wants to see again, and enough moderate, short-term unemployment to restore some elasticity to the labour market. To put the same point in another way, does Mr Lynton hold that the economic system will work efficiently with only the present 14 per cent of unemployment? In the past, at least 3 per cent, and more usually 5 or 6 per cent, has been taken as the minimum for efficiency.—EDITOR.]

The Economic Crisis

SIR,—Mr Marples, in his letter in your issue of August 30th, echoes independently a striking article by M. Bertrand de Jouvenel which appeared in the April-May number of *Economie Contemporaine*. Here are the three key paragraphs (the translation is mine) which contain his conclusion:

If the political direction of an economy relaxes these two springs, the rhythm of intensive work and the intensive accumulation of capital reserves, not only will it fail to hasten an improvement in the standard of life, but it will bring in its train a progressive decline. And a state subjected to simultaneous pressures from the mass of consumers and the unions of producers will have difficulty in avoiding this consequence.

A directed economy, if it is to be productivist and expansionist, presupposes an authoritarian state, which must be a stern employer and an inflexible saver.

The choice of an economic regime is, therefore, inseparable from the choice of a political regime. For power to govern an economy with efficiency, it must have conferred on it such a degree of authority as will enable it to blot out the wills which disturb its plans. The socialist mission requires fascist controls. Authoritarianism or stagnation, that is the choice which dirigisme thrusts on us. —Yours faithfully,

H.

SIR,—It would be well, in the present situation, to try to achieve a sense of historical proportion. Otherwise, like Mr Marples, we may be driven to conclusions that are not only uncomfortable but perhaps absurd. Could it not be rightly said, for instance, that the play of economic forces, in whose effectiveness he is led to believe, has in the past taken us tottering from one crisis to another—except when the prosperity of the few rested firmly on the poverty of the many—and is even now the cause of our difficulties?

It is too soon to say that the alternative, planning, is bound to fail without ruthless coercion. If its aims are right, there is surely a reasonable chance of at length obtaining, with patience and education, the intelligent co-operation of the workers, without which all is lost in any case. The fact that the planners of the new world are no more adept than their forerunners at healing the ills of the old, with which, to their apparent surprise, they find themselves encumbered, should not in itself cause us to condemn and abandon their objectives. After all, the particular surgical remedy advocated at the moment—deflation—is calculated to hurt most the working men who are their main sponsors and reluctance to operate is quite understandable. To be realistic, no Government, whatever its colour, could hope

From The Economist of 1847

September 4, 1847.

THE last report of the Relief Commissioners [for Ireland] . . . states:—

the largest amount of gratuitous relief . . . supported 2,920,792 persons per day; and the number to whom sold \$9,920.

The returns to August 1st show a gradual reduction to 2,467,989 gratuitous, and 52,387 sold; the cost of each ration, including establishment and expenses, averages 2d.

Although a reduction of one-sixth, on 3,000,000 persons gratuitously fed, leaves an enormous number still to be provided for, it must be remembered that the "period of the year that brings with it the greatest amount of distress is notoriously that which immediately preceded the gathering of the first crops, during July and the early part of August"; and we may reasonably hope, therefore, that prior to the end of September, when the country will be thrown on its own resources, that it will be able, though poorly and scantily, to provide for its own poor. A correspondent informs us:—

The out-door relief has nearly ceased, nevertheless every one has plenty of food: the harvest-work is in; provisions are cheap; and the poor have means to meet all their immediate wants. Today I changed an American order for a poor man for 10 dollars; he said, "I did not expect this, sir, as I wrote to my brother *not to send more to me*, as I had full employment, I could now do without trespassing on his bounty." . . . He added, "My sister wants clothes—I will give her the entire, as I can do without it; and, thank God, I owe nothing." These were his exact words. Oh, that our rulers could but know the Irish poor!

... These statements . . . are the most cheering we have yet had from Ireland. Nothing is wanted to insure the permanent prosperity of its people, but that they should make proper use of its advantages. There, "all, save the spirit of man, is divine." The raw materials of endless wealth and prosperity are to be found in her rivers, her mines, her fisheries, even in her turf bogs: they woo industry and skill, but industry and skill are not there to profit by them. With awakening hope and brightening prospects, after so dark and dismal, and so long a night, it is now the especial business of all to aid and cherish the willing exertions of the respective classes to escape from their unhappy condition, and prevent themselves ever again falling so low.

nowadays to get away with a policy of creating unemployment, however it were disguised, without imperilling its political future. Labour is too powerful at the polls to be openly defied, too vital industrially to be deliberately provoked, and, through its organisations, too knowledgeable to be bamboozled about its immediate interests.

The trouble with economic forces is that they seem quite incapable of attaining stable equilibrium. Various cures are suggested for reversing the trend of the moment—and, of course, reverse the trend we must—but what hope is there that once straightened out we shall be able to keep our balance any better than we did last time, or the time before that? What I should like to see is a reasoned argument, from yourself if you believe in it, demonstrating convincingly that the system of economic forces—liberal, free, capitalist or whatever you like to call it—for which the surgeons and physicians are constantly having to prescribe, is capable of prolonged periods of good health, given the acquisitive human properties required for individual economic success. Personally, I doubt it.—Yours faithfully,

5 Osborne Mansions, N.W.2

DENNIS WESIL

A Curse on the Tinker

SIR,—“Socialism” you write “would be accepted by an overwhelming majority of the people if it could only be given some meaning.” Do you really think so? When did the conversion of *The Economist* occur? And would any meaning do?—Yours faithfully,

LIBERAL

[The language was inexcusably loose—though the sentence was not, we hope, so sweeping in its original context as without it. What we meant to convey was that Socialist remedies for the present crisis would be acceptable to the great majority of the electorate—or at least would not be rejected merely because they were Socialist—if only somebody could make it clear how they differ from any other sort of remedies and why they can be expected to work better than non-Socialist common-sense.—EDITOR.]

Indonesia—The Real Issues

SIR,—I have read with interest, but not without astonishment, the letter to the Editor of Mr Lunshof, Haarlem, Holland, in your issue of August 16th. In Holland we have a saying, which can hardly be translated into English, to the effect that decency demands that dirty linen should be washed at home. I am sorry to say that Mr Lunshof has shown a complete lack of good taste in writing his letter.

There is plenty of evidence that Mr Lunshof's opinion is that of a minority in this country, of a minority holding influential

positions in The Hague and Batavia. Further, it is evident that the complete failure to come to an agreement with the Republic of Indonesia is, to a great extent, due to the activities of the friends of Mr. Lunshof and of his co-actors in the Indonesian Government, the so-called extremists. Both these groups are interested to avoid any reasonable understanding; the Dutch group in order to maintain the possibility of colonial exploitation of the Indian Archipelago, the Indonesian extremists by reasons which originate from a universal hatred for Western men and civilisation.

I wish to state clearly that it is neither the will nor the intention of the Dutch Government or the Dutch people to suppress by arms the desire for liberty and independence held so strongly by the peoples of Indonesia. Only very few Dutchmen show such a complete inability to understand what is going on in Asia.

Finally, I am fully aware of the fact that English readers are well informed about developments and events in that part of the world and do not need the personal point of view of Dutch die-hards.—Yours faithfully,

F. L. J. VAN AALST

Churchill-Laan 45, Amsterdam

Socialists of Eastern Europe

SIR,—My experience in Rumania last December bears out your Special Correspondent's opinion that the Opposition fraction of the Social Democrat Party which followed Titel Peurescu is a minority.

My experience in Bulgaria during the two months before that, however, contradicts his belief that that which followed Kosta Lulchev into opposition is a majority. The estimate which I heard, from a reliable non-Communist foreigner who had been there almost ever since the liberation, was that it had about 3,000 members, compared with about 100,000 members in the section supporting the Government. The votes cast at the general election on October 27, 1946, which were generally agreed to have been properly conducted, are unrevealing in this connection because Lulchev's Social Democrats and Petkov's Agrarians decided to ask their supporters to vote for them indiscriminately, and it is therefore impossible to say how many of the 1,205,530 votes which they collected together were votes for the Social Democrat Party. Since, however, the votes cast for the Social Democrats supporting the Government numbered only 79,511, out of a total electorate of 4,252,631, it will be realised that, unless one assumes that the supporters of Petkov's Agrarians were few, which is improbable, the combined strength of the divided Social Democrats is relatively insignificant.—Yours faithfully,

28, Gloucester Place, W. 1

EDGAR P. YOUNG

Books and Publications

pattern are of no great significance. But the Catalan language is really a survival of Provençal, the Langue d'Oc—the speech of the troubadours—and in the twelfth century the Provençal-Catalan lands formed a world which was neither French nor Spanish, but much more civilised than the hinterlands to north and west of it. After the French conquest of what is now the south of France the distinct Provençal culture gradually disappeared, but south of the Pyrenees Catalonia retained its national identity, with its own laws, customs and a parliamentary constitution in which all classes were represented, until it fell under Castilian domination in the time of Ferdinand and Isabella. For a coastal land with an enterprising seafaring population and a high development of trade and industry, the ascendancy of the backward central plateau of the Peninsula was an enduring blight, and the antagonism of the two peoples has never been resolved. The separate constitution of Catalonia was finally suppressed in 1714—with the assent of England after England had used the Catalans as allies in the War of the Spanish Succession. In 1931, with the coming of the Republic, the Catalans regained autonomy, only to lose it again to Franco's armies in 1938. But Mr Trueta maintains that those who think the Catalan problem has been settled by the Franco regime “will be proved wrong,” and it is indeed unlikely that anyone who reads his book and realises how rich is the cultural and political heritage of this people will be ready to believe that Spain can now be governed for long on any but a federal basis.

Surgeon—Historian

“The Spirit of Catalonia.” By J. Trueta. Oxford University Press. 8s. 6d.

THIS is a historical work, but with a sharp contemporary point. It is a history of his own people by one of the most eminent of the living Catalans, a surgeon who, in exile in England since the destruction of Catalan autonomy in the Spanish Civil War, has made a notable contribution to medical science in this country. Mr Trueta writes about the past of his country at a time when General Franco has imposed on Catalonia a system of ruthless denationalisation; the use of the Catalan language is prohibited for any official or serious literary purpose and Catalan books are being systematically destroyed as part of the programme for the national unification of Spain. Every effort is being made to reduce Catalan to the status of a mere local dialect.

But this in any case is what most Englishmen who have heard of it at all suppose it to be. The ignorance of the historical achievement of the Catalans, even among people with a good general knowledge of European history, is very remarkable. It is largely a matter of anachronism. French, Spanish and Italian are great recognised living languages; France, Spain and Italy have in recent times been sovereign states; so it is natural to assume that phases of history which do not conform to this

Mexican Scene

"Mexican Kaleidoscope." By Norman Wright, FRGS Heinemann. 175 pages, with 24 pages of illustrations and end-maps. 15s.

A VIVID variety would seem the quality that most impresses the observer of the Mexican scene. And it is this which characterises Mr Wright's present work. It is a book of purely personal theories, observations and reminiscences on a great variety of subjects. And it is in a minor key throughout. To the political experiment which, as the Revolution of 1910 evolves into what may be the pattern for the development of other Latin American States, captures the interest of so many foreigners there is barely a reference—nor to oil, nor to St Lombardo Toledano and his powerful Labour organisation, nor to the problems of industrial independence with insufficient capital, machines and skill: and wisely so, for the author, who was Military Attaché to the Mexican Government for three years during the war, "enjoyed," as he explains in the Foreword, "rather special facilities for getting to know the country from one end to the other." Others, he implies, may bring their particular gifts to the interpretation of specific problems, but his self-chosen function is to act as a kaleidoscope, to mirror the bright fragments of his varied experience for the enjoyment of the beholder.

The result is a pleasant travel-book, light, colourful and perceptive. Perhaps its weakest sections are the early chapters on Mexico generally and its capital and the penultimate chapter on the Arts in Mexico. These need a more co-ordinated approach than the scheme of the book permits. Yet in them may be perceived many of the qualities which give other sections of the book its charm—the author's delight in departing from the beaten track, his interest in nature, his curiosity about Mexico's many rich civilisations of former ages and his sympathetic interest in their latter-day heirs, the Indians. Indeed, an appreciable part of the book is devoted, directly or indirectly, to the Indians. The description of a visit to the 300 odd surviving Seris, a race too primitive to comprehend the technique of agriculture, even when instructed in it, is especially interesting. This and similar expeditions bring out the inadequate communications and difficult terrain which, with the advancement of the Indians, rank among the chief problems of Latin America generally. Incidentally, in the occasional references to the success with which the Mexican Government is solving these problems there appears to be a polite tendency to equate plans with performance.

Other Things are Never Equal

"La Valeur Logique des Théories Economiques." By Bertrand Nogaro. Presses Universitaires de France. 185 pages. 200 frs.

It is a pleasant and fruitful task to puncture the illogicalities of the great, and Professor Nogaro wields a very pretty pin. His theme is the vital importance, in any deductive economic analysis, of a detailed as well as a clear definition of the data, and of checking the sequence of argument stage by stage against reality. He has something to say in passing about the corresponding need, on the side of the inductive economists, to make full use of hypothesis to check an apparent sequence of facts; but his heaviest fire is reserved for the theoreticians. Though he does perhaps underestimate the importance of pure theory in providing the tools of economic thought, few British economists in these days are likely to dispute his general emphasis, and least of all since the rapidly increased recognition of the importance of applied economics which has followed from the war years. As an analysis of current fallacies, his cap in fact fits French heads distinctly better than British, for the examples of unsound logic which he quotes are hardly characteristic of British economic thought to-day. Or at any rate those of them which are genuinely unsound, since, in his long series of fallacies from Hume to Keynes, there are at least a few instances (notably his discussion of the marginal theories of value and imputation) in which his own logic is open to dispute.

The chief though not the only value of this book for British readers should be as a text for second- and third-year students—those who already have a fairly wide knowledge of theory—on how not to conduct economic analysis. The expert economist will find a good deal of enjoyment in it, and the theoretically-minded student should suffer some salutary shocks, while both alike will be pleasantly reminded of the venomous delicacy of the French language in pinning down a shade of contempt. "Should one say in this," as Professor Nogaro inquires of Professor Robbins's panegyric on Wicksteed's discovery of the reversibility of the demand curve, "yet another proof of the irresponsibility with which economic theory is too often treated, or should one not

rather detect here a discreet manifestation of traditional British humour?"

Shorter Notices

"Towards a Classless Society." H. D. Hughes, MP. Fabian Publications and Gollancz. 17 pages. 6d.

THIS competent and clearly written newcomer to the Fabian Society's series of discussion pamphlets will probably be found useful by many who are neither Socialists nor members of discussion groups. Drawing on Government statistics and reports, on such classics as Daniels and Campion's "Distribution of National Capital" and Carr-Saunders's and Caradoc Evans's "Social Structure of England and Wales," and on Parliamentary debates, it provides a neat factual foundation for any intelligent consideration of the problems of class structure, not to mention taxable capacity, incentive, and half a dozen other topics.

That is undoubtedly a full half, probably the more important half, of a discussion pamphlet's job. The other half is to be stimulating, to start profitable trains of thought, to indicate the possibly significant and, more subtly and valuably, to inculcate the habit of looking for significance and evaluating it when found; to do, in short, as much as possible of the work of a good live teacher. Here Mr Hughes, for all his practical experience, is less successful. His suggested questions for discussion are practically tests of the reader's, or discussion group's, capacity for memorising his own facts and figures. One could suggest a few better ones at half a minute's notice. Would the classless society necessarily mean the rule of mediocrity? Should future leaders be spotted young and given any special training? And do we need anything in the nature of a *Führerprinzip*, anyway? Is the monarchy compatible with a classless society? And so on. No doubt that is precisely what group discussion leaders will do.

"The Little Man Marches On." Cartoons by Strube. "Daily Express." 160 pages. 3s. 6d.

TO an eye accustomed to David Low's unerring political eye and magical economy, the pictorial comments of Strube on the events of the last two years often seem ephemeral, overcrowded and fussy. Yet how good they are, and how wrong would be the historian who neglected that aspect of the British character which they illustrate. Look at the cartoon of July 28, 1945: Coalition (Attlee and Churchill, sitting peacefully side by side, listen to an anonymous voice asking from the other side of the despatch box, "What are you going to do about it?"); Intermission (Churchill, still peaceful, is similarly apostrophised by Attlee); Opposition (it is Attlee now who benignly listens and Churchill who asks the question). How much of British political life is expressed in the temper of that? Or see the bread crisis of 1946—a somewhat bedraggled John Bull shies half-a-loaf to a raft-load of hungry fellow-castaways, shouting, "Coming over—don't forget I'm on a raft, too."

But Strube's real hero is, of course, the Little Man; skimpy, walrus-moustached, baggy-trousered (when he is not expressing Austerity by wearing a barrel), thankfully discarding his warden's helmet for a bowler, cultivating his garden and muttering objurgations against the crows (marked "Taxes"), ruminating over the atom bomb, struggling with burst pipes, lighting "just one" cigarette nine days after the Budget. He is not a heroic figure; he is short-sighted, not very very satisfactory representative of a Britain which needs thews, intelligence and the long view. But there are worse deficiencies. One retains a sneaking affection for the little fellow and a corresponding gratitude to his creator.

"Sveriges Utrikeshandel efter Kriget. Meddelanden från Konjunkturinstitutet; Serie B, Nr. 7." With a Summary in English. Isaac Marcus Boktrycker's AB, Stockholm 1947. 64pp. 1 Kronor.

THIS concise and competent review of Sweden's foreign trade since the war describing Sweden's difficulties describes also the problems of Europe's distorted economy—but most of Europe has the devastation of war to contend with as well. The "inflationary gap" stimulates luxury imports. After a speciously encouraging start as relief shipments or long-awaited imports swell the figures of foreign trade, the "German vacuum" and other effects of war make their presence felt. Trade shifts to the New World. Its terms become increasingly unfavourable, although its volume remains high. The scarcity and high cost of raw materials foster autarkic tendencies. These in their turn cramp trade. All this and more is discussed in this excellent little pamphlet, and eighteen tables and five schedules provide the necessary illustration.

"Les Transfers Internationaux de la Population." Institut National de la Statistique et des Etudes Economiques. Presses Universitaires de France. 556 pages.

THIS massive study, exhaustively documented, will constitute a standard work of reference on its subject matter. For various reasons, however, post-war movements have been omitted; the authors do not deal with the Czech or Polish expulsion of German minorities, with the Canadian expulsion of Japanese residents (including Canadian citizens) or with the general problem of the Displaced Persons.

AMERICAN SURVEY

Portrait of a Plan

(From Our US Editorial Staff)

"Who is Silvia? What is she?
That all our swains commend her?"

WHAT, indeed? The swains of the State Department find it difficult to answer. It is not, they say, a plan at all—yet. They prefer to call it the Marshall Approach. It is, they explain, an approach to a problem—not a cut-and-dried plan for solving it. But, though its father and his staff may be reticent, others have been roughing in the outline recently.

Who is the Marshall Plan? What is She? We do not know yet. Wholly fair, undoubtedly. "United States officials" were recently said by the *New York Times* to consider Britain's economic position serious. But they "pointed out that the Marshall Plan, on which the United States hopes to build its programme of European recovery, does not permit the selection of any particular country for preferential treatment." That is Silvia.

From Geneva come more lines to fill in some gaps in our knowledge. "The United States," says Mr Michael Hoffman to the *New York Times*, "has made it clear to the European countries interested in the Marshall proposal that a definite project for a Customs Union is one essential for further large-scale United States aid. . . ." That also is Silvia.

"Is she kind as she is fair?" The President thinks so. When asked whether there was any possibility of a Marshall Plan for Latin America, he replied, firmly, that there had been one for a hundred years. "But with the governments who have declared their independence and maintained it," runs the Western Hemisphere's centenary Marshall Plan, "and whose independence we have . . . acknowledged, we could not view any interposition . . . by any European power in any other light than as the manifestation of an unfriendly disposition toward the United States." That, too, appears to be Silvia.

Mr Snyder, on one occasion, said that the Marshall Plan did not envisage any American financial help to Europe. But Mr Benjamin Cohen, speaking for the State Department at Long Beach, California, said: "Those who have been studying Europe's rudimentary rehabilitation needs tell us that Europe, including Great Britain, may require as much as five or six billion dollars a year for another three or four years." Mr Dean Acheson, at Cleveland, Mississippi, speaking, it is true, before the Harvard speech which gave birth to the Marshall Plan, but speaking surely in the rôle of John the Baptist, also used figures. (There may be significance in the coincidence that the two State Department officials who were known to be resigning were chosen to mention the difficult subject of dollars.) Mr Harriman, on the other hand, explaining the task of his committee, stressed the fact that its report would be in terms of products—not of dollars.

All these things are the Marshall Plan, but they are by no means the whole of it. It has been left purposely vague, though it is very real to its progenitors. The reason why it has never

been explained is partly because it took their breath away. When they found it taking shape they realised that

"She excels each mortal thing
Upon this dull earth dwelling."

They also realised that the United States was vulnerable to remarks about "the almighty dollar" and "dollar diplomacy." Mr Roosevelt invented lend-lease to take the dollar sign out of the war. It came back to spoil the peace and this is partly an attempt to take it out once again. For that reason, the invitation to the European powers was a very general one. They were to draw the outline. With the help of the few hints given them they would provide a silhouette, which would later be filled in and given colour by enlightened American generosity and self-interest. Within certain limits they would determine the shape of the Marshall Plan—but they must not produce a portrait of Silvia unrecognisable by her parents.

★

There has recently been a certain doubt whether the portrait was going as well as had been hoped. Mr George Kennan, chief of the State Department's new Planning Division, went to Paris last week to look it over. Now is the moment for more precise definition. When the Secretary of State comes back from Rio and the American people come back from their vacations the campaign to explain and sell the Plan must begin. Its shape must then be settled—even if all the colour has not yet been put in. The report of the Paris Conference was to provide the outline on September 1st. The colour will come from the reports of the Harriman Committee on October 1st and, most important of all, the decisions of the House Select Committee on Foreign Aid, the Herter Committee, which will return to the United States with its findings in the second week of October.

Mr Kennan went to Paris to ensure that the portrait had all the features required to provide the necessary sales appeal—the bright eyes of Customs Union, the shapely features of hydro-electric schemes which take no account of national boundaries, and the red lips of an integrated transport system for Western Europe. There have been rumours in Washington that some—or all—of these were missing. If they are, it will not be an easy portrait to sell. Before the American people will "garlands bring," they must be assured that the Plan has the breadth and vision which they need to inspire them. The idea has these qualities. It has the basis of generosity which moved Herbert Hoover during the first World War. It has enough self-interest to clear the conscience of those who are always afraid that Uncle Sam is being Uncle Sap again. It takes, with exactly the right amount of innocent bewilderment, a glancing blow at Russia and the Eastern bloc—thanks to the tactlessness of Mr Molotov. It may, if properly handled, make the United States, in twenty years, the unchallenged leader of the world without any of the responsibilities previous world leaders have had to shoulder.

But it is not certain that the Plan will end by being so excellent. Congress—and, before Congress gets at it, the President's Committees—may remove an arm here and a leg there. That is the way of Congress. But the State Department will not abate their admiration whatever becomes of her. Even if Congress does its worst, they feel, they will be left with the Venus de Milo.

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

Radioactive Isotopes

(From an American Correspondent)

ONE of the important by-products in the discovery of nuclear fission is the production of radio-isotopes of almost any element in any desired quantity. "Isotope" is the name given to all atoms of different weight belonging to the same element. For example, oxygen is composed of three isotopes, oxygen¹⁶ and oxygen¹⁷ and oxygen¹⁸. The three kinds of oxygen are indistinguishable chemically, but can be distinguished by physical means which are dependent on slight difference in mass. These isotopes are called stable, or non-radioactive, isotopes. In 1934 the Curie-Joliot discovered that it is possible to make unstable or radioactive isotopes. These new elements are chemically identical to the stable, or non-radioactive, homologues; they differ from the stable isotopes only in that they give off radiations. They are not found in nature, with a few exceptions of little biological significance.

Three fields of usefulness can be foreseen for these materials in biology and medicine. The first, and probably least important, is their direct use in the treatment of cancer and allied diseases. As has been known for many years, the radiations from radium or X-ray machines can be used to cure certain types of cancer or to alleviate the suffering caused by this disease. The mechanism involved is fundamentally one in which the radiation produces greater damage to the cancer cells than to the normal cells. The major difficulty with external radiations, as at present used in the treatment of cancer, is the rather small margin between the dose which kills the cancer cells and the dose which kills the adjacent normal cells. Many cancers today cannot be successfully treated because the amount of radiation necessary to kill these cells also kills the normal cells in the field of treatment.

Another field of usefulness for radio-isotopes in medicine is in the diagnosis of disease. Here the tracer technique is what is used. This technique rests on two points: the above-mentioned chemical identity of a given radio-isotope with its stable isotope, and the existence of instruments which permit the detection of the presence of radio-elements in quantities far smaller than is possible by other techniques. For example, it is possible to detect a billionth (10⁻⁹) part of a millionth of an ounce of radioactive phosphorus. This means that one could mix a minute quantity of a compound containing a radioactive element with a large amount of the non-active compound and trace or detect the movement of the resulting mixture. Compounds of radioactive sodium and radioactive iodine respectively have already found use in diagnosis of diseases of the small blood vessels and of the thyroid gland. It seems certain that compounds containing other radio-elements will speedily be utilized in the diagnosis of other diseases. Among the possibilities are the use of radio-phosphorus in the evaluation of liver function and the use of radioactive carbon contained in organic compounds in the evaluation of disturbances of protein, fat, and carbohydrate metabolism.

Finally, and potentially far and away the most important, there is the application of the tracer technique to increase knowledge of life processes—to find out how the human body functions. The site and mode of action of drugs, vitamins and poisons can be investigated by "tagging" the material in question with a radioactive element, then following the movement of the injected material in the body. Perhaps the greatest value of the method will lie in the biologist's ability to investigate those normal body processes which cannot be explored by ordinary chemical methods. For example, it is now known that certain food elements are essential to life. It is not known, nor can it be found out with any other technique, how, where, or at what rate they are utilized. Only after such knowledge is available about a wide variety of metabolic processes can the

treatment of the metabolic and degenerative diseases be placed on a rational basis. At that time it is not unreasonable to predict that at last a beginning can be made in progress in the prevention and treatment of cancer, high blood pressure, heart disease and the rest of the illnesses that arise from disturbances of metabolic processes.

So it is seen that the benefits to be obtained from the use of radioactive isotopes is great. It is not too much to predict that use of radio-isotopes in medicine and biology will alter the treatment and prevention of disease as much as, or more, than the advent of the microscope altered them in the past. The effective treatment of infectious diseases necessarily was dependent upon the discovery of bacteria or germs as a causative agent for these diseases. The microscope made it possible to see small bodies. With medicine's new tool it seems certain that the answers to many questions will be found and rational treatment made possible of diseases which are now treated ineffectively.

American Notes

Limits on Dollar Aid

Despite the publication of some rather half-hearted denials in Washington, there seems to be no doubt that the State Department was shocked by recent estimates from Paris suggesting a European Aid Programme at an overall cost of nearly \$30 billion for the next four years. Less than a fortnight ago, the official line of the State Department was that "interference" in the Paris Conference by the United States would run the dual risk of stimulating Soviet charges of dictation, and of giving official support to European estimates in a manner which might easily bring a Congressional mood of overwhelming hostility to further dollar aid. The despatch of two special State Department delegates (Mr Kennan and Mr Bonesteel) to Paris reflects the later view that prior agreement between the United States and the European nations concerned, however informally expressed, will prove to be less damaging than any later rift on dollar totals. Apart from this factor, which provides a simple reflection of the State Department's phobia concerning the trend of Congressional opinion, there is genuine anxiety about the lack of progress in Paris on moves for the economic integration of Western Europe.

Circumstantial reports suggest that an initial figure given by the State Department as a "yardstick" for European Aid possibilities, covers from \$15 to \$20 billion over five years. It is also suggested that such an estimate will be well in line with initial estimates prepared by the Policy Committee of Nineteen, now working under the chairmanship of Mr Averell Harriman, Secretary of Commerce. State Department officials have been working on estimates for some time now. But the Harriman Committee itself will not issue a report before the close of this month, and its work will be dovetailed with estimates submitted by a special committee of the Council of Economic Advisers, and a further committee on national resources, headed by Mr Krug, Secretary of the Interior. These facts suggest that the State Department "yardstick" at this moment is probably no more than a fairly realistic assessment of what may be expected from Congress—given a suitable response from Europe in terms of "self-help," and of solid moves towards economic integration.

Such an interpretation is also borne out by the present shape of the Budgetary estimates for 1947-48. As noted last week, Mr Truman's latest Budget estimates provide for revenues of \$41.7 billion and expenditures of \$37 billion—a surplus of \$4.7 billion. Actual cash outlays, however, will probably fall short of the expenditure total by as much as \$2 to \$3 billion over the rest of the fiscal year, these figures being altogether dependent, of course, upon the assumption that business activity and national income remain at present high levels. It must not, however, be assumed that any balance of \$7 to \$8 billion would be scheduled almost

automatically for a European Aid programme. Political observers in Washington have noted that recent Presidential declarations have been careful to avoid any complete shattering of tax reduction hopes. And it is widely held that the approach of the 1948 elections will enforce a much more sympathetic attitude towards the Republican Party's clamour for tax relief. Such a programme need not go all the way with the \$4 billion plans vetoed this year by Mr Truman. But any worth-while plans would almost certainly put a limit of, probably, \$5 billion yearly on dollar aid.

The Economic Burden

By next January, of course, many complicating factors may sway Congressional votes. There may be a swift export decline, and there may be a swift business recession, while fresh developments on this side of the Atlantic may yet prove to be the deciding issue. A dollar aid programme, moreover, could be financed outside the normal Budgetary schedules, although such a purely bookkeeping shift would not adjust in any way the real burden of continuing assistance. What can be said with safety is that the economic burden of assistance on the scale now suggested in Paris would certainly not strain the resources of the United States; nor need it necessarily bring fresh inflationary pressure. The following table shows the pattern of inflation in terms both of foreign and domestic demands upon the US economy:—

	1939	1946	1947†
	(in billion dollars)		
Personal consumption ...	67.5	143.7	158.0
Gross domestic investment ...	9.0	24.6	29.5
Net foreign investment ...	0.9	4.8	10.0
Government purchases ...	13.1	30.7	27.5
Gross National Product ...	90.5	203.8	225.0

† Annual Rates.

So long as personal consumption and domestic investment continue at present high levels, so long will inflationary pressures persist. But a Marshall programme will certainly not mean a fresh increase of the foreign investment total, which is destined to fall sharply in the near future without such a stimulus. And the process of post-war re-equipment must by now almost certainly have reached, or nearly reached, the stage where a pause is essential for orderly progress. A decline here from \$30 billion to \$25 billion, for example, would certainly leave the economy accumulating new capital equipment on a scale beyond the pre-war average, and would leave ample scope for post-war rehabilitation. But if all the present demands on the American economy are maintained, there will be stringent limits on the Marshall Plan, since Congress will clearly be in no mood to strengthen the modest powers of allocation now held by the executive branch. The weaker the position revealed by Western Europe, the more clamorous become the voices for a strong America before any other goal. On the extreme wing, such views are presented in the *Wall Street Journal*, which now declares quite roundly that "the British loan has not done any of the things that its sponsors claimed. Other loans made under like circumstances give no promise except to have very similar results. It is time to stop." At another level, the suggestion is that only an American controlled corporation (such as a sort of Reconstruction Finance Corporation with direct US supervision) can make any loan plan roadworthy. This is only another way of repeating the *Wall Street Journal's* plea, and it is a far cry from these columns to those influential and friendly commentators, Joseph and Stewart Alsop, who jointly declare that the United States has gone through the world crisis "like a nation in a dream—an opium dream of peace, plenty, and pleasure." Between them stands Mr Lovett, the Assistant Secretary of State, declaring that "our concern is that any programme should not only be reasonable, but realistic, and involve diminishing amounts of assistance." But Mr Lovett has since made public Administration's fears that Congress cannot move fast enough to avert breakdown in Europe.

Rallying the Legion

It is an impressive reflection of the potential power of the veteran that most of the country's leaders found time this last week to address the American Legion Convention in New York. Mr Truman alone was unable to attend in person, due to an impressive press of business. History will record, no doubt, that a resolution was accepted endorsing the Marshall plan "to maintain the bulwark in Europe which at present is damming

back a rising flood of Communism"; that other resolutions were framed endorsing aid to Greece and Turkey, but prodding the Administration to move faster and further and urging the strengthening of the United Nations through modification of the veto. The agenda of the convention bears testimony to the effectiveness of a slogan of an organisation for which the Legion has nothing but scorn: the "Citizens First, Veterans Second." If there was a bonus plan somewhere in the works, it has yet to be reported. The Legion has not yet made any move to welcome to high office or into its policy discussions the politically-conscious veterans of World War II, although they make up 70 per cent of its membership of over 3,000,000. But the serious business of the convention is evidence of a desire of the executive to make the Legion something more than a lobby for veterans' interests, though how many Legionnaires knew what was in the resolutions they accepted is a matter of dispute.

The Convention also made history by providing the occasion for Governor Dewey boldly to follow the lead of President Truman, the Legion itself, and the Gallup poll, in espousing military training. Under such august auspices, the Governor has not hesitated to take an effective little jab at Senator Taft, who has steadfastly opposed military training. A modest foray in Senator Vandenberg's direction was less fortunate; support for, and criticism of, a bi-partisan foreign policy was accompanied by an aside claiming to have fathered bi-partisanship as long ago as 1944. "Me, too," is a phrase which has been used before to describe Mr Dewey's aptitude for climbing on band-wagons once they are well under way.

How great an impression the speeches and ringing resolutions made upon the happy invaders of America's largest and richest city is another matter. This was an invasion armed with water pistols and battery-charged walking canes, which in an all too real sense electrified innocent passers-by; of jovial crowds spilling over into the roadways; of interminable road blocks. It was the old Legion back again, a trifle greyer, bringing its sons of World War II with it, but determined that nothing should interfere with the traditional horse play. Progress has done away with the street cars which could be blocked by lying on the tracks, but otherwise little was changed. New York, despite its pride in its deliverers of two wars, and the millions of dollars of business a Legion Convention brings with it, has welcomed a new liberation as the legions melted away.

To File or Not to File?

The battle over the boycott of the National Labour Relations Board still rages unabated. The central issue is whether union officers should sign the anti-Communist affidavit and disclose union finances in order to enjoy such protection and privileges as the Board still offers. Fourteen unions affiliated with the Congress of Industrial Organisations (out of a total of 24) have gone on record against resorting to the NLRB, and Mr Lee Pressman, general counsel to the CIO, has urged the use of economic force as a substitute for NLRB authorisations. The AFL decision to file or not to file will be made on September 8th.

What is becoming clearer is the disposition of the labour unions, looking closer, to declare of the law "What big teeth you have, grandma!" Boycott is possible (though Mr Hartley calls it brazen effrontery), but the costs may be greater than was realised at first. It has been ruled that if a single officer of a national organisation refuses to sign, no affiliated union may be considered to have met the requirements of the law. If the right of a non-filing union to represent the workers in a given plant is contested by another organisation which has complied with the rules, the non-signing union may face an election held by the NLRB in which its name does not appear on the ballot. It would also be deprived of the right to negotiate any sort of union security agreement. No cases charging unfair labour practices could be brought by it before the Board. It may even be decided that cases pending when the Taft-Hartley Bill became fully effective on August 22nd may not be heard if the petitioning union refuses to register with the NLRB. As a consequence, it is suspected

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that even the arch-recalcitrant Mr John L. Lewis will eventually decide to declare that he is not a Communist, not only for the sake of the other constituent unions of the AFL, but because his "District 50" (though not the miners' union itself) is accustomed to bringing complaints before the Board and requesting elections. One interpretation of the law has saved the CIO from a serious embarrassment. The executive board of the CIO will not, it appears, need to file anti-Communist affidavits, a step which would have been difficult for Mr Ben Gold, head of the furriers' union and long an avowed Communist. Whatever the bulk of the unions decide to do at present, it is becoming clear that in a time of falling employment, with its encouragement to sharp employer practices, the costs of not clearing themselves with the NLRB will mount.

* * *

Co-operatives Under Fire

The Republican majority has at last got round to the gadfly of the co-operative movement, which from humble origins among farmers has grown into big business. In 1944 co-operatives did a national business of \$6½ billion—6.5 per cent of total consumer expenditures. The endemic cry of private business is that co-operation has grown, not because it met a need, or because of superior efficiency, but because it enjoyed an unfair exemption from taxation. To wipe out this unfair advantage the National Tax Equality League was formed. One of its unintended by-products has been to give co-operation more free publicity than it has ever been able to secure for itself.

A sub-committee of the House of Representatives has made it a recess task to investigate "whether and to what extent tax-exempt privileges of co-operatives are harmful to free enterprise." It plans to look at 45 co-operatives, from New York to California, but the investigation has started in Washington's own backyard. The consumers' co-operative established at Greenbelt, Maryland, a government-owned community, has been branded a monopoly because the residents decided, in the beginning, to exclude private enterprise from its retail trade and to establish a Co-operative Society of which two-thirds of the inhabitants are now members. The community, created in the early days of the New Deal, and sometimes known as Tugwelltown, has a ten-year contract with

the Federal Housing Administration, an agency enjoying no popularity with a Republican Congress.

This explains, no doubt, why it was chosen at the start. Logically the committee, if it is really investigating tax-exemption, should have begun with the agricultural producers' co-operatives, which enjoy the complete remission of Federal taxes. Consumer co-operatives pay most of the taxes levied on private business, with the exception that income returned to members is not liable for Federal income tax.

The strength of the committee's convictions will be tested when it moves West to take up the question of farmers' co-operatives. Greenbelt can be tarred with the New Deal brush; but in the Middle West co-operators and Republicans are one and the same, and the committee members may be forcibly reminded that it was the Republicans who wrote the tax-exemption clause into the Internal Revenue Code in the nineteen-twenties as an aid to bankrupt farmers. As was the case when the House of Representatives, in the pursuit of economy, slashed irrigation and conservation payments for the West, the Republicans may wake up to find they are biting their own tail.

Shorter Notes

Trade experts allege that prices of British woollen goods are now "completely prohibitive," a development which is said to be due to higher prices for raw wool imports, and to the regulation of domestic prices for finished goods. According to one spokesman, a devaluation of sterling by 20 per cent would be needed to make United Kingdom prices competitive. It may be noted that present tariffs on finished woollen goods are extremely high, 1939 rates ranging from 35 per cent to 85 per cent *ad valorem*.

*

The Department of Agriculture forecasts a fall of at least 5 per cent in meat supplies next year, the 1947 total being at the record level of 23 billion lb. Prices have rather more than doubled the 1937-41 average, and the Department says that present demand has brought a heavy dip into livestock reserves. Simultaneously, mid-western reports suggest that a growing number of farmers are now convinced that gross farm income will reach a near-term peak this year, and that rigid costs and smaller feeding crops will bring lower net income over wide areas.

THE WORLD OVERSEAS

Terror in the Punjab

(From Our Special Correspondent in Lahore)

THE present slaughter in the eastern Punjab, where the Sikhs are systematically exterminating the Muslim minority, is the worst outbreak of communal violence in recent Indian history. It is far and away the best organised. It has long been planned and it has been directed from a very high level. Its immediate aim is to clear the eastern Punjab of Muslims. Its eventual aim, in the minds of the more fanatical Sikh leaders, is to restore Sikh supremacy in the Punjab. These aims are reinforced, in the minds of the ignorant people, by the lust for revenge and the just for loot. Beneath it all is that strange and terrible animal frenzy, a sort of mass *muth*, which in India is ever ready to break out, is easily aroused, and is ordinarily only held in check by strong administration.

Talk to a Sikh and he will say—"But look what the Muslims did to the Sikhs at Rawalpindi in March." About 5,000 Sikhs were slaughtered then, in circumstances of great brutality, and it was the arrival in the Sikh cities of the east Punjab of some of the survivors, some with scars and all with bitter tales to tell, that greatly worked up the desire for revenge. The Rawalpindi massacre was thoroughly exploited by Sikh leaders. If ever there was an illustration of the truism that violence begets violence, it could be found here in India. None of the leaders, not even the highest in the land, seems able to forget the past, clear his mind of recrimination, and start breaking this vicious chain of action and reaction.

The present slaughter is the heaviest to date because the best organised. (My own estimates are that the Sikhs have killed about 10,000 Muslims in the past month and are still killing them at the rate of about 300 a day. The true figures may be much higher.) But the Muslims have been slaughtering Sikhs and Hindus in the west Punjab. The reign of terror in Lahore before and after August 15th was a Muslim assault on Sikhs and Hindus which, although causing only a few hundred deaths, destroyed millions of rupees worth of property and reduced the Sikh and Hindu population from over 300,000 to about 10,000. And when it comes to brutality, there is little to choose between the two sides.

Sikh Anger at Partition

For many weeks past the Sikhs have been in a state of tension, almost of hysteria, because partition was bound to hit them hard. Many of their holy places, including the birthplace of the founder of their militant reformist Hindu sect, much of their land and property and several prosperous canal colonies, populated predominantly by Sikh peasants, lay in the Muslim majority areas of the west Punjab. Their political power, moderately strong in a united Punjab, was bound to be reduced if the province were divided in two. At this climactic in their fortunes they have suffered from a dearth of able and constructive leadership. Their leaders, none of them outstanding personalities, have, in default of sensible united policies, resorted to wild inflammatory tactics. The violence which they built up is now expending itself on defenceless Muslim villagers. Having unchained the beast, they cannot get it back into its cage again, even if they wished to. The Sikhs are strange people, greatly addicted to intrigue and dissension, and one wonders if they have sufficient self-discipline to accept good leadership. One remembers that of all classes in the Indian Army they were the trickiest to command and that they were far better in attack than in defence.

Sikh reactions apart, the general feeling amongst neutral observers about Sir Cyril Radcliffe's boundary award is that it was not a very good award, but that, whatever award he might have made, there would still have been trouble. The reports accompanying both the Punjab and the Bengal awards were very thin and sketchy and he gave no adequate explanation of his decision to include in Hindustan several contiguous Muslim-majority areas.

Several weeks ago the Viceroy foresaw that there would be trouble in the Punjab, and he took steps to create a special neutral force to try to maintain order—Junjab Boundary Force. It consisted of the famous 4th Indian Division, plus additional units, and came under the control and direction of the Supreme Commander, Field-Marshal Auchinleck, not of the Indian or Pakistan Governments, although both the latter pledged themselves to support it. As from September 1st, however, their respective armies have assumed responsibility for their territories in the Boundary Force area. The force was intelligently used and on the whole did a good job. But for its presence the slaughter would probably have been ten times worse. But this has not really been a situation with which the Army, unless in overwhelming strength, could deal effectively. In the districts worst affected, Jullundur and Hoshiarpur, there were four battalions spread over an area the size of Sussex, with a population of perhaps two million. Moreover, these troops of the Indian Army were subjected to a tremendous emotional and psychological strain. As well might one expect British troops in Palestine to remain neutral and impartial. Despite virulent accusations made by civilians on both sides that Sikh and Hindu troops have attacked Muslims and vice versa, I have come across no authenticated instance of this happening, although it has happened repeatedly on both sides in the case of the civil police.

Plight of the Refugees

The immediate result of this war in the Punjab is to cause a refugee problem which shows signs of dwarfing the migrations in Europe resulting from the last war. It is a problem with which the civil administration on both sides of the boundary is at present quite incapable of coping. The main stream of traffic is from India to Pakistan. Tens of thousands of simple villagers are trekking westwards, with the surviving members of their families, with what beasts they could save, still subject, until they reach the boundary, to attacks by Sikh *jathas*. They may stay in Pakistan. They may return to their fields (incomprehensible as this sounds) if conditions return to normal, so deep and enduring is the attachment of the Indian peasant to his land. Nearly always in India in the past the refugees have returned after a time and lived again with their late murderers.

Another result of this war is to sow the seeds of lasting bitterness between India and Pakistan. There are many intelligent Indians and Pakistanis who regard war between the two dominions as lying in the logic of the future. Their number is increasing daily. It is dangerous when people start taking the inevitability of a war for granted.

The fashion amongst the British who remain in Lahore is to make cynical jests about that "peaceful transference of power" which was repeated *ad nauseam*, and for which British speech-makers took no little credit unto themselves, in all the inaugural celebrations in Karachi and Delhi. It is impossible, if one is on the spot, to see this thing in perspective. Many recent outings with patrols reveal that in all the villages, even in some of the Sikh villages, there is an atmosphere of fear that is almost tangible. Hundreds of thousands of people, the very night that this is being written, are awake in their little mud huts, starting at every noise, dead tired but unable to sleep, in a state of acute physical fear. And now this murderous madness has again spread eastwards to Bengal. From the north-west there have only been ominous rumblings and threats to send a hundred thousand Pathans to avenge their Muslim brethren.

The "surgical operation," which was another cliché of the Independence Day speeches, is bleeding where the cut was made, as do all surgical operations. It is still too early to pronounce on the success of the operation. It depends how soon the bleeding can be staunch.

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The Treaty of Petropolis

[BY A CORRESPONDENT]

THE draft of an inter-American treaty of mutual defence, which was signed last Tuesday at Petropolis by the representatives of all the states of the Western Hemisphere, except Canada, Ecuador and Nicaragua, undoubtedly represents a success for United States policy. America was determined that, according to the provisions of the Act of Chapultepec, this conference should concern itself with defence and not with economic measures. And the conference after some initial restiveness concentrated on its prescribed task. The delays and ineptitude of the State Department's actions earlier in this chapter of Pan-American relations are thus largely atoned for. Admittedly, however, this has been made easier by two extraneous factors.

An increasing resistance to Communism has brought the American States more closely together in face of a common external danger. And, secondly, Argentina has proved less intransigent than at one time seemed likely. This more co-operative attitude of Argentina may bear investigation. In the first flush of his sweeping victory General Perón's policy, though astute, was too truculent and too opportunist. Demagogic measures such as the immediate implementation of his promises of price control did not please the whole country. In particular the ceiling price of many foods was fixed too low so that farmers had little incentive to produce. Thus, now that they are coming to realise the disparity between the low prices they receive and the high prices for which the Government monopoly sells, they are disgruntled. Industrialists, too, are showing unrest over the conditions imposed on their activities. And abroad there are signs that the sellers' market—the main prop of Argentine foreign policy—is weakening. The Government realises this, as a recent series of broadcasts by Perón shows. And its more accommodating attitude at the conference points the same way, although it should be noted that it was the Argentine delegation that was most forward with proposals to restrict the scope of the treaty. The important point, however, is that they did compromise and have subscribed to the treaty.

Thus, what promised to be a conflict between, broadly speaking, Argentina and the United States has been resolved by mutual concessions. For Mr Marshall and Senator Vandenberg, the conference also has marked a personal triumph. In his forthright first address Mr Marshall made it plain that he had come to discuss defence treaty and nothing else, and this clear declaration undoubtedly contributed to the comparatively speedy conclusion of the conference's work.

Rights of Intervention

The treaty it has produced is both more precise and more binding than similar previous documents. Of particular importance is the provision that every signatory has, when an aggression has been committed against any American state, the "obligation" as distinct from the "right" of the Act of Chapultepec, to intervene even before an inter-American conference is called. For an armed attack against any one of the American Powers is now considered an attack against all. Yet the nature of that intervention is left vague. Once a conference has been summoned, decisions for collective action taken there will, if passed by two-thirds of all signatories of the treaty, be binding on all. But, again, no state is required to use its armed forces without its consent. This proviso removes one main anxiety. If United States forces are attacked in areas outside the security zone of the Americas—which now stretches from the North Pole to the South Pole and extends far out into the Atlantic and the Pacific, including Greenland and the Aleutians—the other American countries are not automatically involved. Their fears that they might be committed to give armed support to United States policies are thus mitigated.

To reach its decisions the conference worked through three committees, and it was on Committee II dealing with "Collective Measures to Meet Aggression" that Mr Vandenberg is reported to have distinguished himself. Clearly the work of this Committee was delicate and complex, and the success of the conference must owe much to it. It was this Committee, which by a secret vote and in conformity with the concentration on defence matters as laid down at Chapultepec, rejected the Cuban proposal to include "economic aggression" as a *casus foederis*. The discussion of economic affairs was also kept within bounds by President Truman in his address to the closing session. The economic problems of Latin America, he said, were smaller and less urgent than those of Europe, the restoration of which should, in fact, be a major

objective of the economic policy of the Americas. In any case, these problems could not be solved by specific measures, but only by long-term collaboration. This collaboration has been the object of many Pan-American conferences, and is to be discussed next at Bogotá in January. At Bogotá, also, United States policy is likely to prevail.

It can be forecast, however, with some certainty that, whatever the precise nature of the discussions there, this policy will show a preference for working through existing machinery—the Pan-American Union, the World Bank and the International Monetary Fund—and, as President Truman indicated, will be aimed at the gradual development of Latin American productive capacity through private enterprise. In other words, America would prefer individual national agreements and not a Marshall Plan. The Bogotá conference will discuss routine matters of Pan-American interest, welfare, education and so forth. But it will also choose a joint inter-American military staff and thus carry the work of the Petropolis conference a step further.

Canada and the Marshall Offer

[FROM A CORRESPONDENT IN OTTAWA]

THERE is as much scepticism as optimism in Canadian discussions of the Marshall offer of United States aid in the reconstruction of Europe. Among Government experts doubt and pessimism are common. They are not, however, directed at the very sketchy and nebulous idea which is all that Ottawa so far has been able to find out about the so-called Marshall plan. In fact that idea was being discussed in Canadian Government circles long before it was put into words by Mr Marshall and recognised then as the only alternative to a continuing deterioration of world trade.

Full realisation that the only solution lay in an outright gift from the United States for the reconstruction of Europe was first brought home to Canadians when they faced the fact that Canada's own resources for extending credits to finance export trade were at an end. Canada has been riding high on a wave of post-war prosperity created very largely by the fact that every bit of surplus production in the country was needed by the outside world and would be taken so long as credit could be extended to those countries not able to pay cash. Thirty-five cents of every dollar of Canada's national income today is attributable directly to export trade. But in 1946 one-third of those exports were financed by the export credit programme and this year the percentage will be as high, if not higher.

First Warnings

The first official warning that these halcyon days could not last came from Mr Graham Towers, the Governor of the Bank of Canada, last February. To keep its industries producing as well as to maintain the present standard of living Canada was draining its own reserves of the only real form of international cash at present—United States dollars and gold—in order to finance steadily growing imports from the United States. The warning has been underlined now by the trade figures of the first six months of 1947. While total trade was at a record height, the favourable balance dropped to a lower level than at any time since 1938. A trade deficit with the United States of \$489 million—only \$8,000,000 less than the entire deficit in 1946—has had to be financed, while a surplus with the sterling area of approximately \$392 million has produced only \$220 million in cash.

Few Canadian experts have held any illusions that Britain, much less Europe, could be brought back to self-supporting production with the limited amount of United States assistance made available through the British loan and credits to continental countries. It was no surprise when it became apparent that the United Kingdom would not be able immediately to assume the burden of bringing sterling back to a pay on demand basis. Canadian hopes have been pinned solely on the possibility of the United States awakening in time to the necessity on the basis of self-preservation of extending a free gift to Europe with no string attached other than the assurance that it should be complemented by as full a measure of self-help as possible.

The Marshall offer looks like that awakening at least so far as the Administration is concerned. And the fact that a Congressional study of available supplies has been launched may indicate a wider realisation. Even then there is the question of whether the awakening has come in time to be really effective. It would probably be late in 1948 before any plan was brought into operation. For Canada alone, to say nothing of the United Kingdom and Europe generally, this might be too late unless stop-

gap measures could be devised to prime the pump with United States dollars. But if a Marshall plan could be put into operation in time, Canada would regard it not only as the only solution but as a logical adjustment which gets to the real root of the trouble. The Minister of Reconstruction, Mr Howe, has described it in the one word "salvation," and he was not speaking of Europe, but of the world in general and Canada in particular. There is some significance in the first place in the fact that Canada has a Minister of Reconstruction. There has been no physical war devastation in this country, but the fact that it was tied so closely to the United Kingdom has placed Canada economically among those countries which have to be rebuilt and which depend on the one real source of supply, the United States. More fortunate than European countries, it has been able to use its own resources to the extent of slightly less than \$2 billion, excluding contributions to Unrra, in supplying Europe. But it has been realised that this was little more than a fleabite. On a basis of population a comparable investment by the United States would amount to approximately \$22 billion and on the basis of national income to \$33 billion.

Inadequacy of Former Measures

In the opinion of Canadian experts the present crisis is merely a symptom of the root cause, which is the inadequacy of the moves to date to place American production at the disposal of Europe and the rest of the world. The Marshall offer seems to represent the first full-scale attempt to bridge the gap which exists between Europe's need and America's supplies. It may be that when all the cards are on the table it will be found that Washington has in mind a plan which still falls short of the essential objective, and that it may also envisage credits to be used only in the United States. These are factors in the situation about which Canadian experts would like to be better informed before they venture any opinion on the effect the Marshall offer may have on world trade generally.

Even if credits were tied, however, Canada would stand to benefit by the general improvement in the cash position of the assisted countries which would result. If they are not tied, or, in other words, if Canada and South America are taken into partnership in supplying the needs of Europe, it can mean in

itself a solution of Canada's own dollar difficulties and a reasonably early return to balanced trade. The Marshall offer is also being viewed here in the light of Canada's own growing dependence on the United States economy—a dependence that has been only accentuated, not created, by the war. There is no industry in Canada today which is not to some extent dependent on imports from the United States. Even wheat cannot be harvested without the import of raw materials to manufacture binder twine.

There is a good deal of support in Canada, very vocal at the moment, for a move to integrate Canada more closely with the sterling area, or, in other words, to pare imports from the United States to the bone and work toward self-sufficiency within the Commonwealth. There is a substantial portion of luxury goods and finished products which might be stopped at the border, though politically that move would be unpopular. But even without these imports there remains a long list of imports essential to keep the wheels of Canadian industry going and to supply goods to the United Kingdom and Europe.

Canada's Dependence on Multilateralism

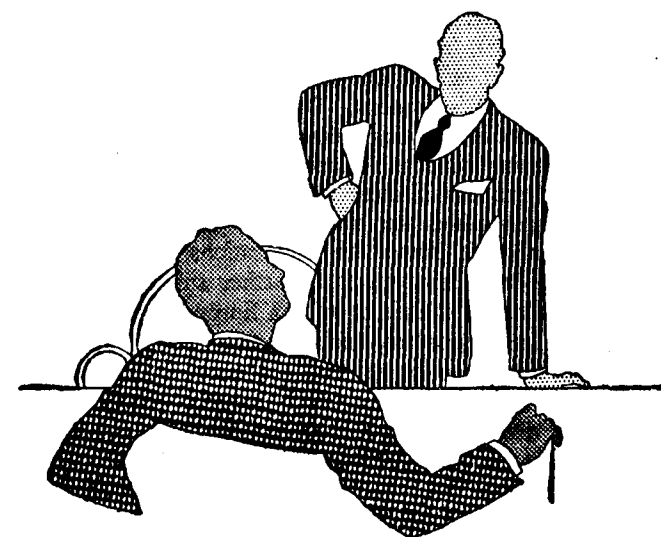
Even assuming that the Commonwealth could supply all or most of the materials now imported from the United States, geographical considerations obviously make such a policy unsound except as a possible short-term arrangement to meet an emergency such as the present dollar shortage. Canada's normal position in world trade is that of an important customer of the United States and a major supplier of the United Kingdom and other parts of the Commonwealth. Canadian trade with the United States may be brought into better, but never into complete, balance so long as the expansion of the manufacturing industries continues. An adverse position is the complement of Canadian prosperity and something about which no Canadian is likely to worry in a world where deficits to the United States can once again be settled with the proceeds of sterling trade. But this can only come when the economic devastation of war has been repaired and the nations of the world are no longer clamouring for the capital goods which can be supplied only by one nation.



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THE BUSINESS WORLD

Scope for Multilateralism

TO the trading world overseas, and to bewildered consumers at home, the sudden suspension of sterling's convertibility into dollars appears to have severed—or at least endangered—many of the vital strands of international trade. Such an impression is understandable, for in the past fortnight the air over Britain and far beyond has been thick with discussions of the need for a rapid reorientation of trade. Yet this assumption lays too much at the door of sterling's "inconvertibility." It is important to get the diagnosis right. Otherwise, amid present confusion, the wrong remedies may be over-hastily sought.

This is not an argument of easy optimism. The severance of some trading links, and the threat to others, are grim realities. And the damage that is being done would not be repaired if, by some miracle, the lightning decision of August 20th could be as suddenly reversed. The convulsions of world trade, the *saute qui peut* run on convertible sterling and the world-wide tightening of buyers' purse-strings, result from a more fundamental process—the crucial dollar famine throughout a large part of the world—in which the ending of sterling's dollar convertibility was hardly more than an inevitable incident. Its importance, on a longer view, is that it has quickly brought the whole world, and not merely a purblind British Government, face to face with the realities of the underlying problem. The fact of sterling's full convertibility, indeed, had acted for a brief spell as a partial soporific upon governments and traders overseas. The extra burden which Britain assumed—necessarily, maybe, but against all reason—meant an equivalent lifting of other people's burdens. Others saw, or thought they saw, the possibility of delaying exhaustion of their own dollars by earning or using convertible sterling instead; and, so long as Britain's dollars lasted, there was logic in the assumption.

Now the grim realities are inescapable. Thoughtful people perceive not only the immediate implications of world-wide dollar shortage but the truth that further subventions from Washington—whether to Britain or to a European group—cannot solve the basic problem, indispensable though such aid may be if disaster is to be averted while remedies are being devised. The basic facts are starkly simple. Broadly, the trading world divides into two regions—the Western Hemisphere, which is the only area that has a surplus of produce, and it is a colossal surplus; and the Eastern Hemisphere, which has a huge deficiency even in terms of bare necessities of life and rehabilitation, yet is virtually without the means of buying the surplus of the West. There is, unhappily, no reason to suppose that rehabilitation of Europe could correct this disequilibrium by an expansionist route—in such a way as would enable the West to sustain its huge export surplus.

For the medium-term, therefore, the countries of the Eastern group have no alternative (whether or not more dollars are provided to ease the immediate phase of greatest stress) but to reorientate their economies—in the quite literal sense of reducing their dependence upon the West. This process involves for all a deepening austerity (or at least continued austerity), and harder and more efficient work. But apart from these indispensables, there are two possible routes. The dollar-deficient countries can act separately—or in concert or co-operation. There is no doubt which is the path of wisdom.

It is against this background that the future of sterling, and indeed of almost all currencies outside the dollar area, must be viewed. Exchange problems cannot be discussed simply in a financial context, nor can a clue be obtained merely by studying the existing network of exchange agreements. Yet if the dollar-deficient countries will but appraise objectively the advantages which remain to them, they will find in these agreements—of which Britain happens to be the chief architect—a foundation upon which much can be built of value to all. The aim of such countries, considered as a group, plainly is to achieve an equilibrium by mutual trade, not indeed on a basis which makes them independent of the dollar area (for that is economically impossible and politically unthinkable) but on one which enables them to pay for their dollar purchases out of their aggregate dollar earnings (plus, for the time being, such dollars as are furnished in aid).

The level, in terms of standards of living, at which such an equilibrium may eventually be attained will depend very largely upon the extent of freedom of movement of trade within the group, and upon the degree to which the planning of trade is genuinely reciprocal and not mutually antagonistic. Desperate cuts in imports within the group (as distinct from cuts in dollar imports) are the worst possible basis from which to build an equilibrium at a high level. The right course, where such import cuts are contemplated because in present circumstances the goods supplied are relatively inessential, is for the purchasing country to explore the possibility of getting alternative, more essential goods; and for the supplying country, even at the cost of drastic change in its productive structure, honestly to try to meet the need. The wider the area within which this mutuality obtains, the less will be the structural changes required. In principle, there is no other way of achieving the optimum result.

Moreover, while for some purposes the co-operating countries may be conceived as a group, the system will break down if individual members are for long in substantial disequilibrium even in their dealings within the group. Recent experience has driven home the truth that the first requisite of international acceptability of a currency is that it shall be convertible into goods; and that the second requisite is its convertibility, at one or more removes, into the right goods—goods which the holders need and cannot buy more cheaply elsewhere. This condition, too, may require drastic changes in internal economies, as British consumers and producers are learning now; but the same processes are afflicting many others abroad, and the lot of all would be the lighter if the whole series of operations could be dovetailed.

These are first principles of international trade. The American-sponsored attempt to construct a world-wide system, embracing hard and soft currencies alike—what may be called an omnilateral system—has broken down, as it was always apparent that it would. But that does not mean that the principles of multilateral trade should not be followed within the more limited, but still large, area in which they may work. Much more is likely to be heard of them when the report of

the European Economic Co-operation Committee appears. If the countries primarily concerned, outside as well as within Europe, honestly try to follow this route, much can be done. But even when the will to build multilaterally is present, the process will be laborious or impossible in the absence of a foundation of an internationally acceptable currency.

Sterling, even now, can furnish such a foundation—provided that Britain, in common with the sterling area proper and others of the wider sterling group, honestly plays its part, by making whatever structural changes are necessary to ensure the supply of goods which alone can make sterling permanently and widely acceptable. Britain has in any case no choice but to organise thus. If within the whole group of countries primarily affected there is confidence that all will work on these lines, Britain and all others will start with the inestimable advantage that sterling is at present already widely acceptable—for its acceptability, given only confidence, will afford an indispensable latitude wherever latitude is needed.

It is important, therefore, for all concerned to realise the extent of this area of acceptability, and to do so before unilateral measures are decided upon which may rashly endanger what has been so laboriously built up. To define that area involves a brief survey of the network of sterling agreements as it now stands.

Britain during the war was obliged to capitalise to the full the willingness of others to send goods without immediate payment, and accordingly organised bilaterally. Outside the dollar area (to which, apart from Mutual Aid, all payments had to be in dollars or their equivalent) and outside the sterling area (within which there was complete freedom of movement), the usage of sterling was strictly canalized, principally through the system of "special accounts" operated under payments agreements. All payments from the sterling area to, say, Argentina or Chile or Brazil had to be made in sterling to the credit of a "special" account of the country concerned, and the sterling thus accumulated could be transferred only within the particular country or in the sterling area. Between the many distinct categories of sterling thus created there was normally no interchangeability, although specific transfers from one category to another were increasingly permitted.

From last autumn until July 15, however, the London authorities made major efforts to make sterling interchangeable with as many categories as possible and to extend this freedom of usage to payments to the US dollar area and Canada. The non-sterling area countries which directly benefited from these facilities were those whose monetary authorities were willing and seemed able to operate "transferable" sterling accounts strictly for the purpose of current as distinct from capital transactions. Before the recent suspension of convertibility into dollars, sterling on such accounts could be freely used for current payments not only to any of the countries operating

this system and to the sterling area and to certain other countries, including Russia, but also to the US dollar area. The effect of the decision of August 20th is to withdraw this last right—the right of automatic transferability to the US dollar area—and to withdraw, too, the similar transferability to Canada and Newfoundland.

This change, it will be seen, is simply in line with the realities of the dollar famine already discussed. But the range even of automatic convertibility (which works through the powers delegated to the authorised banks, as distinct from the wider convertibility achieved by specific decisions by the Exchange Control) remains very wide by contrast with the conditions obtaining until a few months ago. Sterling in the hands of non-residents—that is of residents outside the sterling area—falls into four main categories according to the degree of freedom with which it is usable:—

1. *Transferable Accounts Group*.—Multilateralism within the group (provided that payments are made to and from transferable accounts, specifically declared as such, which the authorities concerned are able to supervise) plus the sterling area, and freedom to make payments to certain other countries (those in Group 4 below):

Argentina, Belgium (including Luxembourg, Belgian Congo and Ruanda Urundi), Brazil, Czechoslovakia, Egypt, Ethiopia, Finland, Holland (including the NEI and NWI), Iran, Italy (including Sicily, Sardinia, etc., San Marino and Vatican City), Norway, Portugal (including the Portuguese Empire), Spain (including Canary and Balearic Isles, Ceuta and Melilla, Spanish Morocco and the Spanish colonies), Anglo-Egyptian Sudan, Sweden, Uruguay.

2. *"Bilateral" Group*.—Principal countries with which no "transferable account" agreements have been reached or with which special negotiations are proceeding, as in the case of Canada. Payments are in these cases restricted to payees in the sterling area and in the individual country concerned; there is no transferability within the group.

Austria, Bulgaria, Canada and Newfoundland, China, Denmark (excluding Faroe Isles but including Greenland), France (and the French colonies and mandated territories, etc.), Greece, Hungary, Poland, Rumania, Switzerland and Liechtenstein, Turkey, Yugoslavia.

3. *US Dollar Area ("American Accounts" Group)*.—Sterling held by residents of this area remains convertible into dollars; it can be used freely anywhere within the group and also for payments to groups 1 and 4 (and, of course, to the sterling area).

USA, the Philippines and any territory under US Sovereignty, Bolivia, Chile, Colombia, Costa Rica, Cuba, Dominican Republic, Ecuador, Guatemala, Haiti, Honduras, Mexico, Nicaragua, Panama, Peru, Salvador and Venezuela.

4. *Residual Group*.—Free transferability within the group and in the sterling area.

Includes all countries other than those in the three principal categories, notably Russia, Liberia, Cyrenaica, and Afghanistan. (Excluding, however, Paraguay, sterling on whose "special" accounts is canalised bilaterally).

It will be seen from this classification that, outside the US dollar area, the only countries with which the principles of wartime bilateralism still formally obtain are those in Group 2 (and Paraguay). Sterling held on the accounts of residents of



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any one of those countries is automatically available for payments only to residents in that country or in the sterling area. In practice, however, in all categories (and especially for payments to and from the more important trading nations in Group 2) much wider transferability than the automatic freedom defined above is permitted by administrative arrangements. With Canada (which, until August 20th, was within the transferable account group) special discussions are proceeding; but in several other important cases the principal obstacle to the conclusion of full transferability agreements has been that the countries concerned were not yet prepared to accept sterling unconditionally when offered for current payments by any of the countries operating the full system.

Unquestionably, there already exists in the sterling agreements a formal structure for far-flung currency multilateralism. It

could serve as the foundation for progress towards multilateralism in trade—the only kind of multilateralism of any real consequence, without which the formal currency structure will collapse. This structure, indeed, could be irreparably damaged almost overnight. A sustained refusal by even one or two of the main trading nations to adhere to their agreements to accept sterling would rapidly make it unacceptable to many others. It is heartening to find, therefore, that two of the countries which adopted a particularly cautious attitude after the dollar link was severed—Argentina and Sweden—have decided to work the agreements while longer-term plans are being worked out. Thus is a breathing-space afforded. All who would plan expansively must use it to devise convincing measures that multilateral convertibility can be backed by a flow of goods.

Export Policy Preview

A MONTH has passed since the Prime Minister raised the sights for the export drive from 140 per cent of the 1938 volume by next June, and to 160 per cent by the end of 1948. A fortnight ago, the Chancellor of the Exchequer announced the "temporary suspension" of convertibility of sterling into dollars. The opportunities—and the dangers—for British trade which may emerge now that the external crisis has reached a climactic are examined in the preceding article. What it involves in terms of the future structure of British industry has yet to be unfolded. The Prime Minister referred only in the most general words to sacrifices for employers and workers, and to directions to firms "to ensure that their capacity is used to produce, not those goods which yield the highest profit, but those which are needed in the interests of the national economy." Sir Stafford Cripps's promised elaboration next Friday of future British export policy, and its reactions on British industry, will be earnestly studied; it may well be one of the most momentous steps in economic direction which this Government has yet taken.

A hint of what may be in store is perhaps to be found in the proposals put to the motor industry by the Minister of Supply last week. They can be briefly summarised as follows: first, the size of the "essential" home demand for cars is to be estimated (a calculation which the withdrawal of the basic petrol ration might almost have been designed to simplify); thereafter, the allocation of raw materials to the industry would be "for export only." There is nothing essentially new in this policy; as the motor industry itself well knows, raw materials have long been allocated with strict regard to the volume of export trade which the industry has undertaken to provide from its total output. Within the last week, the industry has agreed to raise its export business to 75 per cent.

But Mr Wilmot then proceeded to make some far-reaching demands about the future organisation of the industry. He argued that, in order to secure maximum economy, there would have to be a much greater degree of standardisation, and a more rapid reduction in the number of models. This would involve "difficult technical considerations," and "the number of firms continuing to manufacture passenger cars must be limited to those firms whose cars are most readily saleable abroad." The representatives of the motor industry seem to have departed from the Ministerial presence in a rather crestfallen mood, and they have reserved their comments on the proposals.

Mr Wilmot's arguments may perhaps be taken as a broad indication of the Government's export intentions, over a much wider field than the motor industry. Within the limits of efficiency of the materials controls, supplies will be diverted to production for export and away from the home market. That is a right, and inevitable, extension of the austerity drive

—and it is a pity that it has not been more consistently applied before, particularly in the textile industries, where the brunt of the loss of production during the February and March shut-down fell, not on the home consumer, but on exports. This sort of planning is, of course, subject to particular limitations. For example, it is possible to control the export quotas of industries which use one or two primary raw materials, like cotton or wool; but it is less easy to control those which use a number of primary materials, or whose output depends upon the assembly of components or sub-contract work. And all recent experience shows that, owing to the continued drain on industry's stocks of materials and intermediate products, the working of the physical controls, even where it is efficient, is becoming increasingly insensitive and harsh.

But the outline of the Government's intentions for the future of the motor industry (for Mr Wilmot did not indicate that these were in any sense interim proposals for the duration of the crisis) goes far beyond these questions of efficient allocation of raw materials. They raise doubts, it seems, on the Government's part, about the ability of many sectors of British industry, even if the necessary materials are provided, to export at competitive prices. It is, of course, easy to make a case against the motor industry for lack of standardisation—though in response to criticism some firms have made useful progress in that direction. In order to get the optimum run of output of a single model (or at most a very limited number) in one factory, the wartime principle of concentration is to be applied. British standardised styles are to invade the world market at lower prices.

If this is the line of the Government's argument, not only for cars but for other export industries too, it will require very close examination indeed. So far as the car industry is concerned, it seems *prima facie* to be reasonable, though it is impossible to be certain until far more facts about the industry are brought into the arena of public discussion. Unlike Sir Stafford Cripps, Mr Wilmot has kept the findings of his private working parties in a top secret file, and the early publication of the report of the Joint Committee which examined the motor industry some time ago is now essential in order to judge how far Mr Wilmot's *prima facie* case is fully supported by the facts. What is the potential export market for British cars? How long will it be sustained? What economies are to be expected from concentrated production? Will average British export prices be lower than American? Some supporters of the policy have made no secret of their belief that the motor industry is a luxury industry, and that its scale should be reduced permanently to cover minimum home needs plus maximum exports. Is this in the Government's mind, too?

Clearly, if the methods suggested for the motor industry by Mr Wilmot are also to be applied by Sir Stafford Cripps in the industries for which the Board of Trade is accountable, the Government will claim a wide and detailed control over many sectors of British industry. If this is evidence of a newly-discovered industrial policy, it will be welcome indeed. But have the Government really discovered the expert manpower which will be required to make the necessary structural changes in industry, and to decide in which industries it would pay to concentrate output in order to sell abroad at lower cost? Most of the Working Party reports have given some indication of future export possibilities, within the limits of available manpower and within the limits, also, of the efficiency of existing plant. But they have not usually examined what might happen to production costs if the labour forces of the undermanned industries were restored—as it is hoped to restore them under the policy of direction of labour. To take only one example, a good deal of the capacity in the cotton industry which is now idle for want of labour is not greatly suited to long runs and standardised production. And, while it may be hoped, it has yet to be proved that overseas markets will readily absorb great quantities of standardised British manufactures, even if it is possible considerably to reduce their costs by a policy of permanent peacetime concentration.

These are some of the points on which industry will closely examine the proposals to be submitted by Sir Stafford Cripps next week. It will also learn the Government's plans for each industry's exports, which, according to last week's announcement, are now being revised in order to "secure" (a confident word indeed) the new export targets for next year. The recent course of the volume of exports (which was examined in detail in *The Economist* of August 9th) is in many respects disturbing. And, at the risk of reading too much into the available figures, it hardly seems that the expansion of the labour force on export business since the end of the war has so far justified itself in a corresponding increase in the volume of goods actually exported. Between the middle of 1939 and last May, the number of persons engaged in manufacture for export is shown

by the Ministry of Labour to have increased by 50 per cent. This figure is almost certainly inflated, but even so, it does not compare very favourably with the estimate that the volume of British exports of manufactures in the second quarter of this year was only 16 per cent higher than in 1938.

It may be objected that the delayed reactions of the fuel crisis affected exports during the second quarter of this year, and that in many cases production for export is completed only after many months of work on the intermediate stages of manufacture. That is true, for example, of most heavy engineering output. But, granted the very rough basis of comparability between the figures, the following comparison of the expansion of manpower in typical export industries since the end of the war and the resulting volume of exports is instructive:—

Increase in Manpower on Export Orders June 1945—May, 1947	%	Increase in Volume of Exports 2nd qtr. 1947 compared with 2nd qtr. 1945	%
All manufacturing industry	265	.....	163
Metal goods, engineering, vehicles aircraft and ships	422	- Iron & steel manufactures - Non-ferrous manufactures - Cutlery, hardware, etc. - Electrical goods - Machinery - Vehicles, ships, etc.	361 131 166 139 222 610
Chemicals, paint, etc.	152	- Chemicals, drugs, etc. - Oils, fats & resin	31 135
Textile industries	95	- Cotton yarns, etc. - Woollen manufactures - Silk and rayon - Other textiles	14 69 3 255
Clothing	289	.....	128
Building materials, pottery & glass ..	142	Pottery, glass abrasives	121
Leather, wood & paper	227	- Footwear - Leather manufactures - Paper & cardboard - Wood manufactures	238 177 252 261

Before profound, and perhaps irreversible, changes in the structure of British industry are undertaken with the intention of boosting selected export trades, it would be well to examine some of the disparities in this table. It suggests, though it may not prove, that productivity per head in several export trades has not increased commensurately with manpower. Is this a deficiency on the side of labour, or plant, or management? In many instances, the reason is shortage of coal and raw materials, which has resulted in concealed under-employment of the labour forces which, statistically at least, are supposed to be busy on production for export. If the new export plan is to work satisfactorily, some means must be found of making the priorities for export materials work far more efficiently and smoothly than they have yet done. And it is doubtful, granted the all-pervasive forces of inflation which are now at large in the country, whether the controls—which are expensive in manpower in any case—can succeed unless home demand is ruthlessly cut down.

In planning for an increase in the volume of exports by the end of next year to 160 per cent of the 1938 volume, the Government is putting industry into an economic forcing-house. The target itself appears to be one which the Government would have been well satisfied to attain by, say, 1951 instead of 1948. To attempt to reach it by controls and compulsions invites great risk of further industrial dislocation, for obviously production programmes cannot be changed overnight. The willingness of overseas countries to accept British exports may conceivably gain something from the suspension of convertibility; but it is too early to judge whether this will in fact be the outcome, or whether international trade as a whole may not fall in the next year or two—in which case the success of the export drive will be determined by British export costs. Nothing that has been said here should in any way be taken to diminish the urgent need for the maximum export of which British industry is capable, and which importers are ready to absorb. But it may, perhaps, illustrate some of the difficulties which confront Governmental planning to produce that desirable result.

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Business Notes

De Profundis

On Wednesday the *Financial Times* industrial ordinary share index fell further to 104.2; a week earlier it stood at 112.6; and the highest point it touched in the carefree January boom was 140.6. During the past week the fall has been unremitting and indiscriminating. There have been ugly suggestions of selling "forced by the banks," and though little factual evidence has been put forward to substantiate this idea, an element of distress has been evident in some of the liquidation. Otherwise, how would it be possible to explain the relentless pressure to sell even at the cost of wholly disproportionate falls in prices? There has been no evidence of a *saute qui peut* flight from equities. The majority of investors, rightly or wrongly, have stayed invested, and institutional investors (if market report is reliable) have scarcely sold a share.

The answer, presumably, is to be found in the combination of a further dose of realism about Britain's economic plight—underlined this week by the spreading Yorkshire coal stoppage—and the desperately narrow character of present-day markets. The technical limitations on dealing which produced precipitate advances during the boom are now doing the reverse during the slump. That is not to say that the general level of equity prices has necessarily fallen too far—indeed, there are good arguments for the opposite view. But it does mean that the absorptive function of the market is now so restricted that falls, when they occur, take place far more quickly and consequently less discriminately than was the case when London could look with some pride at the Stock Exchange as the example of the perfect market. It is so no longer.

CONSTITUENT SHARES—FT IND. ORD. SHARE INDEX

	Par Value	Low 1940	High 1946-47	Price Aug. 28	Price Sept. 3	Latest Dividend	Gross Yield per cent.
		s. d.	s. d.	s. d.	s. d.	per cent.	£ s. d.
Iron, Coal and Steel :—							
Guest, Keen & N.	£1	13/6	49/10	43/3	41/9	11	5 5 6
Vickers	10s.	9/4	34/3	25/1	22/7	12	5 10 3
United Steel	£1	11/6	28/7	23/9	23/1	8	6 18 9
William Cory	£1	53/9	111/3	90/6	87/6	20	4 11 6
Swan Hunter	£1	17/6	72/9	49/-	47/-	16	6 16 0
Textiles and Chemicals :—							
Courtaulds	£1	20/-	58/9	45/3	41/9	7	3 11 9
J. & P. Coats	£1	21/3	79/6	61/-	59/6	12	4 4 0
Lancashire Cotton	£1	11/9	49/6	41/9	40/7	10	4 18 6
Patons & Baldwins	£1	42/6	124/4	95/-	92/6	20	4 6 6
Imp. Chem. Indus.	£1	17/9	53/-	43/7	41/3	10	4 17 0
Motors and Aircraft :—							
Rolls-Royce	£1	45/-	132/6	83/9	82/6	20	4 17 0
Hawker Siddeley	5s.	6/-	28/7	18/9	15/9	32	10 6 0
Morris Motors	5s.	16/9	48/-	35/3	31/6	24	7 1 6
Leyland Motors	£1	27/7	104/4	76/3	72/6	15	4 3 0
Building and Equipment :—							
London Brick	£1	24/-	77/6	56/3	50/-	12	5 0 0
Ass. Port. Cement	£1	38/9	80/9	63/3	58/9	615	5 2 3
Pinchin, Johnson	10s.	13/6	68/3	53/6	50/-	25	5 0 0
Gen. Electric	£1	52/6	111/3	84/3	81/3	17	4 6 3
Stores and Cons. Goods :—							
Harrods	£1	24/6	91/3	65/-	63/9	20	6 5 6
F. W. Woolworth	5s.	38/6	107/6	79/6	73/-	70	4 16 0
Distillers	£1	46/-	155/-	134/-	121/3	25	4 2 6
Watney, Combe, Reid	£1	30/6	105/7	79/6	76/10	20	5 4 0
Imp. Tobacco	£1	66/3	165/7	102/6	96/3	219	7 5 6
Tate & Lyle	£1	35/-	92/9	73/-	69/1	13	3 18 0
Spillers	£1	36/3	93/9	80/-	76/3	17	4 11 9
Shipping :—							
P. & O.	£1	13/6	80/-	51/6	46/-	12	5 4 6
Miscellaneous :—							
Dunlop Rubber	£1	19/9	81/-	66/-	58/3	15	5 3 0
Turner & Newall	£1	42/6	96/9	73/1	69/4	12	5 8 0
Murex	£1	45/-	102/6	82/6	80/-	20	5 0 0
El. & Musical	10s.	4/1	36/9	19/3	17/3	8	4 12 9

(a) Tax free. (b) Plus 2½ per cent tax free.

In the end, however, fundamental factors must prevail over such technical considerations. If the slide in the equity markets during the past fortnight had been merely a technical affair, some partial recovery, in particular share groups at least, might have been expected by now. Instead, even after the new Account opened on Wednesday, the majority opinion clearly held to its view that the economic future was so dark, that until the market as a whole had shown some capacity for rallying from the worst, it was too early to look for groups, or even shares, in which the fall had been overdone. To this there were a few exceptions—like Woolworth, which fell as much as 4s. on Tuesday to 73s., but recovered

to 75s. with the opening of the new Account—but its broad truth is confirmed by the general behaviour of the market. All attempt to rationalise the market's behaviour in terms of prospective inflation have been abandoned, for if a major industrial crisis is developing here and now, and not waiting for the winter (as even the realists a week ago were disposed to believe) there is no virtue in nice calculations.

The accompanying table of the price movements of the constituent shares in the *Financial Times* index borrows and extends to the current week a useful table compiled by an established firm of brokers. It points no morals, though it provides some illuminating comparisons between the relative falls of different shares from their peaks and the wide variations in the relationship of present prices to the 1940 "lows." The index as a whole shows a yield of 5½ per cent. Out of the 30 shares listed, two still yield less than 4 per cent, 12 between 4 and 5 per cent, 10 between 5 and 6 per cent and 6 (including one or two exceptional "high yielders") more than 6 per cent. On paper, a satisfactory relationship between a 3 per cent gilt-edged yield datum and equity yields has now been established. But will it survive the threatening industrial prospect and the possibility of a realistic autumn Budget?

* * *

The Bank and Fund Meetings

It is generally assumed that the importance of the second annual meetings of the International Monetary Fund and the International Bank, for which officials from Washington and representatives of member countries are now flocking, will lie principally in the opportunities afforded to Treasury and central bank experts of many countries for informal discussions outside the conference chamber. No doubt this is so; from this wider standpoint, the occasion could scarcely be more opportune. But the meetings will certainly be fateful for the future of the Bretton Woods twins. Until a few weeks ago, despite the gathering crisis and the rising stringency of world dollar famine, the projected agenda for the Fund meeting apparently ignored all the major problems. An informed article from Washington which appears in the current issue of *The Banker* suggests, indeed, that it then included nothing more than formalities strictly consequential upon the terms of the Fund agreement.

Mr Dalton was evidently trying to breathe some realism into this programme when, in the debate in Parliament last month, he announced that he would raise at this week's meetings "the question of whether we should not extend and modify, as far as the constitution permits, the purposes for which the Fund may be used." It is uncertain, even now, whether this proposal has reached the agenda; but Washington guesses of what Mr Dalton has in mind—they include suspension of the present limit on the proportion of a country's quota which can be drawn from the Fund in any one year, and a reduction in interest charges on drawings—seem to have aroused noisy protests there. Mr Dalton himself admitted that the original purpose of the Fund was "to iron out purely temporary fluctuations in the balance of payments," and Washington authorities seem determined to adhere closely to this principle. If they succeed, it would mean that the Fund is powerless to assist Britain or the needy countries of Europe in the extremities of their balance of payments crisis. It is generally contended that, if either of the Bretton Woods institutions is to be an important vehicle of aid in present circumstances, that aid must come through the International Bank. But all experience to date shows that the Bank has still not thrown off the effects of the overdose of Wall Street financial orthodoxy which it experienced some months ago. And although it was recently stated that "close consideration" would be given to any application by Britain for a loan to finance industrial reconstruction, the impression conveyed was that finance would be available only for very specific projects, the merits of which would be judged, it seems, by traditional banking principles.

If the prospect of more positive and constructive action than this—on the part of both institutions—does not emerge from this week's meetings and the surrounding discussions, most people will feel that the Bank has decisively failed in its mission and that the IMF, whatever its eventual role, will virtually have to go on a care-and-maintenance basis for an indefinite period. It may be true that the Fund was designed as a fair-weather mechanism, and its machinery may even be well designed for that purpose.



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But if it cannot play any useful part in helping to solve this, the greatest exchange crisis which has ever confronted the world, its prestige and authority are bound to be so far undermined that it would be questionable whether it could ever be resuscitated for useful work when calmer weather eventually returns.

How Did the Money Go?

It is undeniable, even in the absence of statistical proof, that the convertibility crisis and its antecedents produced a large exodus of funds from London. How did the money go, and what effects has its movement had upon the banking system and the structure of Governmental finance? Was the overseas sterling, which has since been turned into dollars, simply held on deposit at the banks? Or was it in gilt-edged securities or in tap or tender bills which had to be liquidated as the first step towards obtaining dollars? If so, were the securities mainly sold through the market and the banking system, or were they taken over in blocks by the authorities themselves? All these are questions which ought to be answerable, at least in general terms, if investors and students of Government finance are to obtain a reasonably accurate picture of what has been happening. Yet, despite the figures given by the Chancellor in the debates of July and August, and despite the apparent wealth of statistical material in the National Income White Paper and the regular financial series, none of these questions can be answered with precision and hardly any of them even in general terms—a circumstance which underlines once again how the deliberate withholding of information by the authorities makes a mockery of the many figures which are given.

An attempt to penetrate the fog is nevertheless worthwhile. The starting point for enquiry is the floating debt, both because this is the form in which most of the overseas balances have been held and because it is to reduce this debt that any net sterling receipts from sales of dollars are applied. The portions held in deposits with commercial banks or in gilt-edged securities have always been relatively small, though it should be noted that in recent weeks these portions—and especially the deposits—may well have been the most volatile. The sale of dollars for sterling previous held in "tap" or "tender" Treasury bills will not, of course, result in any reduction in the "active" floating debt—the portion financed through the banking system, and comprising tender bills allotted through the discount market and Treasury deposit receipts—because the Exchequer will have itself to furnish the cash which the dollar purchasers pay to it. Nor will such operations necessarily produce a reduction even in the internal portions of the debt, for the bills surrendered by overseas holders may be retained by the "departments" instead of being cancelled. In such a case, an exchange of tap bills for dollars would have no effects visible to the outside scrutineer. Where, however, the foreigner held tender bills, the most probable result, given the policy of roughly stabilising the total tender issue, is a complicated switch within the active portions of the debt—a reduction in bank holdings of TDR's offset by an increase in their call money, bills or even bonds. In this context it should be noted that overseas dollar purchases financed by drafts on deposits or sales of gilt-edged to the public do produce effective debt reduction: the Treasury receives cash which it uses to redeem TDR's (and the clearing banks experience either a loss of deposits or an increase in their other assets). On balance, however, it seems probable that the main impact of overseas demands for dollars has fallen upon the "internal" portions of the debt.

Floating Debt Analysed

Unfortunately, analysis of the movements on these principles is made virtually impossible by reason of the huge internal Exchequer adjustments during the period in question. At March 31st last the total floating debt stood at the record level of £6,955 million; now, at end-August, it stands at only £6,286 million—a drop of no less than £669 million in five months. By far the greater part of this decline has occurred in the "internal" debt, as above defined. The end-March total cannot be precisely broken down into its components, but if the figure for April 5th (£6,944 million) be taken for the purposes of analysis, it will be found that a decline of £588 million in total floating debt between then and August 9th (when outstanding tap bills reached their lowest point, at approximately their present level) was distributed as follows:

CHANGES IN FLOATING DEBT (April 5—August 9, 1947)			
	April 5	August 9	
<i>"Internal" Debt:</i>			
Dept. Ways and Means	593	348	- 245
B. of E. Ways and Means	19	4	- 15
Tap Bills	2,704	2,424	- 280
Non-Market Tender Bills*	1,129	1,201	+ 72
			- 468
Market Tender Bills†	1,056	979	- 77
Treasury Deposit Receipts	1,444	1,401	- 43
			- 120
Total Floating Debt	6,944	6,356	- 588

* Estimated aggregate of bills then outstanding which were allocated in the first instance to quarters other than the discount market.
† Estimated aggregate of outstanding bills allotted initially to the discount market.

These figures show that there has indeed been a substantial switch from internal to active floating debt, since the decline in the former has been very much greater than in the latter.

Buying Overseas Bill Holdings?

These figures afford no direct clue to the movement of foreign money because a dominant influence has certainly been the spurious character of Mr Dalton's much-vaunted surplus. In the period to end-June alone there was an "above-line" surplus of no less than £220 million ostensibly available for debt reduction; but in fact some £190 million of this represented only nominal revenue, so that most of the consequential debt reduction must have occurred in the internal items—tap bills or ways and means advances. On the other hand, it is now known that in these three months the Treasury received no less than £238 million from actual sales of borrowed dollars and, even after allowing for "below-the-line" outgoings, therefore ostensibly had nearly £200 million available for redemption of the active portions of the debt. In fact, the outstanding total of tender bills and TDRs was reduced in this period by a mere £5,000,000.

The disparity between the funds apparently available for debt redemption and the amount by which the active debt was in fact reduced is but another facet of the disparity between the Exchequer and the banking figures to which attention has frequently been called in these columns. Taking items both "above" and "below-the-line," the Exchequer figures adjusted for nominal revenue suggest that in the second quarter of 1947 about £215 million was available for repayment of Treasury borrowings from the banking system; yet in fact only about some £60 million of such borrowings was repaid (net bank deposits rose during the three months by £64 million, but £97 million was required to finance additional advances and a further £24 million to absorb investments which may be presumed to have been sold to the banks by the public).

Once again, it is clear that the authorities have required finance for undisclosed purposes. Evidently, the money cannot have been needed for the acquisition of gold, for the Chancellor's recent statement suggests that the net gold holding showed little change in the first half of this year (the gross holding appears to have declined by approximately the amount of the UK subscription to the IMF). Equally, there is no reason to suppose that on balance any substantial sum was employed in giving direct support to the gilt-edged market. In the circumstances, since large-scale movements of overseas funds were known to be taking place, it is tempting to assume that at least a significant portion of the Treasury's "excess" borrowings was required for the purpose of turning foreign-owned securities into cash. Governmental direct purchases of blocks of short bonds from, say, one of the overseas currency boards, or of Treasury bills (whether tap or tender) from other overseas authorities would certainly be consistent with the facts so far as they are known, and would resolve some of the more intractable puzzles in the figures quoted above.

Loss of Deposits?

The publication this week of the clearing banks' figures for the August make-up (August 20th) makes it possible to carry the analysis forward through the critical period which included the formal restoration of convertibility and ended with its suspension a fortnight ago. In two respects, this latest period—the seven weeks since end-June—presents instructive contrasts with the preceding three months. For the first time for many months an attempt to reconcile the banking trends with those shown in the Exchequer returns does not reveal any wide disparity. In recent weeks, it seems, the resources ostensibly available to the Treasury

for debt redemption have not been substantially diverted to undisclosed uses. Paradoxically, this change has happened at a time when the large nominal surplus "above-the-line" has turned into a nominal as well as actual "above-line" deficit.

In the period July 1st to August 23rd (the nearest date both to the latest banking figures and to the suspension of convertibility) there was an ordinary deficit of £35 million after bringing in £54 million of revenue which may be presumed to have been only nominal, giving a true "above-line" deficit of £89 million. "Below-the-line" there was a further deficit of no less than £100 million, principally in consequence of war damage payments. The actual dollar spendings have been officially disclosed for all but a week of this period; assuming £20 million for that week, the total for the seven weeks would be £220 million. On balance, therefore, the Treasury should ostensibly have had a surplus of £31 million available for repayment of "active" floating debt—if the dollars were wholly sold for cash. Over the same period net bank deposits declined by £24 million, but the public apparently required £40 million of additional bank finance (advances rose by £27 million and gilt-edged portfolios by £13 million). In other words, but for these demands by the public, bank deposits would have fallen by £16 million—a figure which, given the difference of three days in the periods covered by the Exchequer and banking returns respectively, aligns quite closely with the £31 million ostensibly available.

At the same time, the banks' TDR holdings (which actually rose in the three months to end-June) have at last begun to fall substantially—by £82 million in the two months. Significantly, too, the outstanding total of tender bills originally allotted to the discount market (which fell by approximately £100 million in the earlier period) has since risen by £70 million—partly, however, in consequence of the special credit-smoothing operations at the abnormal tender of August 15th.

In view of this contrast, the conclusion which emerges from the whole analysis is, first, that in the earlier period, the overseas demand for dollars must have come principally from balances formerly held in bills or bonds, and that the credit repercussions of these movements were both concealed and neutralised by the actions of the authorities. In the final period, however, the effects became discernible; this suggests, perhaps not a change in official policy, but that in this phase the balances converted were already

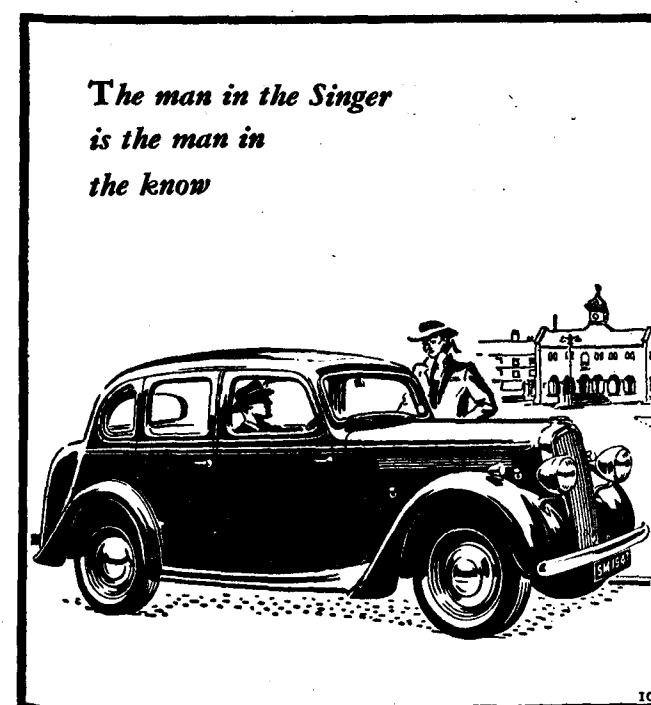
held in the most liquid forms—in deposits with the clearing banks outside banks or in maturing tender bills.

Mexican Eagle Compensation

Out of the blue of Mexico City on Monday came messages that a settlement had at length been reached between the Mexican Government and the Mexican Eagle Oil Company regarding the company's properties which were expropriated in 1938. So many false hopes have been dashed in this case that the market was justified in waiting for official confirmation, which duly followed that evening. As a result, the ordinary shares which, almost alone in the whole Stock Exchange list, advanced from 14s. 4½d. to 17s. 6d. on Monday, became an extremely active market in early dealings on Tuesday, but the opening dealing range of 20s.-22s. 6d. was not proof against extensive profit-taking, and the shares now stand at 18s. 3d.

The official statement records that, after providing for claims between the Mexican Government and the company, and for private claims against the latter, the Mexican Government will pay \$US81½ million, plus 3 per cent interest from March 18, 1938, to September 18, 1948. Payment will be made in fifteen annual instalments of \$US8,689,257.85 on September 18th in each year beginning with 1948 and ending in 1962. These annuities include interest on the outstanding balances during the period of repayment.

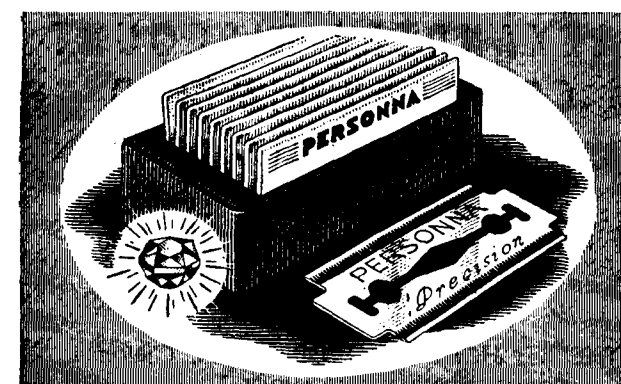
This settlement has been warmly welcomed both by the Government and by the City. It has been produced after discreet negotiations of a very different sort from those which were contemplated in the excessively formal procedures laid down in the exchange of Notes between the two Governments in February, 1946. Those negotiations broke down at an early stage in expert disagreement. The final agreement, between the Mexican Government and the company, does not, apparently, restrict the payment of compensation to British and Dutch subjects, as was proposed in 1946. It is difficult to make any accurate estimate of the eventual value of the compensation per share. And since payment does not start until a year hence and is spread over 15 years, the market's reflection this week that the present worth



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per share of the compensation instalments is to a large extent conjectural, is probably wise. If the total receipt per share amounted to 30s.—some estimates put it higher—the increment over the present price of 18s. 3d. would represent a gross return (without entering into any subtleties about accumulating interest) of about 8 per cent per annum. Whether this is a fair measure of the risks which now attach to Mexican credit remains to be proved; it would be a somewhat flattering measure of what has happened in the past. Perhaps some closer estimate will be possible when the full terms of the settlement are received in London.

* * *

Dis-saving Continues

The more reluctant Mr Dalton is to resort to an autumn budget to bring financial pressures to bear in the reshaping of Britain's overstrained economy—and Mr Bevin's speech this week suggests that he shares this reluctance—the more imperative it becomes to re-vitalise the drive for voluntary savings. The savings campaign is not, of course, any substitute for budgetary action, for it could never succeed in reversing the inflationary process. At best, it could do no more than put a brake upon the accentuated inflation which threatens to result from the enforced reduction in the supply of consumable goods—or, in monetary terms, from loss of the budgetary relief which has been afforded by external borrowings. On the test of recent experience, even that is a slender hope. Although the main holiday season is over, the latest weekly figures reveal another net disbursement by the authorities to meet small savers' encashments of past savings. In the week ended August 23 (for which figures are reported during the following week) gross receipts totalled £15,258,000, whereas repayments required £15,403,000—excluding £585,000 paid out in interest on encashed savings certificates.

The target of £1,000,000 per day—£366 million in this fiscal leap year—was presumably chosen because it was a nice round figure, which is indubitably necessary. But there never was any reason to suppose that it could be attained without a quite miraculous revolution in the technique of propaganda, for it represents an increase of some £30 million on the figures actually achieved in 1946-47, when "savings" were largely and artificially boosted by Mr Dalton's ill-omened "last chance" tactics—and by

attracting subscriptions from "large" savers by offering them what was, in effect, an increased rate of interest. This same device—which certainly cannot be used again—explains the ostensibly good start to the current savings year. In the first seven weeks, net savings totalled £57.3 million. Now, fourteen weeks later, the year's cumulative total is £4,000,000 less than that, and is almost back to the level of mid-May. It is true that these fourteen weeks embrace the whole holiday season, in which the pressure of encashments is at its maximum. But in no week since early June have this year's encashments been less than in the corresponding week of 1946, and in the similar fourteen weeks of 1946 nearly £45 million was added to the cumulative total of net savings.

The cumulative position now, indeed, is worse than it was in May, for in the meantime the authorities have been paying out interest on encashed certificates—this interest is not included in the repayment figures—at the rate of between £400,000 and £600,000 per week. In addition, accrued interest on certificates retained mounts up at the rate of about £2,750,000 per week. Finally, it must be noted that in this financial year, in addition to the encashments of bonds before maturity, £37.9 million of 3 per cent bonds have been repaid at maturity. Some at least of this money (not to mention the large payments now being made on war-damaged chattels) must surely have been reinvested. To this extent, the figures of gross "new" savings are even worse than the published statistics imply.

In short, if these efforts are the brakes on inflation, it is all too plain that they desperately need re-lining. Will the "silver lining" campaign do the trick, in this setting of strikes and public gloom? The time is fast approaching when the only kind of propaganda which stands any chance of success is that of the mailed fist—a threat of blocking of bank deposits and restriction of encashment facilities unless the spending orgy is slowed down. But if such measures could be contemplated even as a threat, the "tough" budgetary policy which is the only proper course would presumably be equally acceptable to this timid Government.

* * *

The Rise in Petrol Prices

The latest rise in the price of petrol, which since last Monday retails at 2s. 1½d. a gallon, has attracted surprisingly little com-

ment—presumably because the private motorist is much more concerned about the prospective abolition of the basic petrol ration, and the business motorist, being enured to continually rising prices of almost everything he handles, reckons that another penny on the gallon is of little or no account. Nevertheless, it is difficult to see why the announcement of the increase should not have included some more particular justification than the usual reference to increased costs of materials.

With those commodities which enjoy an international market and sell at a price determined by world supply and demand—and petroleum is one of them—the home price must follow the world trend if profits are to be kept stable. Equally, however, the home price should not anticipate the world price, unless it is the declared policy of the Government to allow increased profits to be made at the expense of petroleum consumers. Since the war there has been a world shortage of petroleum products, and the unsaturated demand is naturally forcing prices upwards. The cif value of imported motor spirit increased from £30.3 per thousand gallons in May, when domestic prices were last raised, to £31.6 per thousand gallons in July—an increase of 4 per cent, which almost entirely reflects an increase in the world price. Thus the new rise of a penny a gallon, which also represents a 4 per cent increase, appears reasonable.

In most price changes the relevant factors are complex, and that is particularly true of oil prices. There is no ground for supposing that the latest increase is unreasonable. But it could have been appropriately explained in greater detail. The Ministry of Fuel and Power has insisted on a Consumers' Council, which is to operate when the oil companies regain their separate identities next year. Is there any less reason why the consumers' interest should be ignored during the closing months of the Petroleum Board's operations?

* * *

Banks Keep their Gilt

For a month which embraced both the formal restoration and ending of convertibility and two severe cracks in the gilt-edged market, the latest clearing bank figures reveal, at first glance, surprisingly unspectacular changes. The wider credit repercussions of the dollar drain are fully analysed in earlier Business Notes this week, but it deserves to be noted that there is little sign that in the five weeks from July 16th withdrawals of foreign deposits came from accounts with the clearing banks. In this period, net clearing bank deposits actually rose by £25 million—to which movement a further expansion of investments and advances contributed £21 million. On the assumption that this expansion was not indirectly associated with the liquidation of overseas balances, it is in the movement of the banks' Treasury deposit receipts and money market assets that this liquidation would be mainly reflected. The inverse movement between these two items—bills and call money are up by £37 million and TDRs are down by £35 million—suggests that in this period balances formerly held with outside banks or in maturing bills were the principal source of the strain. In the previous banking period, the first half of July, the repayment of TDRs exceeded the expansion in money market assets by £28 million—a difference which suggests that in this phase there may have been overseas withdrawals from clearing banks themselves.

As for the other major financial event of the month, the break in gilt-edged, it is clear that the activities of the banks cannot on balance have contributed to the pressure. The total gilt-edged portfolio has risen by another £4 million to the new high level of £1,492 million. Although this increase is much smaller than that shown in any month since January, it is noteworthy that it reflects a highly consistent policy among the several banks. Only one of the eleven banks has reduced its portfolio during the month—one of the smaller institutions shows a decline of £700,000. The largest individual change was an increase of £2.1 million by Lloyds; the National Provincial portfolio, which had been substantially reduced in the second quarter of this year, has risen by £1.5 million. The movement of bank advances affords no reflection of the probably exaggerated rumours that the fall in stock markets has led to an insistent pressure for increased margins on accounts secured by Stock Exchange collateral. Total advances have risen by £17.0 million, despite a decline of fully £12 million in the advances of the National Provincial Bank (which are liable to rather erratic movements in consequence of the importance of tobacco financing in this case). The hesitant tendency of advances in the previous month was evidently purely ephemeral.

Higher Rayon Prices and Output

Last Monday the price of rayon yarn was increased by 4d. a lb. for all types except for one or two qualities and deniers of viscose and acetate yarns. Viscose staple fibre was increased by 2½d. for all qualities. This rise reflects the recent increases of raw material prices, particularly of wood pulp, and the increased costs of operation which, in the present inflationary situation, are common to all manufacturers. The price rise has been the first since October, 1941, when continuous filament weft was sold at 55d. a lb. In April, 1945, it was reduced to 52½d. a lb. and again in May of this year to 46½d. a lb. when the 6d. Excise Duty was removed. The latest increase raises the price to 50½d. a lb., so that two-thirds of the benefit of the lifting of the Excise Duty has been lost to the consumer. The price of staple fibre will now be 18d. a lb.

These price increases are unlikely to have any damaging effect on the demand for rayon, which for some time has been more than capable of absorbing all supplies. In any case, staple fibre remains considerably cheaper than the other textile fibres and even the differential price spread between continuous filament and cotton or wool is still lower than it was before the war.

Simultaneously with the increase in prices, it was announced that output of rayon and nylon in July was the highest ever recorded in the United Kingdom; the total was 18.2 million lb. compared with 16.8 million lb. in June and 17.6 million lb. in January. The production of rayon yarn increased by 5 per cent during the month to 10½ million lb. and staple fibre by 13 per cent to 7,700,000 lb. The steady recovery since the February fuel crisis has thus been more than maintained; indeed the output has now surpassed the pre-crisis level. The quantity of staple fibre produced continues to account for a larger share of the total; in 1939 it represented 33 per cent of rayon output, in 1946 39 per cent, in January, 1947, 41 per cent and in July 42 per cent.

DELIVERIES OF RAYON YARN
('000 lbs.)

	Jan.-Mar. 1947	Apr.-June 1947
Weaving	10,776	13,615
Hosiery	3,241	3,030
Warp knitting	2,381	2,839
Narrow fabrics	874	874
Lace	428	363
Hand knitting	299	315
Industrial purposes (tyres, etc.)	3,969	4,518
Miscellaneous	416	444
Exports as yarn	2,960	3,288
TOTAL	25,344	29,286

An analysis of the delivery of rayon yarn (including strong yarn, but excluding nylon) to the principal users during the first two quarters of 1947 is shown in the accompanying table. Weaving, warp knitting, industrial purposes and exports, which represent four of the five major outlets, showed an expansion during the second quarter as compared with the first. On the other hand, hosiery, the other important consumer, took less yarn in the second three months.

* * *

Trust Metamorphosis

Another instance of a complete change in the activities of a long-established investment trust has come to light this week with the publication of a statement for information relating to the Northumbrian and Crayford Trust, Limited. This undertaking is the successor to the North Queensland Mortgage and Investment Company, Limited, which was incorporated as long ago as 1886 to carry out a mortgage and investment business. In July, Close Brothers, Limited, acquired almost the entire share capital in the company, a new board was appointed, the company's name was changed, the bulk of its old assets liquidated and new interests acquired in four greyhound racing and breeding concerns.

It is a long journey from loan and mortgage business to open up the new sheeplands of Queensland in the 'eighties to the tote and electric hare at Gosport and Bexley Heath. But there is, of course, nothing particularly novel about the technical procedure by which it has been accomplished. The recipe is quite simple. No new capital may be raised nowadays for the purposes of a financial trust. Hence it is open to those who wish to undertake new business of this sort to sidestep the barrier which the Capital Issues Committee has set up if they can find an existing trust (preferably a not too going concern) with wide investment powers

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under its articles and a portfolio of securities which can be realised without great difficulty to provide finance for the new business which the purchasers have in mind. A recent instance of this kind was the purchase of the Aurochs Investment Trust by the Whitehead Industrial Trust, and another, of a rather different order, was the acquisition by Hambros Bank of the Conversion Investment Trust a year ago.

The latest metamorphosis illustrates the limitations to the legal doctrine that the objects of a company can be effectively circumscribed by its articles of association. Objects clauses have always been drawn sufficiently widely to cover almost any activity or contingency. There was, indeed, a prewar case in which a company which originally set out to make jam later proposed to make gramophone records. Where such wide scope exists for a change in the basic character of a company's operations it is difficult to see what force still resides in the legal doctrine that a company's acts must be *intra vires*. The latest case is interesting for one particular feature—namely, that the new shareholders have undertaken to purchase at par any of the 4 per cent debenture stock from holders who do not desire to retain their investment owing to the change in the character of the company's holdings.

Sharp Rise in Import Prices

There was a sharp rise in the prices of imports in July, which was reflected in a further advance of 3 per cent in the Board of Trade index during the month. The average cost of raw materials was 4 per cent dearer, manufactured goods 3 per cent, and food, drink and tobacco 2½ per cent. Thus the rising trend of import

IMPORT AND EXPORT PRICES INDEX NUMBERS
1938=100

	April	May	June	July
Imports:—				
Food, drink & tobacco	229	232	236	242
Raw materials	254	271	282	282
Manufactures	223	232	237	244
TOTAL	234	241	245	253
Exports:—				
Food, drink & tobacco	216	217	219	220
Raw materials	218	222	227	232
Manufactures	221	226	227	230
Metal goods	200	204	207	208
Textiles	297	301	301	310
Other manufactures	214	218	220	221
TOTAL	221	225	227	230

prices continues on its apparently unshakeable course, and the rate of increase has itself begun to rise.

The rise in export prices amounted to only 1 per cent, which was reflected almost entirely by the increase in the average export

value of manufactured articles. Export prices for textiles, which had remained stationary during June, increased by 3 per cent, but there was virtually no change in the price indices for metal goods, other manufactures or food, drink and tobacco. For the third month in succession the average export price of raw materials has risen by 2 per cent, but in view of Britain's present inability to export coal the benefit of this increase to the balance of trade is microscopic. Had raw materials played the same part in Britain's postwar export pattern as they did in prewar years, they would now be playing an important part in redressing the adverse balance of payments. The accompanying table shows the monthly index numbers of import and export prices compiled by the Board of Trade for July, with comparative figures for the three preceding months.

Reduced Synthetic Rubber Consumption

A definite tendency has been evident during the first five months of this year for world consumption of synthetic rubber to fall. In January consumption totalled 67,500 tons, but by May it had fallen to 55,000 tons. Production, however, fell more sharply, with the result that stocks of synthetic rubber were reduced to about 125,000 tons at the end of June compared with 140,000 tons at the end of 1946. The synthetic rubber position is, of course, completely dominated by the United States, and there the downward trend in synthetic consumption has been proceeding fairly steadily during the first half of this year. In June, United States' consumption was estimated at 42,358 tons compared with 48,663 tons in May and 62,899 tons in June, 1946, and the total for the first half of the year amounted to 312,953 tons against 409,493 tons in the first six months of 1946.

This situation looks superficially satisfactory, particularly when it is set against the comparable figures for natural rubber consumption in the United States. In the first half of 1947 American industry used 258,872 tons of natural rubber compared with 84,525 tons in the corresponding period last year—an impressive threefold increase. But in each of the six months beginning with last January consumption has remained fairly steady at about 43,000 tons a month. Thus, the decline in American synthetic consumption has not been made good by any corresponding increase in natural rubber consumption. Nor, indeed, can it be increased until action is taken towards a further modifying of the notorious R.L. instruction (which determines the proportion of synthetic rubber to be used by the manufacturers) in favour of the natural product or by annulling it altogether; it still seems unlikely that any action will be taken in this direction before Congress meets at the beginning of next year.

World natural rubber consumption has expanded during the first half of the current year, but output has increased still further, causing a net increase in world stocks which at the end of May were reported as 907,500 tons as against 895,000 tons at the end of

1946. The rate at which stocks are accumulating is, however, declining as the trend in output since last March has been downwards. Malaya is now faced with yet another obstacle to production, for the Government of the Dominion of India has announced its intention to continue the embargo on the emigration of Indian

WORLD RUBBER STATISTICS
('000 Tons)

	Jan.	Feb.	Mar.	April	May	June*	Jan- June 1947	Jan- June 1946
<i>Production :—</i>								
Natural rubber.....	100.0	97.5	107.5	102.5	102.5	95.0	605	250
Synthetic rubber ...	67.5	63.5	62.5	55.0	45.0	41.5	335	396
Total	167.5	161.0	170.0	157.5	147.5	136.5	940	646
<i>Consumption :—</i>								
Natural rubber.....	85.0	75.0	97.5	105.0	100.0	102.5	565	182
Synthetic rubber ...	67.5	60.0	62.5	60.0	55.0	45.0	350	503
Total	152.5	135.0	160.0	165.0	155.0	147.5	915	685
<i>Estimated Stocks :—</i>								
Natural rubber, 30 June, 1946, 705,000 tons.					30 June, 1947, 935,000 tons*			
Synthetic " 30 June, 1946, 138,000 tons.					30 June, 1947, 125,000 tons*			
	843,000 tons				TOTAL 1,060,000 tons			
* Provisional and subject to revision.								

labour unless wages are brought into line with those paid to Chinese labourers. Chinese rates are double the Indian rates, but Chinese labour has a higher productivity. Under existing conditions it would not be financially possible for the rubber industry to accede to the Indian Government's conditions. In any case a surplus of labour is expected on the estates shortly, unless there is an impressive expansion in the demand for rubber. Following the recent fall in prices, a number of plantations had to close down. In addition Malaya is confronted with a replanting problem. In December last 70 per cent of the rubber trees were over 21 years old and only 12.7 per cent of the total acreage has been planted with high yielding stock. A rubber tree is generally expected to reach its optimum yield at between 13 and 17 years of age. There is at present an urgent need to reduce plantation

costs, but this can only be effectively done by re-planting with high yielding trees; even then the results will not be seen for some years.

Gas Turbines for Ship Propulsion

The application of the gas turbine principle to marine propulsion has been carried a stage further by the installation of the first engine of this type in a naval vessel. A Metropolitan-Vickers gas turbine in HM motor gunboat 2009 is now undergoing exhaustive sea trials in service conditions, and the Admiralty is planning a larger installation for an escort vessel. The present set is, of course, purely experimental, and has been installed in place of one of three petrol engines to drive the central propeller shaft when added speed and power are required.

Considerable research has been carried out, notably in the United States, Great Britain and Switzerland, in this new form of engine, which uses oil fuel to impart a rotary as opposed to a reciprocating motion. The engine can thus have all the advantages of the smooth-running steam turbine and, by obviating the need for boilers to supply steam, shows considerable economy in weight and saving of space. There are certain technical difficulties, however, to be overcome, notably the metallurgical problem of providing turbine blading and other parts which can withstand for a sufficient length of time the extremely high temperatures of the products of combustion. Reversing, too, apparently presents difficulties, which may have to be solved by the use of turbo-electric drive or by fitting variable-pitch propellers—another recent development on which marine engineers are working.

Further experiments in this direction will follow when a BTH gas turbine unit is installed in the "Shell" group's diesel-electric tanker *Auris*, at present under construction. This turbine will be used in place of one of the diesel generators for experimental purposes. It may be some time before sufficient data can be acquired to show whether advantages in fuel consumption, reliability, length of life and increased revenue-earning cargo capacity will offset initial costs to make the gas turbine of practical value for merchant ships. But it may be recalled that only a few years after the appearance of Charles Parsons' small *Turbinia* the *Lusitania* was crossing the Atlantic with the then revolutionary form of steam turbine propulsion.

SECURITY PRICES AND YIELDS

A fuller list containing 370 securities appears weekly in the *Records and Statistics Supplement*. Notes on the following company reports also appear in the Supplement; Union Cold Storage; Calico Printers' Association; Distillers.

Prices, Jan. 1-Sept. 3, 1947		Name of Security	Price, Aug. 27, 1947	Price, Sept. 3, 1947	Net Yield, Sept. 3, 1947 (n)	Gross Yield, Sept. 3, 1947	Prices, Jan. 1-Sept. 3, 1947		Last Two Dividends		Name of Security	Price, Aug. 27, 1947	Price, Sept. 3, 1947	Yield, Sept. 3, 1947	
High	Low						High	Low	(a)	(b)					(c)
Other Securities															
105½	100½	Conversion 3½ March 1, 1948-53...	101½	101	£ s. d.	£ s. d.	113½	99½	%	%	Australia 3½ 1965-69...	101½	102½	£ s. d.	
103½	100½	War Bonds 2½ August 1, 1949-51...	101	100½	0 16 4	1 19 10½	105½	89½	(d)	(d)	Birmingham 2½ 1966-71...	92½	92½	3 0 0½	
102½	98½	Exchequer Bonds 1½ Feb. 15, 1950...	100	100	0 18 10	1 14 11	102½	100½	(d)	(d)	Argentine 3½	101	101	3 9 8	
105½	98½	War Bonds 2½ March 1, 1951-53...	100½	99½	1 9 10	2 12 5½	232½	118½	5 a	25 b	Anglo-Iranian Oil £1	180½	162½	3 13 10	
105½	97½	War Bonds 2½ March 1, 1952-54...	99½	99	1 12 3	2 14 11½	80½	56½	10 c	15 c	Assoc. Port. Cem. Ord. Stk. £1	65½	58½	5 2 1½	
108½	101½	War Loan 3½ (after Dec. 1, 1952)...	103½	103	1 8 7	3 1 4½	42½	25½	25 c	40 c	Barrard's Bank Ord. 'A' Ord. Stk. 5s.	33½	26½	7 12 5½	
106	97½	War Bonds 2½ Aug. 15, 1954-56...	99	98½	1 11 3	2 14 2½	95½	73½	7 b	7 b	Bass Ratcliff Ord. 'B' £1	77½	75½	3 14 2	
106	99½	Funding 2½ June 15, 1952-57...	101½	101	1 8 9	2 14 11	245½	170½	120 b	15 a	Bass Ratcliff Ord. 'B' £1	77½	75½	3 14 2	
108½	99½	National Def. 3½ July 15, 1954-58...	102	101½	1 9 8	2 16 10½	115½	80½	12 b	8 b	British Oxygen Ord. £1	182½	170½	2 18 10½	
109½	100	War Loan 3½ Oct. 15, 1955-59...	102½	102½	1 9 8	2 17 5½	58½	40½	7½ c	9½ b	Courtaulds Ord. £1	45½	41½	4 17 0	
108½	98½	Savings Bonds 3½ Aug. 15, 1955-65...	101½	100½	1 12 2	2 19 2½	29½	22½	8 c	8 c	Dorman Long Ord. £1	25½	23½	6 16 2	
105½	97	Funding 2½ April 15, 1956-61...	98½	98	1 11 8	2 15 3½	81½	57½	12 c	15 c	Dunlop Rubber Ord. £1	67½	58½	5 3 0	
109½	98½	Funding 3½ April 15, 1959-69...	101½	101½	1 11 9	2 19 3½	53½	40½	3 c	7 b	Emp. Chem. Ind. Ord. Stk. £1	44½	41½	4 17 0	
122½	109½	Funding 4½ May 1, 1960-90...	113½	112½	1 3 11	2 18 10½	49½	39½	7½ c	7½ c	Lanco Cotton Ord. Stk. £1	41½	40½	4 18 6	
107½	97½	Savings Bonds 3½ Sept. 1, 1960-70...	100½	100	1 13 0	3 0 1½	57½	45½	5 c	10 c	Lever & Unilever Ord. £1	50½	47½	4 4 3	
104½	93½	Savings Bonds 2½ May 1, 1964-67...	95½	95	1 14 1	2 17 10½	77½	50½	10 c	12½ c	London Brick Ord. Stk. £1	56½	50½	5 0 0	
123½	109½	Victory Bonds 4½ Sept. 1, 1920-761	113½	113	1 6 6	2 19 7*	84½	73½	(d)	(d)	L.M.S. 4½ 1st Pref. Stk. ...	77	75	5 0 0	
117½	97½	Savings Bonds 3½ Aug. 15, 1965-75...	100½	100	1 13 1	3 0 2½	36½	32½	4½ b	2½ a	N. Eastn. Elec. Ord. Stk. £1	34½	34½	5 6 8	
117½	106	Consols 4½ (after Feb. 1, 1957)...	109½	108½	1 5 6	3 0 4½	68½	47½	5 a	20 b	Pebbin J'nson Ord. Stk. 10s.	54½	50½	5 0 0	
115½	102½	Conversion 3½ (after Apr. 1, 1961)	104½	104½	1 11 6	3 2 1½	39	29½	169-58c	174½ c	Prudential 'A' £1	32	30½	2 9 5½	
100½	80½	Treas. Stk. 2½ (after Apr. 1, 1975)	85½	85½	1 12 0	2 18 2½	63½	44½	12½ c	12½ c	Stewarts & Lloyds Def. £1	48½	45½	5 11 1	
110½	95½	Treas. Stk. 3½ (after Apr. 3, 1966)	99	98½	1 14 9	3 1 9½	108½	80½	12½ a	15 b	'Shell' Transp. Ord. Stk. £1	95½	83½	1 15 9½	
117½	97½	Redemp. Stk. 3½ Oct. 1, 1986-96...	99½	99½	1 13 5	3 0 5½	147½	109½	12½ b	12½ a	Tube Invest. Ord. Stk. £1	120½	113½	4 7 11	
99	80	Consols 2½	85½	85½	1 12 4	2 18 8½	96½	68½	8½ b	3½ a	Turner & Newall Ord. Stk. £1	73½	69½	3 12 1	
Redemption yields on stocks optionally or finally redeemable within the next five years															
							107½	67½	55 b	15 a	Woolworth (F. W.) Ord. 5s.	81½	73½	4 15 11	

Redemption yields on stocks optionally or finally redeemable within the next five years are worked out on the assumption that they will be repaid at the earliest date. Redemption yields on other dated stocks assume that stocks paying over 3 per cent will be redeemed at the earliest date (these are marked 'e'), and those paying 3 per cent or less will be repaid at the latest date (marked 'f'). (n) Net yields are calculated after allowing for tax at 9s. in the £. (f) Flat yield. * Assumed average life 17 years 6 months.

(a) Interim. (b) Final. (c) Whole year. (d) Int. paid half-yearly. (e) To earliest redemption date. (f) Also a capital bonus of 2½ per cent free of income tax. Yield worked on 15 per cent basis. (h) Fifteen months to March 31, 1947 (yield basis 7.6 per cent). (i) To latest redemption date. † Free of tax.

"Not to develop a gift,
Brother, is to be unworthy
of it. We might have
accepted tobacco as it was.
Instead, by care and inspira-
tion, men have produced
this Mixture—a veritable
work of Art, a hymn in
praise of Providence."

Fryer's Special 4/4 for 1 ounce
SMOKYNGE MIXTURE



COMPANY MEETINGS

AMALGAMATED ROADSTONE CORPORATION, LIMITED

IMPROVED TRADING PROFITS

The eleventh annual general meeting of the Amalgamated Roadstone Corporation, Limited, was held on the 29th ultimo at River Plate House, London, E.C., Mr G. F. Nalder (chairman) presiding.

The following is an extract from the statement by the chairman which had been circulated with the report for the year ended October 31, 1946:—

It is with great satisfaction that I am able to report to you that the merger with the British Quarrying Company, Limited, was duly completed and I take this earliest opportunity of welcoming to our Board of Directors Messrs J. S. Killick, D. W. Cleaver, A. H. Arnold and Ian Fraser, directors of the British Quarrying Company, Limited.

The benefits of the amalgamation are not reflected in the accounts now before you, and only a partial benefit will be felt in the current year. The full effect should be apparent in future years.

The profits earned, including E.P.T. recoverable, enable your directors to recommend a final dividend of 5 per cent., making with the interim dividend already paid, 8 per cent. for the year, thus slightly exceeding the rate of distribution made last year in respect of the 19 months' period to October 31, 1945. You will also observe the reduction in carry-forward of £6,517, but this is far more than offset by the allocation to capital reserve of £11,436 and to debenture redemption of £7,517 and by the retention in the accounts of subsidiary companies of profits for the year amounting to £8,656, and the payment of the non-recurring charge of £8,000 being compensation to directors—three of British Quarrying Company, Limited, and two of this Company—who retired on the amalgamation. These items amount, in the aggregate, to £35,609. The results achieved in the year under review were to the extent of £79,885 assisted by recovery of E.P.T.

CURRENT YEAR'S OUTLOOK

As regards the current year, already so far advanced, we are glad to be able to state with confidence that without any such assistance the results will be shown to be still better. This in effect means an improvement in trading profits of more than £80,000 in spite of three seriously adverse factors with which we have this year had to cope—first the exceptionally severe winter, which naturally hit hardest outdoor activities such as quarrying; secondly, the consequent power cuts and, thirdly, the fact that this was immediately followed by drastic reductions in the road programmes of all public authorities. As regards the future, more than £240,000 has been spent on additional equipment of which only a small part has been productive for only a short period in the current year; consequently, given continuance of even the prevailing conditions in our industry, which can hardly be described as normal, next year should show a further increase of profits. We do not feel that the present critical state of national and international affairs should prove particularly adverse to our company.

Addressing the meeting, the chairman said: In my printed statement I referred to our expectation that the current year's trading profits would exceed last year's by more than £80,000. More up-to-date draft accounts have now become available which show that that was an under-statement; in fact, we are now justified in anticipating an improvement of at least £130,000. These improved results are in the main due to the greatly increased availability of Coast-wise shipping this summer, the shortage of which had been our greatest hardship during the preceding two years.

The report was adopted.

LONDON ASIATIC RUBBER AND PRODUCE COMPANY, LIMITED

DIVIDEND OF 10 PER CENT

At the annual general meeting of the London Asiatic Rubber and Produce Company, Limited, held in London on the 1st instant, the chairman, Mr H. J. Welch said:

It is a great pleasure to be able to put before you accounts which, unlike those for the years 1942 to 1945, show a substantial credit balance and allow of a dividend of 10 per cent. being recommended. For this result we are indebted in the first place to the men who went out, after the liberation of Malaya from Japanese control, to re-lay the foundations of estate organisation and working under conditions of great difficulty and considerable hardship.

From October onwards, the company's production was at a level not very much lower than before the invasion. The estates which in the past manufactured sole crepe were able, one by one, to reintroduce this grade.

Owing to the serious shortage of supplies of leather, the premium on sole crepe has been considerable, and at present this is still the case, though the prices obtainable for forward sales have declined and the demand is much more discriminating than it was in respect of types and quality.

For 1947 the estimated crop amounts to nearly 13,000,000 lb. (or over 5,800 tons), of which we hope at least 1,000 tons will consist of sole crepe and 200 tons of another special form of rubber. Without being unduly optimistic, it seems clear that the company's net profit this year will be greater than last, and that in spite of the prevailing difficult conditions the stockholders are not likely to consider the results for the year unsatisfactory.

The accounts were adopted unanimously.

TELEPHONE MANUFACTURING COMPANY, LIMITED

CHANGE-OVER DIFFICULTIES

The seventeenth annual general meeting of this company was held, on the 25th ultimo, in London, Mr Fred T. Jackson, O.B.E., Comp.I.E.E., chairman and managing director, presiding.

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

The gross profit on trading is £134,896 and in comparison with that of the preceding year of £410,559 shows a reduction of £275,663. This reflects in part the cancellation of contracts following on the cessation of the war and the change-over to civilian requirements. The total distributable balance is £66,577. An interim dividend of 2½ per cent. has already been paid and a final dividend of 6½ per cent. is proposed.

The change-over from war work presented us with difficulties which could not be foreseen, as they arose from national policy created by the Government and were altogether outside our control. The material supply position has been, and still is, one that causes very great anxiety, and during the present shortage it can only be dealt with by a system of priorities. There is far too much material being used in non-essential manufacture to the detriment of the country's effort in export and home trade.

We are up against problems over which we have no control, and our only hope is that the Government will recognise its mistakes and allow private enterprise unfettered freedom. Given this freedom, your company is in a good position. We have a good order book amounting to over £1,800,000 at June 30, 1947. I would say that our prospects over the next few years are excellent, especially if the supply of raw materials becomes more plentiful.

The report was adopted.

WILLSON'S (LONDON AND PROVINCES), LIMITED

RECORD TURNOVER

The fifteenth annual general meeting of Willson's (London and Provinces), Limited, was held, on the 3rd instant, in London.

Colonel The Rt. Hon. Lord Barnby, C.M.G., C.B.E., M.V.O. (the chairman), in the course of his speech, said: The company's turnover and profits for the year under review, which is the 21st anniversary of the foundation of the business, have exceeded the preceding year's record figure. The number of customers served, too, has been a record one.

The accounts before you show that for the year ended January 31, 1947, the profit amounted to a sum of £134,468, compared with £103,381. There is a disposable balance of £18,533 from which your directors recommend that a dividend of 25 per cent. for the year (less tax) be paid on the Ordinary shares for the year ended January 31, 1947, which compares with a dividend and bonus totalling 17½ per cent. paid for each of the previous two years.

The company has always pursued a policy of building up reserves before distributing dividends, and the result is that you have before you a balance-sheet of marked strength with reserves totalling the substantial sum of £146,216. £43,000 has been set aside for Excess Profits Tax. This brings the total provisions made for the Excess Profits Tax since it was instituted to £226,000.

SUCCESS OF NEW ISSUE

Since the accounts for the period were closed the company has issued to the Ordinary shareholders the authorised but unissued "A" Ordinary shares capital, and this provided an additional £100,000 working capital. This issue was not underwritten and all the shares available were readily taken by the existing Ordinary shareholders, in fact, it was over-subscribed. The assets have been written down in accordance with the policy consistently adopted. For instance, the whole of the fixtures, fittings and shop furniture in all the branches, offices and warehouses stand in the books at the nominal figure of £14,877, and on the accounts before you fixed assets aggregating £318,492 are nearly £80,000 more than the total issued capital. It might interest you to know that of the turnover in the accounts, the percentage absorbed by wages and salaries is a very high one, for the company follows the policy that the remuneration of all employees shall be at the highest possible economic level.

During the year we have obtained part possession of a large block of buildings in Edgware Road, which we secured some years ago on very favourable terms but which has remained under requisition.

The main anxiety with us (as with all manufacturers and suppliers of consumer goods) is with regard to supplies, but it is again my pleasure to express our thanks to each of the suppliers who has assisted the company in a successful but difficult year's trading. I also wish to tender our thanks to those who have, despite many difficulties, worked so hard in factories under our control to meet our requirements.

I am sure that I shall be complying with your wishes by saying how much we appreciate the individual efforts made by every member of our staff in contributing to the continued progress of our business, and to thank them for their share and assure them that their contribution is valued.

There is one matter which I feel sure you would wish me to mention. In the autumn of the year under review the 21st anniversary was celebrated of the business by your managing director, Mr Maurice Mauray. Though we have roughly 100 branches at the present time, plans and organisation are in readiness for the controlled expansion to the second hundred.

The report was adopted.

GOVERNMENT RETURNS

For the week ended August 30, 1947, total ordinary revenue was £78,352,228, against ordinary expenditure of £81,544,989 and issues to sinking funds £50,000. Thus, including sinking fund allocations of £4,461,384 the surplus accrued since April, 1st is £248,287,466, against a deficit of £418,292,900 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1947-48	Receipts into the Exchequer (£ thousand)			
		April 1 to Aug. 31, 1946	April 1 to Aug. 31, 1947	Week ended Aug. 31 1946	Week ended Aug. 30 1947
ORDINARY REVENUE					
Income Tax	1073000	361,727	331,931	12,448	12,908
Sur-tax	80,000	14,711	16,805	265	425
Estate, etc., Duties	155,000	61,110	69,879	2,630	2,800
Stamps	57,000	13,750	19,480	500	1,050
N.D.C.	202,000	12,999	12,280	540	1,150
E.P.T.		132,101	87,086	7,020	4,500
Other Inland Rev.	1,000	148	100		
Total Inland Rev.	1568000	596,546	537,561	23,403	22,833
Customs	736,960	239,099	318,369	15,628	18,693
Excise	643,040	244,300	253,400	19,200	22,100
Total Customs & Excise	1380000	483,399	571,769	34,828	40,793
Motor Duties	50,000	6,947	9,979	262	111
Surplus War Stores	95,000	14,890	78,099	261	12,937
Surplus Receipts from Trading	50,000	...	25,000	...	...
Post Office (Net Receipts)	...	4,350	1,080	Dr 800	Dr 1,300
Wireless Licences	11,000	2,250	3,190	490	550
Crown Lands	1,000	450	440	60	30
Receipts from Sundry Loans	21,000	7,457	13,769	718	112
Miscellaneous Receipts	270,000	14,302	158,851	546	2,281
Total Ord. Rev.	3451000	1132591	1399738	59,768	78,352
SELF-BALANCING					
Post Office	144,230	49,300	57,900	3,100	3,800
Income Tax on E.P.T. Refunds	49,000	94,774	11,095	2,337	326
Total	3644230	1276665	1468733	65,205	82,478
		Issues out of the Exchequer to meet payments (£ thousand)			
Expenditure	Estimate, 1947-48	April 1 to Aug. 31, 1946	April 1 to Aug. 31, 1947	Week ended Aug. 31 1946	Week ended Aug. 30 1947
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	525,000	199,148	203,185	1,150	2,309
Payments to N. Ireland	23,000	7,108	8,880	...	1,509
Issue to Nat. Land Fund	...	50,000	...	...	...
Other Cons. Fund Services	8,000	3,492	3,318	19	21
Total	556,000	259,747	215,383	1,169	3,839
Supply Services	263,511	128,689	931,606	81,532	77,706
Total Ord. Exp.	3,191,114	154,664	1,146,989	82,701	81,545
SELF-BALANCING					
P.O. & Broadcasting	144,230	49,300	57,900	3,100	3,800
Income Tax on E.P.T. Refunds	49,000	94,774	11,095	2,337	326
Total	3,338,344	169,975	1,215,884	88,138	85,671

After decreasing Exchequer balances by £459,763 to £2,619,301 the other operations for the week increased the gross National Debt by £16,078,558 to £25,541 million.

NET ISSUES (£ thousand)

	Aug. 27, 1946	Aug. 12, 1947	Aug. 26, 1947
P.O. and Telegraph	400		
E.P.T. Refunds	398		
Overseas Trade Guarantee Act, 1939, Sec. 4 (1)	136		
Coal Industry Nationalisation Act, 1945, Sec. 34 (1)	5,000		
Local Authorities Loans Act, 1945, Sec. 3 (1)	5,150		
War Damage: War Damage Commission	2,000		
Finance Act, 1946, Sec. 26 (7) Post-war Credits	211		
	13,295		

Statistical Summary

CHANGES IN DEBT (£ thousand)	
NET RECEIPTS	NET REPAYMENTS
Nat. Savings Certs. 2,100	Treasury Bills ... 29,342
2½% Def. Bonds ... 710	3% Def. Bonds ... 1,749
Other Debt:—	Tax Reserve Certs. 1,164
External ... 75,873	Internal ... 744
	Ways & Means Advances ... 2,105
	Treasury Deposits ... 27,500
78,683	62,604

* Including £1,126,000 paid off on maturity.

FLOATING DEBT (£ million)

Date	Treasury Bills		Ways and Means Advances		Treasury Deposits by Banks	Total Floating Debt
	Tender	Tap	Public Depts.	Bank of England		
1946 Aug. 31	1940-0	2529.3	461.7	13.75	1647.0	6591.7
1947 May 24	2190-0	2620.1	327.5	...	1463.5	6601.1
" 31	2180-0	2603.3	337.5	1.5	1463.5	6585.8
June 7	2180-0	2584.9	341.5	5.5	1463.5	6575.4
" 14	2180-0	2592.1	347.1	10.25	1453.5	6582.9
" 21	2180-0	2614.4	341.9	10.0	1443.5	6589.8
" 28	2180-0	2537.3	369.9	...	1442.0	6529.2
July 5	2180-0	2584.9	356.7	6.25	1368.5	6496.4
" 12	2180-0	2541.0	378.6	...	1358.5	6486.0
" 19	2180-0	2503.1	328.9	...	1408.5	6420.5
" 26	2180-0	2493.4	270.9	...	1408.5	6352.8
Aug. 2	2180-0	2470.4	317.7	2.5	1400.5	6371.0
" 9	2180-0	2424.0	348.4	3.5	1400.5	6356.4
" 16	2180-0	2428.2	336.7	11.75	1380.5	6337.1
" 23	2180-0	2467.9	336.9	9.75	1350.5	6345.1
" 30	2190-0	2428.5	339.8	4.75	1325.0	6286.1

TREASURY BILLS (£ million)

(₹ million)				Average Rate of Allot- ment %	Per Cent. Allotted at Min. Rate	
Date of Tender	Amount					
	Offered	Applied for	Allotted			
1946 Aug. 30 1947	150.0	268.3	150.0	10	2.83	44
May 30	170.0	282.5	170.0	10	1.66	49
June 6	170.0	290.5	170.0	10	1.45	45
" 13	170.0	277.7	170.0	10	1.61	49
" 20	170.0	282.0	170.0	10	1.65	49
" 27	170.0	288.4	170.0	10	1.43	46
July 4	170.0	292.1	170.0	10	1.51	46
" 11	170.0	299.8	170.0	10	1.09	40
" 18	170.0	294.5	170.0	10	1.39	44
" 25	160.0	292.4	160.0	10	1.24	40
Aug. 1	160.0	287.9	160.0	10	1.11	39
" 8	170.0	276.6	170.0	10	1.48	49
" 15	170.0	235.6	170.0	10	2.34	68
" 22	170.0	258.4	170.0	10	1.58	55
" 29	170.0	251.9	170.0	10	3.14	59

On Aug. 29th applications for bills to be paid on Monday, Tuesday, Wednesday, Thursday, Friday and Saturday were accepted as to about 59 per cent of the amount applied for at £99 17s. 5d. and applications at higher prices were accepted in full. £170 million (maximum) of Treasury Bills are being offered for Sept. 5th. For the week ended Sept. 6th the Banks will be asked for Treasury deposits to an amount of £100 million (max.).

NATIONAL SAVINGS (£ thousand)

	Week Ended Aug. 24, 1946	Week Ended Aug. 23, 1947	Totals Mar. 31 to Aug. 23, 1947
Savings Certificates:—			
Receipts	2,000	3,100	100,600
Repayments	1,500	3,250	59,500
Net Savings	500	Dr 150	41,100
Defence Bonds:—			
Receipts	1,870	725	36,085
Repayments	905	852	15,225
Net Savings	965	Dr 127	20,860
P.O. and Trustee Savings Banks:—			
Receipts	15,130	11,433	268,226
Repayments	11,317	11,301	275,839
Net Savings	3,813	132	Dr 7,613
Total Net Savings	5,278	Dr 145	54,347
Interest on certificates repaid	225	585	11,703
Interest accrued on savings remaining invested	2,196	2,242	42,841

BANK OF ENGLAND RETURNS

SEPTEMBER 3, 1947

ISSUE DEPARTMENT

	£	Govt. Debt ...	£
Notes Issued:		Govt. Debt ...	11,015,100
In Circulation	1392,412,870	Other Govt. Securities ...	1438,340,690
In Bankg. Department	57,834,963	Other Secs. ...	635,499
		Coin other than Gold ...	8,711
		Am't. of Fid. Issue ...	1450,000,000
		Gold Coin and Bullion (at 172s. 3d. per oz. fine) ...	247,833
	1450,247,833		1450,247,833

BANKING DEPARTMENT

	£	Govt. Secs. ...	£
Capital	14,553,000	Govt. Secs. ...	319,567,350
Res.	3,924,926	Other Secs. ...	
Public Depts.	12,485,469	Discounts and Advances ...	19,886,185
		Securities ...	37,795,243
Other Depts.:		Notes ...	57,834,963
Bankers	292,304,491	Coin ...	2,537,600
Other Accts.	94,267,270		
	386,571,761		
	417,535,156		417,535,156

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

NATIONAL BANK OF INDIA LIMITED

Bankers to the Government in Kenya Colony and Uganda.

Head Office: 26 BISHOPSGATE, LONDON, E.C.2.

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SUBSCRIBED CAPITAL... £4,000,000
PAID-UP CAPITAL... £2,000,000
RESERVE FUND... £2,300,000

The Bank conducts every description of Eastern Banking business. Trusteeships and Executorships also undertaken.

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UNIVERSITY OF CAMBRIDGE

The Appointments Committee of the Faculty of Economics and Politics will shortly proceed to the appointment of a University Lecturer in Economics, to be filled by a person primarily concerned with the teaching of Economic History (mainly since 1750). The appointment will be governed by the Statutes and Ordinances of the University. The initial pensionable stipend of a University Lecturer is at present £250, and for the year 1947-48 there will be paid a non-pensionable bonus addition to the stipend of £75, or £50 if the Lecturer is a Fellow of a College. An allowance of £50 for each dependent child will also be paid. A lecturer who is not a Fellow of a College may be granted a further pensionable allowance of £250.

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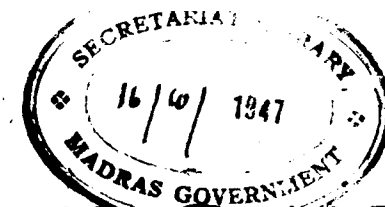
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More Controls

IN a crowded Chamber, the House of Lords sat alone this week, against the Government's wishes, ostensibly to review any orders that might have been made under the Supplies and Services (Extended Purposes) Act, really to hear a Government statement on the economic situation. The ostensible and original purpose of the sitting disappeared for the simple reason that only a few, and those insignificant, Orders under the Act have so far been made—which provides a good commentary on the fuss that attended its passage through Parliament. But quite enough has been happening in the last few weeks since Parliament adjourned for the noble lords to have expected at least a partial explanation of Government policy even if they could not expect a statement of what the Government intends to do in the future. They were, however, disappointed. No information, no Government statement, said Lord Hall, could be made to one House, especially the unelected House, while the other House was in recess.

It is through declarations like this that the British constitution is moulded, and, no doubt, to the historians of the future it is the constitutional rather than the political aspect of the Lords' brief sitting this week that will merit attention. The British people of to-day are, however, less concerned with constitutional niceties than with a desire for a clear indication that the Government is capable of steering them out of the present difficulties. So far all they have been given are small instalments of cuts that add up to very little. They know that the dollars are gone, but they do not yet know how it will affect their food supplies. They know that another fuel crisis, with all that it entails, is almost inevitable in the coming winter. What does the Government intend to do? And what does it expect the people to do? That was the burden of the Lords' debate, and they were right to ask these questions on behalf of an anxious people, whose own representatives are at present powerless to ask them. If the Government was unable, constitutionally, to answer them in the House of Lords, its proper course is to recall the House of Commons and answer them there. It is not as if the Government have had nothing to say since Parliament rose for the vacation. There have been several most important decisions announced on the wireless. And this very week Sir Stafford Cripps is to disclose another facet of the Government's proposals to a public meeting at the Central Hall. What sort of constitutional propriety is it that will choose almost any vehicle of publication other than the Houses of Parliament? The effect, inevitably, is to deepen the impression that the Government are getting steadily less sure of themselves.

These lines have to be written in ignorance of what Sir Stafford Cripps's contribution to policy will be. But unless all the advance indications are liars, his proposals will add up to the imposition of more and stricter controls on industry. Export targets will be set, and the means proposed for securing that they are attained will be, in short, tighter controls on production for, or consumption in, the home market. Much of this is inevitable. Much of it is even praiseworthy. Sir Stafford Cripps is one of the very few Ministers who has always seen clearly what was coming on the road the country is travelling, and has not attempted to

Priorities for Western Europe

mislead the country into thinking that it would be an easy road to travel. But even Sir Stafford Cripps has not succeeded in giving the impression that he has a policy, in the sense of a clearly thought-out set of measures to get the country on to a different road, and one suspects that his new proposals have been forced upon him by events rather than deliberately excogitated as an effort to recapture the initiative. Even the President of the Board of Trade is panting after events, not leading them.

There are, in theory, various possible lines of policy that might be pursued in an effort, not indeed to solve the formidable economic difficulties that confront the country—for a large part of them turn on the decisions of the American President and Congress—but to put Britain back into a posture where the assistance needed from abroad is reduced to a minimum and the advantage that can be taken of any aid granted is raised to the maximum. Two of the more extreme prescriptions can be dismissed fairly quickly. Not many people even in the right wing of the Conservative Party really believe that it would be a tolerable and effective policy to remove all the controls, restore the rule of the market and let things rip. There is too much real scarcity for anything of the sort, and even in the United States, where the conditions were much more favourable for the restoration of market freedom, the opinion is now widespread that decontrol went too fast and too far. The other extreme is a policy of more and more immediate socialism. This is even less relevant to the immediate problems of the day. The attempt has been almost abandoned to claim that there is anything specifically Socialist that could be done and that would bear fruit in less than five years. Indeed, the one expedient that is unquestionably Socialist—the nationalisation of basic industries—has had a lot of the gilt taken off its gingerbread by the obstinate insistence of the strikers of Grimethorpe that the National Coal Board is merely the old boss class writ large.

*

Even when these extremes—which are emotional states rather than policies—are ruled out, there are still various courses that might be followed. The trouble is that they all lead, sooner or later—and most of them sooner—to the necessity for doing things that are politically impossible. For example, one course, which has frequently been advocated here, is that of deliberately reducing the flow of incomes until it is no larger than the flow of available and desirable goods and services. The symbol of such a policy would be the creation of a real budgetary surplus of some four or five hundred million. But any such compression of the flow of incomes could be entirely frustrated if the capitalist could draw on his capital and if the trade unionist could insist on raising his wages to offset every rise in taxation or every cut in food subsidies. The difficulty of preventing spending out of capital is perhaps more technical than political. But the difficulty of preventing wage increases—for that is what is meant by the often-repeated demand for “a wages policy”—is purely political. The recent Trades Union Congress made it perfectly clear that they would agree to anything else, even to labour conscription in peacetime, rather than brook any interference with each union's sacred right to exploit its bargaining strength to the utmost.

Another possible policy would be to close the gap between the flow of incomes and the flow of desirable goods and services, not by reducing the income but by increasing the prices at which the goods and services are valued. (At first sight, there is something contradictory about a suggestion that inflation can be cured by rising prices; but that is, of course, the classical way in which all inflations have restored the balance between demand and supply and brought themselves to an end.) This might be technically easier, in many ways, than the compression of incomes. But it also comes up against the hurdle of wages policy, for if every rise in prices is to be immediately and completely offset by an increase in wage incomes, then the

rise of prices would have to continue a very long way indeed before it accomplished its object—it would have to go on until the whole of the required adjustment had been squeezed out of those classes of the population who could not protect themselves.

The third possible policy is to go on defying the inflationary gap and trying to keep everything in its place, or to move resources to where they are needed, by the sheer brute force of the planned and compulsory economy. This is the policy that the Government are following, for while they are doing nothing to close the inflationary gap—at the moment they are acquiescing in its enlargement—they are steadily increasing the compulsions with which they seek to keep the economy at an impossibly full stretch. Within the last few weeks the direction of labour has been re-introduced, the supplies of goods and services on which the individual is allowed to spend his money have been reduced, and it will be surprising if Sir Stafford Cripps does not extend the system of the allocation of materials—that is, of their compulsory withholding from a whole range of activities.

The completely planned economy, which not only dispenses with the techniques of the free market but deliberately defies the normal patterns of economic behaviour, lends itself to the working out, on paper, of the most intricate economic patterns and therefore has an attraction for the theorist. But in practice, in the actual circumstances of Britain today, the further intensification of compulsory controls is bound to fail. For one thing, there is already an acute shortage of competent controllers. The administrative machine is already strained to breaking point, and it was publicly asserted the other day, without excessive exaggeration, that the only way to get an answer to any query directed to a Government Department is to address it through a Member of Parliament. If there are to be more and tighter controls, they will not work. This is the more certain because, in a democratic country, the worm always retains plenty of power of turning. If there were a serious intensification of controls, either there would be a public revolt or else there would be a wide growth of black markets, or both together.

*

Nevertheless, if the Government were now resorting to an intensification of controls because of a coherent and deliberate preference for this route above all others, the effort would have to be made to understand the policy, to improve its details and, so far as possible, to work it successfully. But unfortunately it is all too clear that the Government are entering on this road not because they have taken thought and decided that it is the most promising one, but because it is the only one that is not barricaded at the very entrance by political obstructions, either by the immediate necessity of eating their own words or by the immediate veto of an entrenched vested interest whom they do not dare to disturb. The obstructions lie only a little further down the road of tighter controls, but for the moment it enables Ministers to have the semblance of a policy without taking decisions which, as politicians, are too painful for them to face. This, it is to be feared, is the real reason why it is being chosen. It is a *pis aller* as well as a blind alley.

But what are politicians for, if not to take the responsibility for painful decisions? For what else do they get their salaries, and the pomp and glory they enjoy? The clue to the crisis, it is necessary to go on insisting, lies in Downing Street. Indeed, even that may be a little premature, for “crisis,” as a correspondent to the daily press has been pointing out, derives from a Greek verb meaning “to decide”; a crisis is not a time of difficulty but a time of decision. That being so, it is when the crisis arrives in Downing Street that the country will begin to feel better.

THE first three reports—on food, fuel and shipping—prepared for the Conference of Sixteen at Paris have now been published.* The report on food establishes two disturbing facts—that West European food production is only 63 per cent of the 1938 level, in spite of a phenomenal rise in population of some 21 millions since that year, and that a marked fall has taken place in this year's harvest. Last year, West European production of cereals reached 55.6 million metric tons. The harvest this year is only 48.9 million. Very slight increases in other foodstuffs—such as meat and milk—cannot offset this serious decline. The supplies which Europe hopes to receive from the United States amount to some 30 million tons of cereals each year until 1951. The fuel report shows a similar dependence on American coal, which must be imported at the rate of 40 million tons next year; but it is hoped to reduce these imports in succeeding years until, by 1951, such sources as Poland and South Africa will make good Western Europe's very small deficit. Similarly, in the case of shipping, it is hoped by 1951 to be completely independent of “dollar tonnage” and to return to normal maritime competition between European and American shipping.

These reports have this special interest, in that they underline Western Europe's two most pressing and inescapable needs—for wheat and coal. In the three principal countries of the Marshall Plan—Britain, France and Italy—the outlook for both commodities is growing darker. The French have had the worst harvest since Napoleonic times; strikes in Northern Italy endanger the gathering of the precious rice harvest and thus threaten to increase the strain on the domestic wheat crop, which is up to normal dimensions, but still inadequate. The troubles in the British coal industry make the modest target of 200 million tons by the end of the year look very remote and the getting of coal in the Ruhr, although it is improving, is still not much above the figure for last March. In these conditions, it is not surprising that the deficits for 1948 estimated in the report run to 30 million tons of cereals and 40 million tons of coal.

At the same time, the dollar reserves are all but exhausted. If the Italians and the French cannot each secure a \$250 million advance from the World Bank (which they hope to do in London next week) or if the French have to rely, as they virtually do now, on withdrawing their permitted quota from the Monetary Fund, at the rate of about 25 million dollars a month, both countries may be stripped completely of the means of buying either coal or wheat by the beginning of the new year. Domestic harvests might carry them on for a little, but the loss of coal would be felt in an instant fall in production. A favourable decision on the Marshall Plan by Congress, even if it were given as early as March, would not produce any wheat or coal for several months after that. Very prolonged negotiations and delays would be necessary to transform a Congressional appropriation into wheat actually moving across the Atlantic. And if these delays were to require tremendous shipments of wheat later in the year to make up for the empty months, the transport system could hardly handle it. In which case, the European Governments might fail to cover the domestic ration, with what political and social consequences can be imagined.

This deterioration in the European economic position has immediate and obvious consequences for the Marshall Plan, both for the framers of it in Paris and for the sponsors in

* The available figures are published in full in this week's issue of the “Records and Statistics” Supplement to *The Economist*.

Washington. As one distinguished American columnist put it: “A blood transfusion is of little use if the patient is already dead.” Yet American reactions are a little confused. On the one hand, according to “inspired” leaks to American correspondents, strong American pressure is still attempting to alter the report and, above all, to reduce its requirements. Mr Clayton does not believe, apparently, that the figures will be acceptable to Congress and would like the scaling down to continue. But the final report is to be signed next week—Mr Bevin will go to Paris for the ceremony—and presumably no further modifications will be made. But while Mr Clayton is trying to cut down the scale of the programme, the State Department is apparently trying to speed up its timetable. The tempo of Europe's deterioration is far too fast for the relatively leisurely procedures envisaged for the Marshall Plan—its consideration during the autumn by the President's Committees on American capacity to help and on Europe's needs, by the Herter Committee, by the Foreign Affairs Committees of both Houses and the preparation of legislation to be considered by Congress when it reassembles after Christmas. The process of educating American public opinion to the existence of a much more urgent crisis, to the need for a special session of Congress and for an interim appropriation has already begun. First, Mr Lovett, the Under-Secretary of State, broadcast his view that bad harvests, the hard winter and the contagious effect of the British financial crisis made immediate help to Europe essential, and now Mr Marshall himself, on his return from Rio, has spoken of an interim programme of aid this autumn. The summons to a special session of Congress apparently awaits only the President's return.

*

The deepening crisis in Europe is bound, meanwhile, to have a marked effect on the Sixteen Nations. The principle behind the Marshall offer and the principle which brought them together in Paris was the belief that better results would be achieved and a saving of dollars (and the resources they represent) would follow, if a concerted plan took the place of the individual national scramble for funds and goods. But it has to be remembered that the greater the stringency, the greater is the temptation for the various nations to see if they cannot step out of their place in the orderly Marshall ranks and push ahead on their own to see what exclusive benefits Washington might, or might not, be prepared to concede. The worse the plight of Europe, the greater the strain on the loyalty and unity of the Sixteen. Countries like Italy, in particular, which are conscious of enjoying an exclusive advantage in America—the size of the Italian vote—are under especial temptation to open negotiations on the side, and the more the Americans feel inclined to reduce the global figure, the more individual nations will be tempted to see if their share of the inadequate total cannot be increased by a little private negotiation. But any general yielding to such a temptation would quickly destroy the whole Marshall approach and return Europe to the jostling scramble in which each nation's chief aim is to jump its place in the queue.

This problem of the cohesion and loyalty of the Sixteen Nations is much more than a problem of holding the ranks through the stringent months that lie ahead. It raises questions fundamental to any negotiations with the Americans, whether they concern a short-term plan for immediate stop-gap assistance, or the Marshall Plan as a whole. How are the Sixteen planning to conduct their campaign? How do they

envisage the presentation of the plan, and its expounding to Congress? And later, if they are successful, what machinery will they set up to see that a plan which began as a co-ordinated effort does not slip back into national smash-and-grab, once the appropriations have been made and the dollars are available? In this sense, the question of their future co-operation may be the decisive factor in the success or failure of the Plan.

It is reported from Paris that a delegation, led by Sir Oliver Franks, the chairman of the Co-ordinating Committee, will go to Washington to conduct the negotiations with the Americans. On the question of the presentation of the Plan, both to Congress and to American public opinion, the delegation would presumably allow themselves to be guided to a great extent by American advice on the best way to proceed. But there are certain questions which the Sixteen will have to decide for themselves and which they cannot decide too soon. The allocation of some \$5 or \$6 billion worth of supplies a year will be beset at every turn by fearsome problems of priority, by bottlenecks, by shortage of transport and, since supplies will have to be bought in a largely uncontrolled market, by the possibility of sharply rising prices. Orderly processes of procurement and supply are essential and, above all, the Sixteen must find ways of not bidding against each other for supplies which are scarce and thus forcing up their price. At the moment, there is no suggestion that the Sixteen Nations should establish a Purchasing Mission and a Priorities Board. Yet how can they secure the best results from the hoped-for appropriations unless some such mechanism exists? It is equally important to associate with whatever agencies are established representatives from the principal suppliers—the United States, the Dominions, certain

of the Latin American States—and to set up bodies which to some extent resemble the Combined Boards of the war. Only two such agencies exist today—the International Emergency Food Council and the European Coal Committee, whose functions are being transferred to the European Commission of the United Nations. Neither body quite fits the needs of the Sixteen Nations, but their mere existence is a reminder of how vexed and urgent is the problem of allocating scarce world supplies among competing national demands.

It is not too early to consider these problems. If the search for dollars is successful the effectiveness of the next stage in the Marshall Plan depends upon agreement between the Sixteen on the best use to be made of the first year's dollars; and the use they make of them will in turn determine the likelihood of receiving the second, third and fourth appropriations, each of which will have to run the whole gauntlet of Congressional criticism and inquiry. But if the search for dollars is unsuccessful, the need for the closest co-operation in the use of scarce resources is even more essential. European self-help may be the condition of success under the Marshall Plan; it would be the condition of survival in a world without dollars. No one will suggest that it is easy to recreate in the much more difficult and complex circumstances of today a degree of co-operation which was achieved only with great effort under the simple, more straightforward compulsions of war. But the compulsions for the next year, at least in Europe, are likely to be the equally simple compulsions of starvation and mass unemployment and if the nations of Western Europe cannot unite successfully in face of these then clearly they do not have within them the means of their own survival.

Before the General Assembly

WHEN the General Assembly of the United Nations opens its second regular session in New York next week, it will have a number of difficult and important international problems on its agenda—chief among them the report of its Committee on Palestine. But it is to be hoped that the pressure of particular problems will not prevent the delegates from devoting some attention to the general question of the kind of instrument they have created for their international purposes, and the use they are making of it. The United Nations has been in being for over a year, and has been very active. In his Report, Mr Trygve Lie points out that, from July 1, 1946, to June 30, 1947, the General Assembly held 443 plenary and committee meetings, the Security Council 347, the Economic and Social Council 168, the Trusteeship Council 56 and other United Nations bodies 897 meetings.

Equally, however, all this activity has been singularly barren of results. The assembled nations would be well advised to do a measure of stocktaking now so that, if errors and weaknesses are apparent, they can be changed before they acquire the sanctity of precedent. The Secretary-General's annual report and the presentation of the \$39 million budget provide the opportunity for such a review.

A criticism often and justifiably put forward is that the Secretary-General has failed to grow to the stature which his world position (and his scale of remuneration) demand. He has not been able to establish himself as an arbiter above the conflict, a figure genuinely respected, whose voice on any issue can rise above the clamour of interested governments. No intervention of his could mitigate the major clashes, but a man of greater moral standing and world influence could certainly have sweetened tempers, shamed crudities and even increased co-operation in all matters of less importance. As it is, rancour runs from the top to the bottom of international life.

The inadequacy of the Secretary-General is repeated, with one or two brilliant exceptions, in the senior staff. The governments are largely to blame, for, in spite of all their lip service to international action, few of them have placed at Uno's disposal men of the technical ability and personal authority necessary to give the Organisation what it so urgently requires—a status apart from governments, an authority derived from its own competence and impartiality. Who, after all, will listen to an international agency when infinitely more competent people are sitting in the government offices at home?

What the United Nations lacks in competence, it has unfortunately made up in size. Mr Lie admitted in his Report that much of the growth of the Organisation had been haphazard, undertaken in answer to uncoordinated demands of the various councils and commissions, whose chief aim in life appears to be to encourage everybody to investigate everything. The grim result has been an endless proliferation of committees, a considerable degree of overlapping, both within the United Nations and between it and the specialised agencies, an immense duplication of secretariat, a severe shortage of competent technicians and, last of all, a mound of documentation in five languages which threatens to submerge Lake Success in a new lake of paper. No organisation can prosper with such a degree of elephantiasis. What is needed is a decision at the highest level—the General Assembly itself—that the United Nations Organisation shall restrict its field by establishing priorities and concentrating on a defined area of action, simplify its administration and improve the quality of its officers. This, on the part of the Governments, would entail the most important decision of all—the decision to release to international government men who in their own countries would be either in the Cabinet or at the head of the civil service. A compact, highly efficient unit of international organisation, speaking with the highest competence and authority and impartiality in every sphere, might not restore

good relations between the Great Powers, but it could restore confidence in the possibilities of international action and might even lead (or shame) a number of governments into more co-operative policies.

The fact remains, however, that Uno's greatest defect is the stultification of the Security Council by the use of the veto, for which Russia must bear much the largest share of the blame. It is thus on the question of the veto that most talk of "reforming the Charter" has concentrated. Argentina has had the abolition of the privilege of the veto placed on the agenda of the General Assembly and in the United States there are signs of growing support in public opinion for the same proposal. Russia, on the other hand, has made it clear that any attempt to tamper with the veto would be fought to the last by the Slav bloc, and there have been some suggestions that a decision to modify the veto might send Russia out of the United Nations.

It is important to remember, before dismissing the Slav attitude as purely obstructive, not only that it was American insistence on the protection of national sovereignty that helped to write the veto into the Charter in the first place, but also that an unexpected, almost unnoticed, but vitally important, development in the United Nations in the last year has, if anything, reinforced the need for some form of veto. The organs of Uno are supposed to function under a written constitution, which defines their powers and the limits of their authority; the most significant of these limits is the provision of Article 3 of the Charter that "nothing contained in the present Charter shall authorise the United Nations to intervene in matters which are essentially within the domestic jurisdiction of any state or shall require the Members to submit such matters to settlement under the present Charter." Further, Uno is supposed to maintain "respect for the obligations arising from treaties." In the short time since its foundation, however, Uno has shown a tendency, both to encroach on the domestic jurisdiction of its members and to override international treaties.

In the first *cause célèbre* of Uno, the Soviet and Ukrainian appeals against the presence of British troops in Greece and Indonesia, the issue was plainly, in both cases, juridically within the domestic jurisdiction of the recognised Governments of Greece and the Netherlands, by whose sovereign invitation and consent the British troops were in the respective areas. The majority on the Security Council were, in both cases, favourable to the British case, but as there was no way of automatically disqualifying an appeal as being outside the jurisdiction of the Council, both cases were debated at length as if they had been genuine disputes between states of the kind provided for by the Charter. Later, when the question of the treatment of Indian settlers in South Africa was raised in the Assembly, South Africa claimed domestic jurisdiction, but the Assembly rejected the claim and passed a resolution condemning South Africa. More recently, when the Dutch resumed military operations in Java,

and Australia brought the matter before the Security Council, the Council ordered a truce, although the Netherlands Government, with British and French approval, claimed domestic jurisdiction, and only the French veto prevented the Council from assuming full control over Dutch action. Lastly, in Egypt's appeal to Uno against the retention of British troops in Egypt, it is not in question that the troops are there in accordance with a treaty; it is simply that Egypt wants to revise or cancel the treaty and asks the Security Council to direct Britain to give up treaty rights—in other words to assume the power of a world legislature with an unlimited right of repealing or amending existing treaties.

In all these cases the question is, not whether the Assembly or Council have acted rightly on the merits of the case, but whether they have had any legal right to act at all. It is true that the wording of the Charter is inexcusably vague and that it is possible to make a case for Uno jurisdiction in any matter, however domestic, "which might lead to international friction or give rise to a dispute" (Article 34), in spite of the express prohibition, already quoted, of intervention in domestic concerns. Similarly though the Charter contains no provision, as the Covenant of the League did (though abortively), for the revision of treaties, it does say that existing obligations that conflict with the Charter shall yield to it. There are thus large enough margins of doubt and authoritative interpretations of the Council's jurisdiction will have to be given. It has several times been suggested that the International Court of Justice should be asked to give a ruling, but the proposal has always been voted down and the Council has decided to be the sole judge of the constitutional legality of its own actions.

This can hardly be satisfactory to the lawyers, and it is still less satisfactory from a political point of view. For whatever may come in the future, there can be no doubt that the United Nations is composed of and, if it is to work at all, must work through sovereign governments. Nations have with great reluctance parted with some of their sovereignty in order to enable an international organisation to keep the peace of their world, but the authority they have conceded to Uno was meant to be used within constitutional limits, not to be turned into a right of general supervision over any affairs which any nation, however remote its interest, may decide to bring up. The more Uno strays outside its constitutional sphere in the absence of any judicial check to keep it within bounds, the more it will be involved in collisions with nations which suffer from its usurpations, and the more acute the jurisdictional issue will become. One effect of this will be to strengthen attachment to the veto in the nations which possess the right, for if Uno's actions are not to be confined within any constitutional limits, the veto becomes the only means, short of open defiance of Uno, by which a nation can protect its residual sovereignty.

What can be done to check this abuse, which may render

1 3/4 per cent.



"... besides the strong actuarial basis used there is a contingencies reserve of £500,000... within this contingencies reserve there are free sums more than sufficient, if we deem it desirable at a later date, to strengthen the valuation basis of our life assurance business still further to a 1 3/4 per cent. net premium valuation." Extract from Chairman's Speech, 27th March, 1947

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even more ineffective the working of the international community? The answer seems to lie in the same direction as does the reform of the Secretariat—a restriction and definition of activity in order that within that sphere, action may be both clear and effective. In other words, it can be argued not that the veto should be abolished but that, as in the League Charter, it should be open to all powers on an equal basis, except in a certain defined area in which, if possible, all should abandon it. That sphere would be concerned with the genuine disputes

between nations and be hedged around with proper constitutional guarantees. Such a solution may seem retrograde to the exponents of full immediate world government, but the alternative appears to be the disappearance of the last traces of international action. Both in the Secretariat and in the Security Council and Assembly, the United Nations today is failing by attempting too much. In assuming the right, the duty and the possibility of doing everything, it may end by accomplishing nothing at all.

Finding the Nurses

ONCE again, the nursing profession has been dissected. It might have been thought that there had been enough, inquiries, official and unofficial, into the shortage of nurses to have made the appointment of a working party superfluous. But much of the information disclosed by these earlier inquiries is now out of date. Moreover, they relied for the most part on estimates, impressions and personal opinions. The working party went into the field and attempted to discover the facts for itself. Through sample surveys of representative hospitals and nurses, it has put the earlier impressions into precise and objective form.

These impressions may be summarised as follows. First, the nursing shortage, at least in recent years, has not been due so much to a falling off in the number of nurses as to a greater demand for their services both in hospitals and outside. Secondly, the flow of new recruits would be sufficient to keep pace with this increased demand if there were not so much wastage, both of trained nurses who leave the profession after only a few years' practice, but particularly of students, who fail to qualify as trained nurses. Thirdly, this wastage is the result of a number of factors which may be summed up as unsatisfactory conditions of work and unsatisfactory selection of recruits. Fourthly, there is a great difference, both as regards wastage and the shortage of nurses, between one hospital and another. Fifthly, there is a vicious circle—many of the bad conditions cannot be improved until there are enough nurses, but until conditions are improved, nurses and student nurses will continue to leave the hospital service.

The accompanying tables and diagrams show how some of these impressions were put into statistical form by the working party. Table I shows the estimated number of nurses (male and female) and midwives, trained and untrained, in actual employment at the end of 1945, compared with 1938.

I—NUMBER OF NURSES AND MIDWIVES IN EMPLOYMENT
(In Thousands)

	End 1938		End 1945	
	Trained	Other	Trained	Other
Hospitals—				
General hospitals	24.2	43.9	25.3	56.4
Mental hospitals and institutions	15.3	14.0	14.2	12.2
Maternity hospitals	1.2	1.8	3.0	2.5
Infectious diseases and T.B. sanatoria	6.0	7.9	5.0	8.8
Total	46.7	67.6	47.5	79.9
Public Health—				
Industry	3.5	3.5	3.5	3.5
Schools	2.2	0.2	2.0	...
Health visitors, district nurses and midwives	18.4	...	17.0	...
Nurseries and children's homes	0.5	1.6	1.3	7.2
	24.6	5.3	23.8	10.7
Private nursing	6.0	6.0	4.5	4.5
Other nursing	1.5	0.3	1.8	0.9
Total Civilian Nursing	78.8	79.2	77.6	95.0
Armed forces	0.9	5.6	10.1	67.0

Including those in the armed forces, the number of trained

nurses thus rose between 1938 and 1945 by about 8,000. The estimated intake of new recruits has been as follows:—

II—ESTIMATED INTAKE OF STUDENT NURSES

	General Training Hospitals			Special* Training Hospitals
	Voluntary	Municipal	Total	
1937	7,950	3,800	11,750	12,850
1938	7,850	3,400	11,250	13,550
1939	8,500	4,700	13,200	14,000
1940	8,600	3,600	12,200	11,250
1941	8,800	3,600	12,400	8,450
1942	10,150	4,900	15,050	7,600
1943	10,300	5,100	15,400	8,100
1944	10,200	3,750	13,950	5,850
1945	10,050	4,050	14,150	5,600

* I.e. mental, infectious diseases and sanatoria.

If the length of working life of a trained nurse were reasonably long, and if a reasonable proportion of student nurses completed their training, there would hardly be a nursing shortage, except in the special hospitals. Instead, the working party found that the average working life of a trained nurse employed in a hospital—it was not able to make a similar estimate for trained nurses outside hospitals—is not more than nine years. The number of trained nurses leaving hospitals each year who do not transfer to other nursing employment is about 5,600. Of these, about a third leave to get married, about 2-3 per cent retire, a proportion varying from 5 to 15 per cent, according to the type of hospital, leave on health grounds, and about another third "resign." The wastage of student nurses is even more depressing. In the general training hospitals, voluntary and municipal, the average annual intake in the seven years 1937 to 1943 was 13,100. But the average annual wastage was 37 per cent of the intake. In the special hospitals, the wastage was far worse—56 per cent in infectious diseases hospitals, 65 per cent in sanatoria, and as high as 82 per cent in mental hospitals and institutions. What is more, these estimates of wastage, most of which take place in the first year of training, do not include failures in the final state examinations.

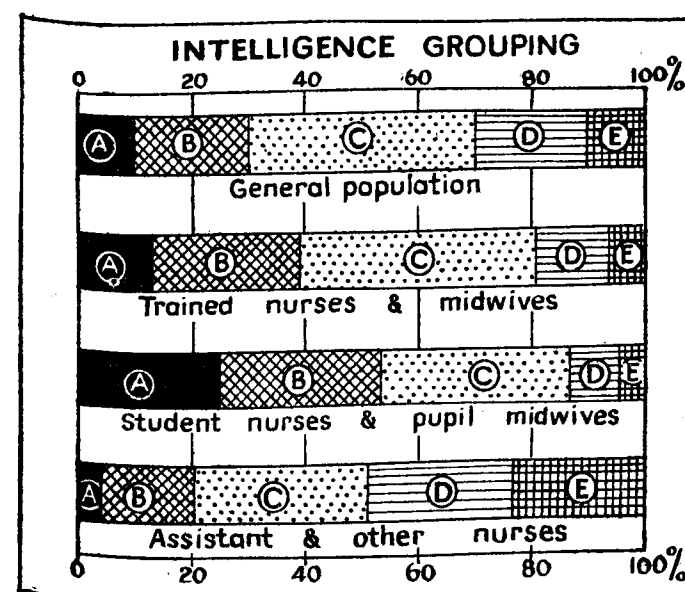
The working party was not content merely to estimate the amount of the wastage. It also undertook a special analysis of the reasons for abandoning their training given by 400 representative ex-students. From this analysis there appears to be a composite factor underlying all causes of wastage of which by far the most significant was hospital discipline, and, next in importance, the attitude of the senior staff. Further surveys and interviews showed, too, that a large number of the students who abandoned their training ought never to have been accepted, either because they were temperamentally unfit or because they were lacking in intelligence. If a selection procedure for students were adopted, the working party estimates that about a quarter of the new recruits in recent years would be found to be temperamentally or intellectually unfitted for training as nurses.

Weeding out unsuitable students would not, of course, help to increase the supply of trained nurses. In fact, it would, in the

short term, increase the hospitals' difficulties by removing some 5-6,000, if general and special hospitals are taken together, of those who do so large a part of their domestic work. Nevertheless, this loss would be more than offset if the rest of the wastage could be reduced to a minimum and if, at the same time, the life of a trained nurse could be extended. To achieve this, the working party makes two big recommendations: the complete reorganisation of a nurse's training and a completely new attitude towards conditions of work, including discipline, on the part of hospital authorities and the senior members of the nursing profession.

Many proposals have been made before this for reorganising a nurse's training, but the only response from the General Nursing Council has been to overload the curriculum more and more and to make its examinations correspondingly stiffer. The working party, unfortunately, does not go into the question of the curriculum; it does, however, note that there is little or no relation between marks obtained in the examination and assessments of nursing proficiency subsequently made, and it comments on the absurdity of providing a similar training, with consequently similar qualifying tests, for a body of students who, as diagram I shows, have such a wide range of natural ability. (It should be pointed out that part at least of the higher intelligence shown by student nurses compared with trained and assistant nurses may be attributable to differences in age.) Those who fall in the lowest group of intelligence (E) would, for the most part, be excluded by the selection procedure but would, if otherwise suitable, be eligible for training as nursing ancillaries into which class should, the working party proposes, be rolled up the present grade of "assistant nurses"—those who qualify for that title by virtue of their nursing experience but who do not, at present, sit for any examinations. For the general body of students with average intelligence, the working party recommends a drastic but sensible simplification of the training course which would reduce its length to two years—eighteen months to be common to all students and six months to be devoted to specialisation in the branch of nursing which the student chooses. This simplification and shortening of the course could only be carried out if the students are recognised and treated as students instead of, as at present, paid employees of the hospital. A large part of a student's time in the existing three years' training is wasted through being spent on domestic work or, as diagram II shows, on acquiring skills which could be learnt in half the time or less.

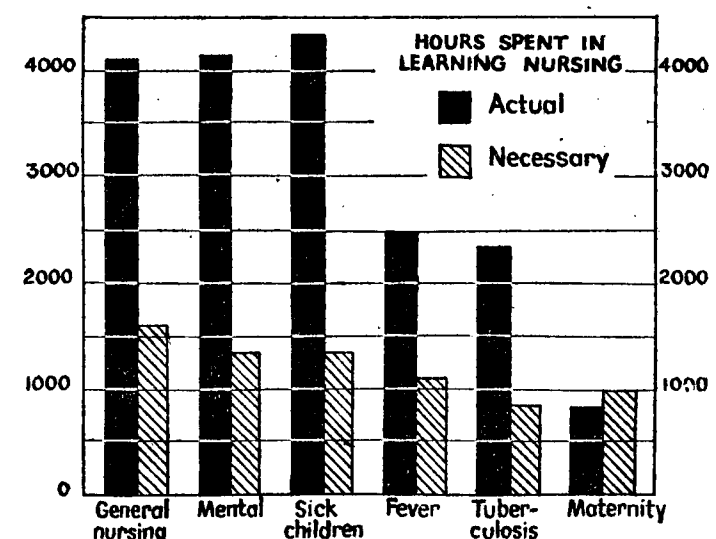
This new attitude towards student nurses is intimately linked



up with the conditions of work in hospitals which are such an important cause of wastage—of students and trained nurses. It is discouraging that after so much has been written and said in the last twenty years about the need for a more modern attitude towards discipline that the working party of 1947 should still find rigid and authoritarian traditions so widespread. The hospital matron, and even more, perhaps, the ward sister, who regards a tidy locker as more important than a contented patient, brought up in the disciplinary atmosphere of the past, are determined that each new generation of students and young nurses shall go through the mill as they did, and they set their faces firmly against any proposals to take the drudgery and unnecessary discipline out of nursing. Like will promote like, and thereby hidebound traditions are maintained.

Whether the selection procedure for promotion to senior nursing posts, suggested by the working party, would be feasible is uncertain. But at least some means of controlling, if not dismissing, unsatisfactory—in this sense—sisters and matrons should be employed and there are grounds for hope that, with the new regional hospital organisation, this should be more possible than it has been in the past.

Yet, discipline and the attitude of the senior staff apart, can conditions of work be improved with the present and foreseeable nursing strength? Has the working party, in fact, broken the vicious circle? It estimates, very tentatively, that to introduce the three-shift day—the greatest single improvement that could be made for trained nurses—and the student status in training schools would together require an additional 22-24,000 trained nurses and some 14,000 nursing orderlies. Nor does this allow for any expansion in the nursing strength that may be required for the new health service—the working party frankly shirks making any estimate for this. It is possible that 20,000 suitable recruits may be found in the next few years, which would go some way towards filling the gap. It is possible that considerable economies may be achieved when the hospital services are integrated. But the immediate effect of the working party's reforms is almost bound to be a further closing of hospital wards. Can this be allowed, even if it will mean a contented, adequately staffed nursing profession in the future? And if the gap is filled in the next few years, by one means or another—more part-time nursing, more male nurses, more nursing orderlies—will it be at the expense of other necessary demands on the nation's womanpower, which will fall by 1951 by 530,000. One member of the working party thinks it will be, and that is one reason why he is to sign a minority report.



NOTES OF THE WEEK

Beviniana

There have been fewer overseas repercussions to the two novel proposals in Mr Bevin's speech at Southport last week than might have been expected. He said that he knew his proposal for the redistribution of American gold would annoy the Americans, and so it has—but much less than might have been feared. It was too obvious nonsense to be taken seriously and there was too obvious a retort to the effect that Mr Bevin would be better employed worrying about the extraction of coal from holes in the British ground than of gold from holes in the American ground. Not much harm has been done, and nonsense though the idea was, there has been a general tolerant willingness, in both countries, to accept it as a manifestation of the role that Mr Bevin has chosen in recent months to play—that of the rogue elephant in politics. Unfortunately there is reason to believe that the elephant never forgets and that the Foreign Secretary is insisting on having his idea taken seriously. Perhaps he had better consult his colleagues after his speech, even if he did not do so before.

His other suggestion, that of an Empire Customs Union, has been received more seriously but not very much more favourably. It has been made clear that both Australia and New Zealand would find it very difficult to revise their tariffs on British goods, especially those that protect their secondary industries. And from Canada, as at the time of the suspension of convertibility, there has been a significant lack of comment. Silence certainly cannot be taken as consent in this case; it more probably denotes complete puzzlement in Canada which, more than any other country, depends on freedom of transfer between the sterling and dollar areas.

The most interesting reaction to the proposal of an Empire Customs Union has been at home. The first effect of Mr Bevin's speech—of which these two proposals were, of course, only a small part—was to raise his stature in the Labour Party. But the extravagant praise lavished on it by Lord Beaverbrook's papers have led to some second thoughts. It is probably true that there is no other single thing that could more effectively damn any Labour leader in the eyes of the faithful than to fall under the suspicion of being in covert alliance—be it only on a single issue—with Lord Beaverbrook. The Empire Customs Union, for this reason, has raised the chances of Mr Attlee remaining at 10, Downing Street.

Settlement at Grimethorpe?

The strike at Grimethorpe, at least for the time being, is over. It was announced on Thursday that the men will resume work on Monday—but to work the old stint until the fact-finding committee appointed by the union, with the consent of the Coal Board, has reported. Until then the question had been—could the Coal Board afford to hold out, and if so, for how long? Every day the Yorkshire stoppage continued, the position of the Board was weakened both for that dispute and also for all other possible disputes during the year, for the margin of coal stocks which is the only real buttress upon which the Board can lean was becoming smaller and smaller. All the time, the men and the Board knew perfectly well that technically the Board was in the right. All the right machinery was used to settle the dispute, and "as a matter of principle" the Board could have refused to yield. But it is doubtful if the fluid atmosphere of human relations can be settled by the rigid application of machinery and principle. If the Board had yielded, it would have lain itself open to every charge of opportunism, but humans are so far from rational or consistent, and the atmosphere of the mines is so very unlike that of the ordinary factory, that a special flexibility of approach is required. However correctly the conciliation machinery was used, it is clear that something has gone very wrong with conditions at Grimethorpe. However wrong the men may have been in principle there must have been some serious mishandling of them for the stoppage to have developed as it did.

The dispute illustrates clearly how delicate a balance has to be kept between technical reorganisation and the men who have to put this reorganisation into effect. The Yorkshire Division of the Coal Board is outstanding for the vigour of its directors and the energy with which plans for improving the mechanical efficiency of the mines are being pursued. It is possible that the Board have been going too fast for the men, and that management has been

treating the miners too much as digits set to work exciting new cutters and conveyors, and has been attempting too little to carry them along as human beings. Is this, in fact, yet another illustration of how Socialism, which claims to uphold the interests of the common man in general, stumbles over his unwillingness to co-operate in particular?

New Policies for the Ruhr

British and American experts who have spent some weeks in Washington discussing the problem of increasing productivity in the Ruhr have reached satisfactory conclusions and their report includes proposals for a new Anglo-American Joint Board to replace the old exclusively British North German Coal Control and for various incentives to increase output in the mines. The changes in management are acceptable to the British, whose policy has been vindicated by expert discussion, and it only remains to secure the opinion of the other western nations vitally concerned with the Ruhr. The problem of extra incentives has at no point caused any serious disagreement between the British and the Americans, for from the beginning the British have maintained that there was fundamentally no other problem in relation to productivity in the Ruhr save that of giving the miners and their families food, homes and hope. The difficulty here has been the fact that extra incentives meant extra disbursements in dollars at a time when the British could not really afford their existing commitments—a fact which has now been made plain to the Americans. It seems, however, that a first step has been taken to overcome this difficulty. The American Government has asked the Senate Appropriations Committee to return to Washington for an emergency meeting to discuss the new position in Germany, and while the Committee is not in a position to make new appropriations, it can authorise a diversion of money to Germany from sums set aside for occupation duties elsewhere. This diverted money will need to be made good later on, but by that time another session will have opened in Congress. It is ready money on which the American Administration wishes to lay its hands and, as so often, the most elaborate conspiracy must be set in motion in order to circumvent the ordinary workings of the American Constitution.

Greek Coalition

The Greek Communists can now claim to have achieved what no other force in Greece has done in the last thirty years—an alliance between the Monarchists and the Liberals. Under strong American pressure, the Populists (the Monarchist Party) have abandoned the claim to the premiership and a majority of the Cabinet seats which their numbers in the Assembly warrant. Instead, they now accept Mr Sophoulis, the veteran Liberal leader, as Prime Minister and accept a rough parity with the Liberals in the distribution of other Ministries.

The new coalition is undoubtedly a great improvement on the narrow right-wing Governments of recent months. In a sense, the political situation has been forcibly returned to the point at which Mr Hector McNeil left it in the autumn of 1945, with this difference: that the co-operation of more radical groups seemed then to have been assured. Unhappily, this is not the only difference. Both the security position and the economic crisis have grown worse since, and it will be by its ability to meet these two unpleasant challenges that the new coalition will stand or fall.

The Liberals claim that their presence in the Government makes the offer of a new amnesty practical politics. Two Liberals, Mr Rentis and Mr Ladas, have taken over the vital offices of Public Order and Justice, and with this move the threat of reprisals has, so the Liberals declare, been removed. The local defence volunteers are also to be disbanded, and surrender of arms both by the guerrillas and the volunteers will be the test of pacification. Nobody believes, however, that the situation is as straightforward as the Liberals believe.

The economic situation is equally obscure. Not enough American aid has arrived so far to judge whether the new supplies are going the way of the old—to the black market and the pockets of the few. The Americans do not appear to have elaborated any startling experiments in supervision and Liberals are not noted for their devotion to economic controls. Perhaps the clock should be put back a little further than the autumn of 1945 and the one man

recalled who really attempted to impose order on Greek chaos—Mr Varvaressos's duties at the World Bank are not so onerous that he could not be spared for a special assignment.

Operation Oasis

The despatch of the *Exodus* Jews to Hamburg—called for some obscure and horribly ironic reason "Operation Oasis"—has now been completed; most of the tragic crowd left the three ships without resistance, and it appears that only a hard core of fanatics offered violence. The trouble seems to have subsided once the refugees reached the trains. All in all, there was less violence, less bloodshed, less savage fighting than was expected, and correspondents in general seem to agree that the British soldiers showed forbearance and tolerance. And, indeed, it is not they who should take any blame for carrying through thoroughly unpleasant tasks with such relative restraint. The responsibility lies squarely on the Government for permitting an operation that might well have been a tragedy. The excuse is made that some strong action must check the stream of illegal immigrants to Palestine, but why should publicity and martyrdom do so, since this is precisely what the Zionist organisers seek? Nor is there any strength in the argument that there is nowhere else to send them now that Cyprus is full. The Middle East is full of camps from which Polish and Greek and Yugoslav refugees have been removed.

What next? The Jews are back in German camps—at Pöppendorf and Am Straw. Do they remain there? And what is to happen to the some 700,000 other refugees who are equally rotting away in European camps? The British Government might at least make amends for the casual thoughtlessness of its latest action by setting an example of generosity in receiving a larger quota of DPs—including Jews—and of using this example to initiate a world effort to back the work of the International Refugee Organisation.

Arab Counsels of Despair

Zionist leaders seem genuinely surprised at the unanimity of British public opinion in rejecting the United Nations Committee's recommendation that Britain should be the principal agent in enforcing its unworkable partition scheme. Never conspicuous for political sagacity where non-Jews are concerned, they were apparently still counting on an unaltered British intention to hold on to Palestine at any cost. The sudden awareness that there may be no such intention has left them in the position of a bridge player, who finds after a high bid that the supposed ace of trumps in his hand is really an ace of another suit. In the Palestine Hebrew press last week there was in consequence a new concern for British interests. Official Jewish reaction was given by the Zionist General Council in Zurich which, by 61 votes to 16, agreed that the majority report should be further studied. Outright acceptance could not be expected, but in Jerusalem there were hints in a press conference at the Jewish Agency that the port of Jaffa was an unwelcome gift, which might be used to bargain with the Arabs.

Among the Arabs the commonest reaction to the majority plan was first one of incredulity, and then one almost of relief that it should be so outrageous. Arab official statements have been sprinkled with warlike phrases—"the bloodiest struggle ever waged in the Near East," "by force of arms," "to fight with all means." Rejection of the minority plan as well seems foolish, but it would be a mistake to think it does not reflect a genuine attitude. For some time the Arabs have been employing Polish (Christian) ex-officers to train their underground formations, and the state of mind which prefers a "show-down" to any settlement has been spreading. Even by progressive Arabs there is a fatalist acceptance of the necessity for bloodshed that gives point to the Iraqi Premier's hint that Arab youth must be prepared for sacrifices. All Arab States have accepted his invitation to a conference in the Lebanon this week. One report is that their secret plans include a mass immigration of Arabs into Palestine.

In America the report has been received without enthusiasm. The *New York Times*, it is true, permitted itself with ostrich-like complacency, to point out that the question was now in the hands of the United Nations. But this was not typical, and it may be assumed that the State Department is now trying to discover whether Britain will accept a share in enforcing a solution, and if so on what terms. If it is still possible to avert a Jewish-Arab war, it can only be done by America's taking a more realistic view of its own responsibilities as the principal Zionist patron and also as a

The Economist's New Premises

From Tuesday, September 23rd, the offices of THE ECONOMIST will be established in new permanent quarters at 22, Ryder Street, St. James's, London, S.W.1. Ever since our pre-war offices were destroyed by enemy action in May, 1941, we have been working under great difficulty in cramped and separated temporary quarters. We have now acquired a building in which all departments can be comfortably housed for, we hope, many years to come.

Will all readers and friends of THE ECONOMIST therefore please note that from Tuesday, September 23rd, the address for all purposes will be—

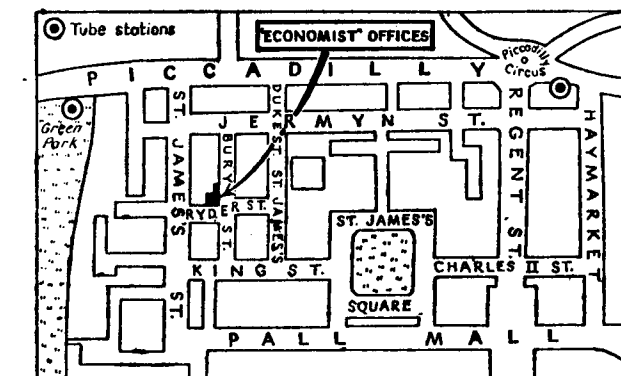
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major Middle East Power. Unless that happens, the proceedings in the United Nations Assembly this month will be as pointless as Mr Gromyko could wish them to be.

* * *

Mr Snyder in London

The meetings of the International Bank and of the Monetary Fund are taking place behind closed doors. Whether they are also taking place behind closed minds is difficult to ascertain. That these two Bretton Woods institutions were designed for a world very different from that which in fact exists at present is, by now, painfully obvious. So far both of them seem to prefer the policy of waiting until the world for which they were designed arrives rather than of adapting themselves—if they could—to the conditions of today. Mr McCloy, of the Bank, has insisted that it is "not in the stop-gap business" and that its loans will be granted only for "productive" purposes. The Fund, *per contra*, was specially designed to stop gaps, but very much smaller and shorter gaps than exist today. From the Fund's and the Bank's point of view, this policy of waiting is no doubt a wise one, and perhaps the only possible one. But they may have to wait a long time.

This being so, the Bretton Woods twins will find their greatest justification—as the Bank for International Settlements did—in the international gatherings of financial authorities for which they provide occasion. This time, the most eagerly awaited arrival was naturally that of Mr Snyder, the Secretary of the United States Treasury. It is easy to suppose that Mr Snyder's conversations are not limited to the agenda of the annual meetings of the Bank and of the Fund. It is significant, therefore, that on landing at Southampton he declared that he liked the British and wanted to help them. This might, of course, have been just the common form for such occasions. But there is reason to believe that, in Mr Snyder's case, it was genuine.

Mr Snyder has, in fact, been unjustly represented to the British public. For the first few days of Sir Wilfrid Eady's negotiations in Washington last month, the press dispatches reported that he was meeting with difficulties at the hands of the Secretary of the Treasury. This led *The Economist*, in the issue of August 23rd, to take Mr Snyder as representative of that section of American public opinion which still cannot see the degree of America's responsibility for what is falsely called the "sterling crisis." But within a day or two the earlier reports were reversed and it became apparent (as our correspondence from Washington emphasised in the following issue) that, in fact, the Secretary of the Treasury had been the most understanding and helpful of the American officials with whom the British delegation had to deal. The point is perhaps a small one; there are, unfortunately, all too many Americans, even if Mr Snyder is not among them, who persist in regarding the world's economic crisis merely as a contrast between Wise Virgins and Foolish Virgins. But since injustice was done to an individual, it is right and proper that it should be corrected.

* * *

Iron and Steel Nationalisation

The debate on the nationalisation of the iron and steel industry at Southport was something of an anticlimax. It has long been apparent that the immediate nationalisation of this industry had come to be regarded by the Left wing of the Labour Party as a kind of touchstone—if you believed in it you were among the elect. Not long before the Conference, the Iron and Steel Trades Confederation, the major union in the industry, had declared in favour of immediate nationalisation. It was therefore expected that the Conference would be asked, from more than one quarter, to face the issue of nationalisation next session and that some clear guidance to the state of feeling on the industrial side of the movement would result.

Events turned out differently. The chairman of the TUC read a letter from the Minister of Supply giving an assurance that the Government would nationalise the industry, but not necessarily in the next session, and after some debate, which did little to clear up this vague assurance, the position was accepted by the Conference as satisfactory by 4,857,000 votes to 2,360,000. The trade unions within the industry ranged themselves on either side very neatly. The Confederation and the blast-furnace men were prepared to trust the Government to know best about the timing of the Bill. The foundry workers and the constructional engineers declared for immediate action.

What does stand out from the debate at Southport and its result is that the Government successfully evaded the real issue there, which was when they propose to act. A statement by this

Government that it will nationalise iron and steel some day is almost meaningless. No doubt, some day, if they are still in power, they would like to nationalise Madame Tussaud's. It may be that the Cabinet are still undecided whether to include this Bill in the King's Speech for next Session. It may be that they have already compromised the diverging views within their own body and that Mr Wilmot's letter to the TUC is the result. In the meantime, the industry is left to wait and see what fate politics will bring to it. Certainly many in it will sympathise with Mr A. Callaghan, of the blast-furnace men. Mr Callaghan was against half-baked measures likely to injure the industry, just as he was against the risk of post-nationalisation strikes, of the kind that have occurred elsewhere. In short, his union wants no Grimethorpes. Maybe the industry has escaped this year's tumble; and maybe, as in Paris, one postponement will prove to be just as good as a reprieve.

* * *

German Prisoners in Britain

It cannot be said that the Prime Minister's statement on the subject of the release of German prisoners of war still in Britain is likely to allay the unease that many of them feel at their continued detention. The statement was made in the form of a reply to a memorial submitted by the Save Europe Now organisation, with wide support, asking that prisoners should be sent home before the end of 1948, the date now stated as a target for the last release. The best Mr. Attlee could do was to promise to "explore the possibility" of this; and there is by now something almost sinister about that bland official phrase. Official explorations of difficult problems are almost predestined to failure.

The problem of German prisoners of war, in effect, remains where it did. In those countries with no shortage of manpower, as in the United States, they have been released. Where there is a shortage of manpower they have not. The arguments advanced to defend this are likewise the same. First there is the, very thin, legal argument that since there is no peace treaty with Germany there is no obligation to release German prisoners. That is followed by a more practical one. Germans caused the war, and thus much of the damage. Let the Germans stay and help, directly or indirectly, to repair it. That is a tolerable argument if countries are given personalities. When it is applied to individuals it is not. If Feldwebel X was captured by the Americans at Cherbourg he is probably back home. If he was captured by the British at Caen he is probably still working on some English farm. Such a state of affairs is unjust to the individual and it is better to face that fact than to attempt to bury it in official language. The final issue remains: is Britain, or any other country, entitled to be unjust to individual Germans because the former rulers of Germany were criminally unjust to the rest of the world? That is a moral question. The answer of the Government seems to be in the affirmative, and while it remains so they cannot complain if protests continue.

But parallel with the moral argument there is another practical one. Retention of the Germans on the ground of manpower shortage is a lazy attempt to solve the problem by compulsion of the defenceless. Is it certain that the number of Germans compelled to remain and work here could not be replaced by an equal number, first, of Germans who would willingly stay here (if paid normal wages) plus displaced persons still in Germany, Austria and Italy? It is always more trouble to think out ways of attracting people to work than it is of compelling them to work, but in other fields that is one of the professed aims of the Labour movement as a whole. Are incentives subject to a nationality test?

* * *

Fascist Disturbances

The final two days of the TUC conference at Southport last week were marked by two events of some significance, a demonstration by the conference of its uneasiness at the spread of virulent anti-semitism, and fascist activity, particularly in London, and a debate on the nationalisation of the iron and steel industry. On the first the demonstration took the form of a resolution to refer back a rather mild paragraph in the TUC annual report on "fascist activities," which was carried against the executive.

One does not have to be a trade unionist, or a Jew, or an inhabitant of London, to be concerned over any recrudescence of fascist activity in Britain. At the moment the principle vehicle by which the fascist-minded conduct their public activities seems to be an organisation known as the British League of Ex-Servicemen, which is a fine title for any organisation that happens to think of it first. Hackney and Stepney are the two London boroughs to which the League seems to be devoting its attention. There, not unnaturally,

its meetings are met by Communist demonstrations and the result of those meetings is to be seen in the London police courts the following Monday morning (as was the case this week). A more serious accusation, made from the Left, is that the Metropolitan Police are prosecuting one side only and that, although fascist speakers indulge in the most open incitements to violence, it is not they who are subsequently charged. The facts are hard to come by; but it is certainly safe to assume that the dimensions of any revival of fascist activity are being vastly exaggerated by the professional viewers-with-alarm on the Left. It would be surprising if the numbers involved ran even into three figures.

In any case, whatever the dimensions of fascist activity in Britain, it is advisable to stick to principle. The principles involved are that no man should be punished before he commits a crime and that it is no crime to think as you wish. This principle must be adhered to and applied to fascist thinkers equally with Communists. On the other hand, it is a crime for anyone to advocate violence, just as it is a crime, under the Public Order Act of 1935, for anyone to wear a black shirt as a uniform. Mr Chuter Ede has won a reputation for both balance and firmness as Home Secretary, and there is no reason to believe that those qualities have suddenly deserted him. But it would do no harm if he did inform the public whether any speaker in London has publicly advocated violence against anyone, whether he has sufficient evidence of that to justify a prosecution and, if so, when the prosecution will be launched.

* * *

Turks and Foreigners

Between the two world power systems, Turkey has chosen to belong to the American. There can be few countries where this choice has been made with more genuine and widespread popular support; yet even here difficulties loom ahead. There is no Russian party in Turkey, and it was not hard to suppress attempts to form one. But there has been a steady development from January, 1946, when Turkey ceased to be a one-party state, until today, when the ruling party itself is in danger.

The government crisis last week, when six ministers resigned, reflected a cleavage in the Republican People's Party, which has ruled Turkey ever since the revolution. President Ismet Inönü, who succeeded Atatürk as head both of party and state, was induced to give up leadership of the party after the elections last July. In these the newly formed opposition Democratic Party did not win many seats, but it got more than was expected. Since then it has been making itself felt more and more.

The full extent of the split in the People's Party will not be known until November, when it holds its national congress. At a private meeting of its parliamentary group, following the resignations of the six ministers, 47 votes were cast against Mr Peker, the Prime Minister, and 194 for him. Mr Peker has now resigned for "reasons of health." The number of the dissidents, mostly younger deputies, had increased by 13 since a meeting a week before; it is possible that they may break away and join the Democratic Party if their adherents increase. The differences are confined entirely to internal affairs; even in that sphere they are not very precise, and to talk of left and right in this context is meaningless. But the opposition are supposed to be more friendly to private enterprise than the ruling majority.

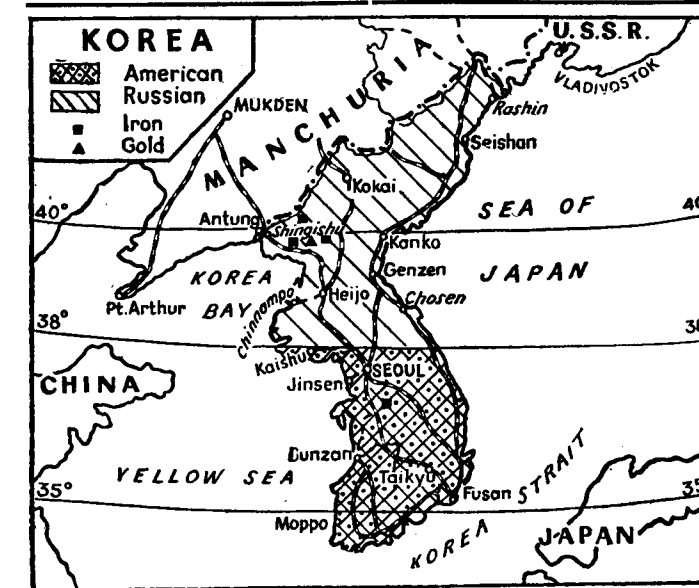
As all major industry in Turkey is state industry—for industrialisation was due to the state—free enterprise in industry among a nation of peasants means foreign enterprise. The part to be played by foreign enterprise today is a live issue, because there is no group in Turkey which wants to see utilities under foreign control, and none which wants to de-nationalise the basic industries. American military aid to Turkey was in the first place a straightforward inter-Government loan of \$100 million for the purchase of surplus and obsolete equipment, plus expert advice. But it is to be followed by large-scale economic aid, which is what Turkey really needs; and to make this palatable to Congress it seems to be intended that it should take the form of private investment by Americans in Turkish development. This was why the 20th Century Fund appointed Mr Max Weston Thornburg, a US engineering consultant, to direct an unofficial economic survey of Turkey, with particular reference to opportunities for American investment. In June, Mr Thornburg startled a Turkish audience in Ankara by a forthright warning against the "extreme expression of state socialism" which he suspected was lurking in the Turkish interpretation of state control. To carry out the US programme of economic aid to Turkey is not going to be as plain sailing as it was in Persia or Saudi-Arabia.

* * *

Korean Deadlock

Attempts to settle the problem of Korea on an agreed Russo-American basis have again failed. For two months a Joint Com-

mission has attempted to consult with "democratic Korean groups" in order to set up a provisional government for both zones. But the consultations have proved impossible since the Soviet representatives sought to debar "as undemocratic" every Korean group or individual who was not either Communist or a fellow traveller. The Americans also accuse the Russians of seeking steadily to infiltrate into the southern American zone trained Communist labour leaders and political organisers. When they replied to this Soviet move by arresting a number of "left-wing



agitators," as they termed them, the Russians issued a violent statement denouncing the Americans for

"the mass arrests of leaders and the virtual closing down of democratic parties and public organisations of Left tendencies" and for "pogroms of Left democratic newspapers and arrests of workers in . . . the press."

It was against this sulphurous background that the Americans asked that the whole problem of Korea be referred back to the Four Powers who signed the Moscow Declaration on Korea—Britain, China, Russia and the United States. This suggestion was flatly turned down by Mr Molotov, and there for the moment the deadlock remains. But it seems more than likely that the United States will submit the dispute to the General Assembly and attempt to secure an impartial inquiry, or report and recommendations to the occupying Powers on the establishment of a Korean regime and the withdrawal of the increasingly unpopular occupation forces.

* * *

Statistics Without Food

After the recent spate of international conferences passing well-meaning but ineffective and platitudinous resolutions, it has been gratifying to see the Food and Agriculture Organisation at Geneva last week take one step in the right direction. They have decided that the proposed World Food Council, which is to consist of 18 nations, is to be regarded as a long-term institution, rather than as one to be brought into operation immediately. The original intention was that the World Food Council should take over the international allocations of foods and fertilisers from the International Emergency Food Council during the coming year.

It is an open secret that the IEFEC has been more tolerated than cherished by certain governments. But the fault lies not so much with the work of that organisation, which has the invidious task of aligning the requirements of deficit countries to the export surpluses of the producing areas, as with its limited powers. Had the World Food Council been instituted for immediate operation, it could have done no better—perhaps worse. One of the glaring deficiencies at the moment is the lack of reliable international statistics and the absence of accurate authoritative, forward estimates. These data must exist, if countries participating in such an organisation are to have any confidence in its deliberations. And that would require a large and well qualified secretariat.

The World Food Council is now thought of as covering wider purposes, such as ensuring the maximum mobilisation of food for human use, promoting long-term agricultural development and nutritional programmes, reviewing the commodity situations in agriculture, forestry and fisheries and promoting joint activity

among governments. These purposes are laudable and necessary, but no organisation set up overnight can possibly carry them out efficiently. The need of the hour is more food, not new international organisations. When the urgency of the problem is past, then the World Food Council can be organised.

Gambling with Grain

Mr Strachey has decided not to accept the October grain allocation from the United States owing to the dollar shortage. Breadgrain stocks in the United Kingdom are known to be satisfactory; it is thus physically possible to postpone purchase without affecting the bread ration. But the wisdom of such a move is not merely questionable, it is almost imperceptible. Perhaps the Minister of Food imagines that this withdrawal from the American market will have a bearish effect on grain prices; in any case Britain could not hold off for many months without either acquiring an alternative source of supply or reducing domestic consumption.

The question, however, is not one of prices—and what appears to be the Ministry of Food's appreciation is questionable enough—but of supplies. President Truman has already warned the world that the US exportable surplus will be below what was hoped for. With the shortage of feed grains, particularly maize, American farmers are being urged to feed wheat to livestock. Thus by the time Britain thinks fit to come on to the market again, American wheat will be scarce, in spite of the bumper harvest.

However, two possibilities may be in Mr Strachey's mind. Slaughter of livestock in the United States is increasing beyond the normal seasonal expansion, particularly in the drought-affected areas. This increased supply of meat may induce a fall in meat prices and thus make it unprofitable to feed high-priced wheat. But the current rise on the future's market is evidently one to farmers covering their forward feed requirements. If the Marshall Plan goes through, European countries will only be able to purchase grain supplies by competing with American farmers. There is thus no convincing indication that wheat prices will tend to fall; indeed, if Britain must purchase wheat from the United States, it should do it now.

The second possibility is the shipment of 55 million bushels (approximately $1\frac{1}{2}$ million tons) of wheat from Australia to the United Kingdom, which was recently announced by Lord Addison. Before the war, Britain received between 1 and $1\frac{1}{2}$ million tons of wheat annually from Australia, but under the international allocation scheme, the Australian exportable surplus is now shipped to India and the Pacific. It has not yet been divulged whether the shipments to Britain will be additional or not; in any case, they will be deducted from Britain's allocation. But, if this wheat was previously diverted in part to dollar-earning areas, the Treasury will now lose yet more of this scarce currency. If on the other hand, the wheat was sold to sterling countries, how will alternative supplies be provided and from which source? If from America, Britain is surely no better off. Nevertheless, these 55 million bushels should more than balance the loss of American wheat shipments to Britain.

Musicians' Monopoly

To the many thousands who are looking forward to welcoming the Vienna State Opera Company next week, the recent protest from the London Orchestral Association against the engagement of the Vienna Philharmonic Orchestra to accompany the opera season must have seemed offensive and stupid. The Association, it is stated, does not object to concert performances on the stage from foreign orchestras, but it does object to foreign orchestras in theatre pits—which for many years in London have been reserved for members of the Musicians' Union only. In reply, the Covent Garden Opera Trust points out that this distinction falsely implies that less ability is required to play "Don Giovanni" than the "Haffner" symphony. The Trust also states that it has not engaged the Vienna Philharmonic to accompany the opera company, but that it has brought to London the Vienna State Opera ensemble, of which the orchestra is an integral part.

As the Vienna company was billed to appear over two months ago, it may be that last week's protest was a formality to safeguard the musicians' position in the future. But even as such it is some evidence of the obstructive nature of the Union's activities. The standard of much British orchestral playing has been all too slapdash, and at least some of the responsibility for the low standards and limited repertoire lies with the Union for its prohibitive restrictions on rehearsal time. Only international comparisons can

remind the musical public of what standards are possible—the Edinburgh Festival has already had a bracing effect here. International competition is more needed in the sphere of opera than anywhere else.

The statement from an official of the Musicians' Union that they objected to foreign musicians receiving permission to enter and perform, without the Union being consulted by the Ministry of Labour, shows the degree of control which this self-important Union would like to exercise. The ideals of the closed shop, restriction of entry, and self-sufficiency could hardly go further, or be less appropriate. Apparently music knows no boundaries, only trade union demarcation lines.

The Education of a Scientist

It is consoling to the ordinary man to know that the scientists themselves are concerned about the process of evolution of their own species. At the session on "The Education of a Scientist" at the meeting of the British Association last week, a number of distinguished scientists strongly criticised the present methods of teaching young scientists, as being too narrow and specialised. If these lords of their own creation feel misgivings, it is excusable for the man in the street to admire as well as fear their works. The scientists have a responsibility for controlling as well as splitting the atom.

How is it possible to be both a good scientist and a good member of society? The boundaries of scientific knowledge are extending at such a rate that it is becoming more and more difficult to keep pace with the developments within them, let alone know anything outside those boundaries; politics, history, languages, the arts, and even the ability to write decent English prose, become "frills." This tendency towards specialisation is further aggravated by the system of university scholarships, which the universities themselves do nothing to counter. In the scramble for scholarships the wretched schoolboy is squeezed and drilled to answer more and more highly abstruse questions, which a few years ago were only studied at the universities, and is allowed to neglect all that general knowledge and culture which is supposed to characterise civilised man.

To counter this deterioration in general attainments a number of remedies were suggested—to broaden the range of studies at school, to give greater emphasis to general papers in the Higher School Certificate and scholarship examinations, and to improve the quality of science teaching itself. The universities blame the schools and the schools the universities, but there is no doubt that if the universities refused to accept candidates, however technically brilliant, who were unable to express themselves in good clear prose and who lacked all the proper interests of an educated man, they could work a revolution on the schools. Or, rather, they could work a revolution—that the schools can get teachers who can teach. There is at present great concern about the drift of good specialist teachers from the upper ranges of the secondary schools and the lack of new recruits from the universities. The Burnham scales for men with good degrees compare most unfavourably with what such men can get outside teaching—particularly in industry. And at present industry is clamouring for good scientists. Unless, however, the schools get good teachers there is no hope for industry or the universities in the future.

Shorter Note

The further reduction in unemployment which at the middle of August was 247,728, or $1\frac{1}{2}$ per cent of the total insured population, is the most encouraging feature of the Ministry of Labour's latest manpower return. It suggests that in the former black spots of unemployment, the old Depressed Areas of South Wales, Scotland and the north-east coast, the Board of Trade's plans to provide alternative employment are at long last bearing fruit. Unemployment in Scotland is now 54,000, or $3\frac{1}{2}$ per cent of the insured population. In the northern region, the figure of 29,683 is slightly below that of the London and south-eastern region and represents 3 per cent of the insured population. The situation in Wales, with an unemployment proportion of $5\frac{1}{2}$ per cent, is still serious, although it shows a marked improvement on recent months. There, the main need is to find work for women, 7 per cent of whom are unemployed. This figure is a glaring example of the desirability for greater mobility of labour. Satisfactory as are the current unemployment returns, it is inevitable that with the restriction of non-essential production, there will again be an increase in unemployment.

Letters to the Editor

Mr Morrison and Incentives

SIR,—In your issue of August 30th (page 354) commenting on my broadcast of August 23rd, you say—"Mr. Morrison dismissed incentives as 'bunk'." This follows similar assertions in the more partisan Press.

What I actually said was (see *The Listener* of August 28th, page 352):

"People talk a lot about what they call incentives, and for myself I believe a lot of this talk is bunk."

I should be sorry if *The Economist* got into a habit of turning the qualified into the unqualified.—Yours sincerely,

HERBERT MORRISON

[We had no desire to misrepresent Mr Morrison. Even to the inaccurate stronger version of the remark we added the comment "He may be right." And we would be in at least partial agreement with what Mr Morrison actually said. A great deal of the present talk about incentives is bunk. It is, at least, very doubtful whether anything that it is now possible to do by the broadcast distribution of "incentives" would accomplish more good than harm. But this is because of the peculiar circumstances of the moment, and we are glad to notice that Mr Morrison appreciates the dangers of generalising from them.—Editor.]

An Expanded Agriculture

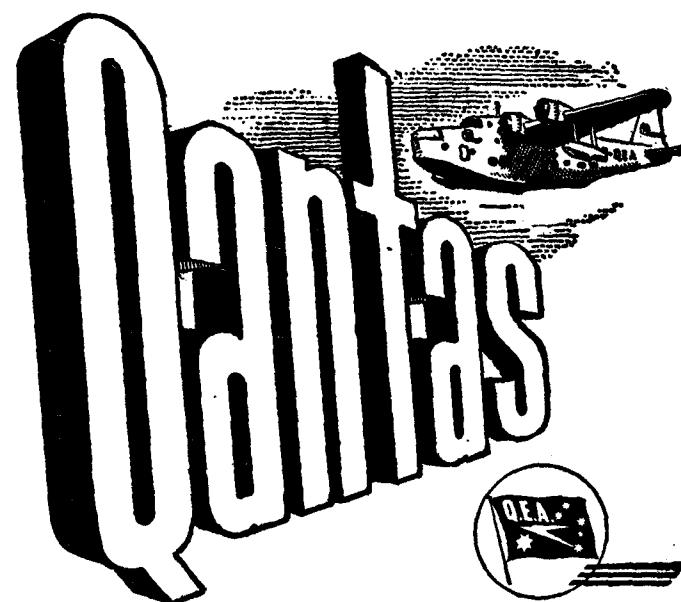
SIR,—Your article on an expanded agriculture in *The Economist* of August 30th was so admirable that it may be unreasonable to criticise. I would, however, like to pursue rather further the question of the Schedule B taxation which the writer of the article summarily dismissed.

If one accepts that the principle guiding taxation should be "from each according to his ability" no case can be made out for Schedule B. If, on the other hand, one takes a more realistic

attitude, there is much to be said for it. In these days taxation is not merely a method of raising revenue, to be spread as fairly as possible over the whole community; it can be a valuable means of encouraging certain types of production and discouraging others. It is commonly agreed that the present method of taxation discourages output, above a certain level, both among employers and employees, whereas what is needed is precisely the opposite—there should be an increasing incentive for production above that level rather than a diminishing one. Schedule B offers just this increased incentive—a farmer's profits up to a certain point bears tax, but any additional effort that he makes, over and above that, is in effect tax free. Such an incentive is not only cheaper, but also far more effective than the increase in prices that has just been announced.

But it would not only be unfair, but also unreasonable, if such an incentive were offered to the farmer alone. It should be offered to the farm worker, and, indeed, to all workers engaged in essential industries. They would then be taxed on the basis of their statutory wage, and anything they earned over and above that would be tax free. The argument against this scheme (apart from the obvious objections to any system of discriminatory taxation) is the reduction in the total amount of money collected by direct taxation. This can either be met by lowering the level at which income tax starts, or by restoring the rate to that which prevailed during the war. In its favour are the clear incentives to increased production among those already engaged in essential industries; the incentive to those engaged in non-essential industries to transfer to the essential ones, without any direct compulsion; the simplification of office work, both for employers and for the Inland Revenue; and the checking of rising wages and prices which cannot be avoided if only orthodox financial incentives are employed.

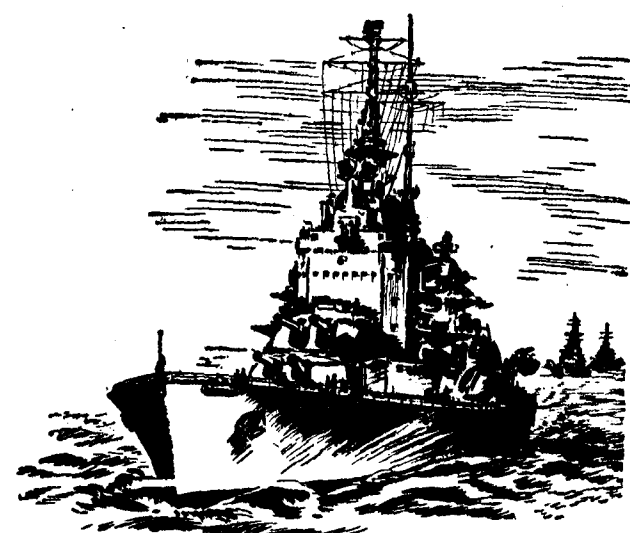
In the face of these advantages, it is surely for the opponents of Schedule B applied not only to farmers but to employees also



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to make out a strong case why it should not be introduced.—Yours faithfully,
H. D. WALSTON.

Thriplow Farms, Cambridge

[We cannot accept Mr. Walston's proposition that the burden of proof about Schedule B rests upon us. He admits that on grounds of equity no case can be made out for it. His arguments for the taxation of farmers' and farmworkers' incomes only up to the limit of a statutory profit or wage may have some justification in terms of incentive, but surely it is against public policy and sound fiscal practice to create a class of privileged incomes which would largely escape their fair share of taxation?—EDITOR.]

SIR,—In your leading article "An Expanded Agriculture" you ask "First, what are the Government's reasons for believing that British exports will never again be sufficient to pay for the pre-war volume of imports?" May I offer a realistic answer from an entirely detached standpoint?

Britain is now committed to a position of external indebtedness on capital account and of a precarious balance in her domestic finance maintainable, if at all, at its wonted levels, by importing raw materials (for processing and export) and food for its work people (or a large proportion of them) whilst they manufacture for export. The countries that supply the raw materials and food on the other hand have largely passed through the initial stages of development and are hard at work, in different degrees, in organising their own primary and secondary industries. Examples are Canada, Australasia, South Africa, Argentina, Brazil and others which are all rich in undeveloped resources—India, China and Japan are not far behind them. All these countries are far distant, and British commerce with them involves voyages across at least one ocean. This is the crux of the position, and those who cannot realise it have failed to cross the *pons asinorum*. British exports, in competition with the output of the primary and secondary industries of the developing countries, are handicapped by the cost of (a) freights and insurance for a double transoceanic voyage, and (b) high wage rates and almost paralysing taxation applicable to the processing in Britain of the imported raw materials. Can British industry and commerce with such a handicap still win through?

A final factor is that the most welcome of British exports to the developing countries is the export of skilled labour, craftsmen, organising engineers and technicians. They will get excellent terms and prospects. But their departure marks an economic loss to Britain.

I submit that on broad lines, this is the true picture.—Yours faithfully,
HENRY HARRISON
Stephen's Green Club, Dublin

SIR,—Your article on "An Expanded Agriculture" ends by claiming that

the British industrial consumer, by his failure to produce efficiently for export, has deserved to reap this bitter harvest. But he has at least the right, before he agrees to this new policy, to demand the fullest and most convincing answers to three sets of fundamental questions.

I am not quite sure who "the British industrial consumer" may be, but is not the most fundamental question for every food consumer the one which our rulers ought to have asked themselves two years ago—Where Is the Food to Come From? If at last they have been brought to realise that there is, in substance, only one answer, they are surely to be congratulated, not accused of advancing a "doctrine of despair." For there could be no despair greater than that which would be engendered by an indefinite period of sub-nutrition pending the miraculous return of world agricultural conditions which have ceased to exist.

May I suggest, with all respect, that it is the writer of the article who should be asked "fundamental questions," such as

(a) What grounds he has for stating that "it is as good as certain that world prices for food will fall, and fall heavily, before long"? Is this not precisely the sort of wishful thinking which has produced the present food crisis?

(b) What he means by agricultural "efficiency," bearing in mind that the number of acres of fertile land at our disposal are strictly limited, while our need for food is great and is increasing?

(c) What alternative to higher prices and extra capital he has to put forward as a more "economical method of procuring additional food supplies"?

(d) Whether he read the new Agricultural Bill before asserting that there are "no sanctions to ensure good farming"?

(e) What he expects farmers to do other than "their reasonable best"? Is not this what everyone is being urged to do?

(f) What grounds he has for bracketing "tradition and inefficiency," and for claiming that the small farmer is "steeped" in them?

(g) Why he implies that it is somehow reprehensible in such farmers to "pay off debts and put by profits for retirement"?

(h) Why he is so perturbed at the projected increase in cereal acreages, seeing that cereals are essential, not only for human consumption, but for feeding the livestock and poultry of which he seems to approve?

(i) Why it should be "certain beyond doubt" that an increase in the production of essential wealth "will mean a further, and permanent, reduction in the British standard of living"?

Some considerations which should be of interest to your contributor (and readers) are to be found in "The Case for the Full Development of Agriculture" published by the Rural Reconstruction Association, and in the Memorandum on Food Production prepared by the Research Committee of the Economic Reform Club and submitted last winter to the Ministers of Food and Agriculture.—Yours faithfully,

JORIAN E. F. JENKS

Walnut Tree Manor, Haughley, Suffolk.

Italy's Former Colonies

SIR,—Having recently returned from serving with the British Military Administration in Somalia, I should like to comment on the correspondence arising from the article in your issue of June 28th. I find it disturbing to read such palpably partial views as those of Professor Bentwich and others who use Ethiopia's former misfortunes to put forward specious arguments for the transfer to her of neighbouring Italian Colonies. Of Eritrea, where the position is admittedly somewhat different, I am not qualified to speak, but I am certain that the future of Somalia does not depend upon Ethiopia.

Certainly Somalia is "an unappetising desert," but, as Mr Cora points out, great efforts had already been made to develop the territory agriculturally where possible; indeed, by the outbreak of the European War, a considerable quantity of bananas and citrus fruits, as well as some cotton, was being exported to Europe. The

majority of the farmers were *bona fide* settlers, no less than the British in the so-called White Highlands of Kenya, in spite of assistance by the Italian Government, notably in the construction of an extensive irrigation scheme at Genale. Until the Ethiopian war brought in hordes of gangsters and thugs recruited by the Fascists, together with their camp followers, there was no evidence of any more harsh treatment of the natives than can be found in colonies of other nations. Even if the war did result in compulsion of labour, with some attendant ill-treatment, there was full employment. The absence of this now is clearly reflected in the general lawlessness in Mogadishu and other towns.

As Professor Bentwich apparently recognises, the Somalis, essentially a nomadic people, are not ready for self-government, in spite of recent ostentatious demonstrations to the contrary by the vociferous Somali Youth League. The alternative propounded by the admirers of Ethiopia (whose Government has difficulty in keeping its own house in order) is that Somalia should be "linked" to Ethiopia, to which it is "historically, ethnically and economically attached." It would not be impossible to show that these attachments are not so strong as they appear, but there is a more important consideration—religion, not to mention the language difficulty. It is noteworthy that the handful of Ethiopians resident in Mogadishu are unpopular with the majority of Somalis, and there is certainly no widespread desire for closer contact.

The statement in the British official publication *The First to be Freed* that the Somalis "had a positive hatred for their ex-masters" was a particularly unfortunate one. The authors may have intended it to have a wartime propaganda value, but it is more likely that they mistook contempt for hatred. The Somalis had seen a well-equipped European army defeated after a brief campaign, and the reaction was naturally a feeling of admiration for the conquerors. Six years of an amateur, if well-meaning British Military Administration has disillusioned them, but it has not led to a desire for union with Ethiopia or for immediate independence. On the contrary, there is now a considerable proportion of the population more favourably inclined to the Italians than to the British. Italian is widely spoken by all classes in Mogadishu and other places, and Italian influences are still strong. A democratic Italy, under adequate supervision, could do much towards developing a backward territory, at the same time preparing the Somalis for eventual self-government. An Ethiopian overlordship, on the contrary, would be as harsh and corrupt as ever the Fascist rule is alleged to have been. However, the main requirement for all the Colonies is speed, and the longer they are left under make-

shift administrations, starved for both funds and policy, the more difficult it will be to implement whatever decision is finally taken.
Yours faithfully,

ERIC H. DODSON

The Knoll, Ladythorn Crescent, Bramhall.

"Premium Days" in Engineering

SIR,—I should like to reply to the point raised by Mr L. D. Levy in your issue of August 30th in regard to the loss of production in engineering and allied industries consequent on the so-called "premium days."

I can only assume that Mr Levy's criticism of the effect of these "premium days" is based on his experience of a particular district where there is no local "holiday week" and the balance of the premium days over the ordinary Bank Holidays falls on the days immediately following the Bank Holidays. May I, therefore, enlighten your correspondent on the position obtaining on the North East Coast and in the majority of areas where there is a traditional holiday period?

Certain Bank Holidays are agreed premium days. The balance of premium days, in the period prior to the holidays-with-pay agreement fell within the local holiday week, in this area Newcastle Race Week, i.e., Tuesday noon to Saturday noon. Subsequent to the introduction of holidays-with-pay and the staggered holidays scheme, the premium payment days were transferred from Race Week to the official holiday week of the firm concerned, and they are not paid at overtime rates unless they are worked during the holiday week. That is to say that although Race Week is the last full week in June, if a firm's holiday week is fixed for the last week in July, then overtime payment is only made to those workers who are called upon to work any part of the period from Tuesday to Friday during the last week in July. In no case, obviously, does this involve more than a few necessary maintenance workers, and there is no loss to production.

If the position as stated by Mr Levy obtains in certain districts, then may I suggest that the obvious remedy is in discussion between the local engineering employers and the Confederation of Engineering and Shipbuilding Unions for the purpose of agreeing a transfer of the premium days, other than Bank Holidays, to the recognised holiday week?—Yours faithfully,

MARJORIE NASH

43 Hillfield, Monkseaton, Northumberland.

Books and Publications

Philosophy and the Sociologist

"Reason and Unreason in Society. Essays in Sociology and Social Philosophy." By Morris Ginsberg. Longmans, for the London School of Economics and Political Science. 327 pages, 15s.

THE title of Professor Ginsberg's book is really an *ad hoc* invention to cover a mixed bag of occasional writings scattered over sixteen years. The form of the book, in fact, rules out sustained or developed argument. Its sixteen essays are loosely strung together, and vary much in subject, scale, and success. It is difficult to avoid broken interest, and not until the reader has plodded a pedestrian course through the first third of the book does he begin to discover the distinctive traits of the author's thought. A dull book is a likely verdict from the casual reader—which is a pity, for somewhere about page 100, Professor Ginsberg begins to write as if he had something to say, and the last two parts have a good deal of meat to compensate for the bread at the other end of the sausage.

To be frank, Professor Ginsberg is much better at developing his own thought than at making other people's ideas interesting. Nobody is likely to be fired with enthusiasm by his account of the problems and methods of sociology or the sketchy review of the recent tendencies in sociology. It is the brief paper on Social Science and Social Philosophy which first comforts a reviewer's flagging sense of duty. Professor Ginsberg argues, with the conviction born of long experience of teaching, that a separation between the questions of fact dealt with by the social sciences and the questions of value dealt with by social philosophy tends to produce a distorted view. The fledgling sociologist, untrained to handle and weigh judgments of value, hovers between scepticism and dogmatism. (Professor Ginsberg's first epigram in one hundred and twenty-three pages marks his quickened interest. "They either conclude that moral judgments do not permit of rational analysis but are matters of taste or feeling about which

there can be no argument, or else they accept the now fashionable dogma that value judgments merely express the needs of the dominant sections within any given community." But these are both large assumptions, not to be swallowed uncritically; they need discussion and examination. Here is the importance for the sociologist of a philosophical training which would enable him to bring out into the open and test disreputable prejudices and hidden assumptions disguised too often by talk about the moral neutrality of the social sciences.

In half a dozen of the later essays in this book Professor Ginsberg shows with real success the fruitfulness of philosophical method applied to social problems. What he does is to take some large topic like National Character, Anti-Semitism, the Causes of War, the Idea of Progress, each of which has become encrusted with prejudice and obscured by muddled thinking. He then examines, with patience and lucidity, the different views that are held about these topics, disentangling the self-contradictions and laying bare the improbable assumptions which they involve. At the same time, he has a shrewd eye for the underlying truth contained in facile and well-worn generalisations on such matters as national character. This essay on National Character and the concluding lecture on Moral Progress show Professor Ginsberg's method at its best. It is quiet and unpretentious—deceptively so, perhaps—without any displays of intellectual fireworks or gaudy paradoxes, but it has the effect of leaving the reader a good deal clearer about the issues involved in these much-thumbed problems.

Professor Ginsberg at one point refers to Bertrand Russell's remark that if only men could agree about matters of fact, they would find their disagreements on judgments of value far less formidable than they commonly imagine. One of the chief justifications of the social studies is the very considerable area which the pioneers in such studies as anthropology, comparative morals, comparative religion and the investigation of social customs and conventions have reclaimed from the quicksands of controversy.

In these later essays Professor Ginsberg suggests further ways in which the most controversial questions can be simplified by the cool scientific investigation of questions of fact hitherto treated as matters for inspired guesses or simple dogmatic assertion. His own analysis illustrates no less clearly the advantages of clear, critical, disinterested thought, even when neither very profound nor original, over the intellectual muddle of the woolly-minded and the specious simplifications of the partisan.

Middle Eastern Minorities

"Minorities in the Arab World." By A. H. Hourani. Issued under the auspices of the Royal Institute of International Affairs, by Oxford University Press. 140 pages. 10s. 6d.

THIS is an excellent study of the position of religious and racial minorities in the Arab world, which was completed in the first half of 1945. The author excludes from his field of study the question of European Jews in Palestine and the relation of Sunnis and Shi'ah in Iraq.

The first part of the book is devoted to a general description of the minorities, their historical background and their several problems. The effect of increased interference by the Great European Powers in the Middle East from the decline of the Ottoman Empire onwards and how this has largely conditioned the outlook of many of the Christian minorities in the Levant and their relationships to the majority is clearly brought out. The effect of increased trade with Europe and America, leading to the growth of a new type of minority, is described and also the spread of Western education, which further widened the gap between the Christian minorities and majority. The author has some interesting remarks to make on the attitude of Moslems to Western civilisation, the effect of the rise of nationalism on the position of the minorities, the influence of the examples of Turkey and the USSR after the first world war, and of social change within the Arab world itself.

The second part of the book describes the position of the minorities territory by territory and brings out the conflicting trends both among the minorities themselves and in the attitude of the majority towards them. The author regards the Christian-Moslem problem of the Levant states to be largely a question of Franco-Arab relations, while he considers a settlement of the relation of Sunni and Shi'ah and of the relation of Iraq to the rest of the Arab world fundamental to a settlement of the minority problems of Iraq.

The immediate problems of the minorities are seen, not in isolation, but as one aspect of the prevailing instability of the political life of the Arab world. The author considers certain essential guarantees necessary to enable the minorities to lead a normal and healthy life, and believes that a prerequisite to the ultimate solution of the problem of the relationship of the different communities, which must take place, not only in the political, but also in the intellectual and spiritual sphere, is a solution of the problem of the instability of indigenous governments.

Was Hess Mad?

"The Case of Rudolf Hess." Edited by J. R. Rees, MD, FRCP. Heinemann. 224 pages. 12s. 6d.

WHEN Hess stood up in the dock at Nuremberg on November 30, 1945, and said, "The reasons why I simulated loss of memory were tactical," the world laughed; but some withheld judgment. They reflected that it is often impossible for the unstable man who, for example, is invalidated for psychiatric reasons from the Army to face this failure. How much more satisfying for him to believe that he has "worked his ticket." That their caution was wise is clearly shown by this book, in which Hess's background and personality, his behaviour and state of mind while in this country and at Nuremberg are fully described by the psychiatrists who looked after him.

Although the approach is medical and the account strictly a case-study, the political motives for his flight are not ignored because, in the event, they proved to be so psychopathological. In the main the language used is suitable for the layman as well as the expert, apart from a highly speculative chapter devoted to the psychopathology of the case which, written in the customary jargon of the subject, will be difficult for many to understand; and a clear picture of Hess steadily emerges from the day-to-day accounts of those who lavished such care upon him.

Medically the main interest centres on the diagnosis. His persecutory beliefs, expressed time and again in interviews with his doctors, in the statement he wrote in England in prepara-

tion for his trial, and finally in a letter permitting publication of this book, and the abnormal behaviour based upon these fantastic beliefs, could only have led, had he been an Englishman, to his certification as insane. Delusions of this type, however, have always to be evaluated in terms of the culture in which they have grown up. Can Hess be called mad, if his persecutory delusions, which led him to believe that he was being poisoned and tortured, are considered in relation to the highly abnormal environment of Nazi Germany? With one or two dissenting voices, the doctors have concluded that he was not mad, in the strictly medical sense that he was not suffering from a progressive paranoid psychosis. His illness, for that he suffered from a mental illness there can be no doubt, was a reaction of a highly unstable personality to the imminence of his failure in his own country, and to the stress of having his mission rejected and of being detained as a prisoner of war. This view accords with the results of the psychological tests carried out on him at Nuremberg and with his transient hysterical symptoms.

Hess had little or no insight into his delusional illness, and his claim to have been malingering referred only to his periodic losses of memory, relatively unimportant episodes in his case history. When he "recovered" so dramatically during his trial, all the facts related in this interesting book were known to few. The doctors have had the last laugh, for the expert commission which examined him before the trial explicitly stated: "the amnesia of Hess may end upon his being brought to trial."

Cartels Analysed

"The Aluminum Cartel." By Louis Marlio. Brockings Institute (Fabers). 129 pages. 9s. 6d.

"International Cartels." By Ervin Hexner. Pitman. 555 pages. 30s.

It is nearly time for writers on cartels to form a cartel themselves with a view to avoiding duplication and exchanging technical information, if not to allocating markets and restricting production. The formidable bibliography already existing, to which was added within the last month Professor Whittlesey's excellent study "National Interest and International Cartels," has now been strengthened by two new volumes, also from the United States, covering much of the same ground, though from instructively different angles. Professor Hexner's encyclopaedic work consists, as to half its length, of appendices giving the actual texts of cartel agreements, and thus provides a body of material for study more solid than anything in the contributions of his rivals or colleagues. The study proper has the dispassionateness and apparent inconclusiveness of a judge's summing up—it is for the jury to decide. Mr Marlio, for twenty years managing director or chairman of the French Aluminium Company and for thirteen years chairman of the International Aluminium Cartel, supplies an authoritative apologia for his organisation's policy, backed by production statistics, price analyses, and detailed examination of inter-company negotiations and relationships.

Despite a natural difference in approach, the two authors reach, explicitly or implicitly, very similar conclusions. Short of a complete change in public attitudes, in international trade policy, in commercial and patent law, cartel agreements, formal or informal, are bound to exist. Such agreements may result in a net restriction of trade, in exploitation of the consumer, in penalising progress, in strangling technical advance, and all the other traditional crimes of monopoly. But they need not; on the contrary, they may diffuse the best techniques, fruitfully marry inventions, and pass on to consumers the benefits of a rational and well-integrated co-operation. Mr Marlio claims, with evidence, that, apart from a shortlived and financially disastrous buccaneering period forty years ago, that is precisely what the Aluminum Cartel has done; and Professor Hexner, in dealing with that industry, says nothing to contradict him. But Mr Marlio, like Professor Hexner (and Professor Whittlesey) is unwilling to leave to the leaders of cartelised industry the power to combine in just such ways and for just such ends as they choose. Combination must be for promotion of trade, not for its restriction, the terms of agreements must be subject to authoritative scrutiny, and the authority should be international perhaps an agency parallel to, or actually deriving from, the International Labour Office, thinks Mr Marlio; perhaps carried on by individual Governments working under an internationally agreed convention, thinks Professor Hexner. Possibly Mr Marlio, arguing from the experience of a cartel dealing with a product of highly elastic long-run demand and thus constantly led by self-interest to expand rather than to restrict, is over optimistic. But that experience, and the large measure of agreement between him and the more academic students of the question, are encouraging to hopes of a solution.

AMERICAN SURVEY

Military Republic?

(From Our US Editorial Staff)

THE Eisenhower-for-President boom, publicised to coincide with the American Legion Convention and corroborated by a Gallup poll, offers an occasion to speculate on the extent to which the United States is becoming a military republic.

Running a victorious general for the Presidency is an old American custom. It began with Washington, though the better part of a decade elapsed between the end of the actual fighting and his inauguration, during which he performed a not inconsiderable civilian service as chairman of the Constitution-making convention. It happened again after 1848 and 1865; Teddy Roosevelt's Rough Rider charge up San Juan Hill helped him on the steeper ascent to the Presidency; and, if Pershing's cold correctness failed to turn into a candidacy, it was not for want of ears hopefully kept to a ground that echoed no stampede in his direction.

No one is sure if General Eisenhower is a Republican, however natural it appears to the group that for some time has been working for him in Kansas. But the respective supporters of Mr Dewey and Mr Taft must be wondering if he is not a very threatening alternative to their success on an early ballot. An Eisenhower-Stassen ticket, it is admitted, might be popular enough to reduce Democratic certainties to South Carolina and Mississippi (it would offer the one circumstance in which Mr Stassen could run with dignity in the second spot). But unless the need for that much popularity were very clear, it is

unlikely that the regular party stalwarts would want a bandwagon on whose front seat room was not made for one of their own number—Mr Martin, for instance.

In disclaiming his candidacy some months ago, General Eisenhower pointed to his past as a professional soldier. Yet it is unlikely that the charge of being a military man would be made with much conviction against him. Perhaps because of his Guildhall speech at war's end, perhaps more because of a public friendliness unalloyed by brass, he is assumed to be in accord with civilian views about a proper relation between a democratic country and its armed forces. Secretary Marshall, too, whose declaration of no political ambitions on accepting civilian office was taken seriously, is credited with a similar devotion, perhaps indeed more finely tempered, to a civilian society.

So there is not much to the idea that the election of General Eisenhower would be a move in the direction of a military republic. But that is not to say that signs of a military republic are not visible in the United States. The maintenance of lively democratic institutions under the shroud of a necessary military security is no easy matter.

A number of the trends toward a military republic were begun for reasons irrelevant to the issue. It is an anomaly for a country that fondly imagines itself to be non-militarist to have the civilian functions of its government exercised through

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MINORITIES IN THE ARAB WORLD

by
A. H. Hourani
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(Published under the auspices of the Royal Institute of International Affairs)

This is a comprehensive study of the minority problem in Egypt, Palestine, Transjordan, Lebanon, Syria and Iraq. Mr. Hourani marshals his facts with deep knowledge and admirable lucidity. In his final chapters he outlines what he holds to be the essential safeguards, international as well as national, for the minorities of the Arab world, and makes proposals about the machinery which should be set up to ensure their realization.

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the army in the occupied territories abroad. Yet the anomaly was produced not by a grasping military but by the refusal of the State Department to take over. Mr Byrnes's horror of being a bureaucrat was evidenced first in his determination to keep the Office of War Mobilisation (of which he was once the head) a co-ordinating and not an operating agency; as Secretary of State after VE-Day, he declined responsibility for Germany on the ground that his was a policy-making department only, and that the army had trained men. Actually, the "point" system of demobilisation had decimated the Military Government. Nor has the trend stopped: the recent decision to close down the US Commercial Co. has consigned the inhabitants of the Pacific Islands to rule by a reluctant Navy.

As a result, the decisions taken in Tokyo and Berlin are taken by generals, neither of whom is lacking in top brass quality and both of whom are advised with a certain reticence by their superiors in Washington. Necessarily, they are available to the State Department for pro-consultation only through the intermediary of the War Department, which recalls General Marshall's wartime rule of non-interference with a commander in the field.

More important perhaps than the attitude of the professional military men is the attitude of the business men who worked closely with them during the war and who are still—or again—in governmental posts. Their only previous government experience was in circumstances which made it unnecessary to say much, under security regulations which made it desirable to say little; they would be less than human if, beset by bone-breaking problems, they did not now feel a nostalgia for the days when to say of a policy that it would contribute to the winning of the war was enough to get consent from the country at large and in tangible dollars from Congress.

Moreover, their Hamiltonian background—Wall Street alone has contributed Mr Lovett, the Under-Secretary of State, Mr Saltzman, the Assistant Secretary of State for Occupied Areas, Mr Forrestal, the Secretary of Defence, Mr Draper, the Under-Secretary of the Army—is a background in which conversations

in closely held confidence are normal ways of getting things decided, and selling the country on the result is a project for the advertising men at a later date.

A transfer of this pattern is currently visible. The constant contact between those responsible for politics and economics as instruments of foreign policy and those responsible for the use of military instruments, lest commitments get out of balance with capacities, means that the officers of the State Department and of the new tripartite departments of defence now form the same sort of little cabinet that the heads of agencies concerned with domestic economics formed during the early New Deal. The resulting foreign policy of the United States is discussed by them with great candour, in confidence, with small numbers of responsible individuals. Osmosis being what it is, a considerable group of top people of one sort or another are thoroughly apprised of the way affairs are shaping. But the country at large is not.

The drying up of the Presidential press conference under Mr Truman, and the post-war persistent overclassification of departmental documents are making it more and more difficult for the Washington correspondents to do a good job. And the pertinent officials are doing next to no job. Next to no job, that is, on explaining general policy, inducing the overall understanding that gives a country a sense of direction.

By contrast, a smartly tailored job is being put out to sell the country on several specific parts of general policy. Most of the major government departments have lobbies related to them. The Isaac Walton League and other conservation-minded societies keep a benevolent eye on the fortunes of the Department of the Interior. The Department of Agriculture does not move far without the Farm Bloc. In the 1948 Budget \$11,256 million is destined for national defence, not counting the \$7,343 million for veterans' service and benefits, which has a special lobby of its own. The relations of the military to the country, after total war and in uneasy peace, are so different in scale from what they have been before as practically to be different in kind. Contacts with industry, contacts with reserves

and, most important, contacts that reach down into the communities of the nation are making people support the armed services in a new way. The most overt salesmanship has been applied to universal military training; the Army's trial run at Fort Knox earlier in the year was publicised with blandishments comparable to the advertisements for tooth paste and soap powder, assuring the great American mamma that her boy will have plenty of chaplains and not too much liquor.

It is possible that these paternalistic assurances are not what the country wants. Most of its doubts about the value of universal military training, of which a recent Gallup poll finds a majority in favour, have concerned the suitability of the training to be given to the requirements of modern war; the change from the Army-sponsored Bills introduced during the war to the Army plan for military training announced last autumn indicates a tempering process due in no small measure to civilian insistence. It is a process which many civilians believe it is important should continue, not only on theoretical grounds of the relation of the military to a democratic society, but also on grounds of the quality of resulting decisions.

The qualms about the beehive state which are being felt in Britain in connection with direction to work, even by consent,

have a counterpart here in connection with the report of the President's Scientific Research Board, issued on August 27, which recommends the annual expenditure of one per cent of the national income by 1957 on research and the training of scientific manpower. The need for such research is clear with an awful clarity. Yet the inducement to specialisation thus offered is currently unparalleled by comparable concern for the capacity to make overall decisions. Science can furnish material, and without it, in topnotch quality, a nation is nothing. But there are similar variations in quality in decisions taken on how to use material. And unless the training of specialists is accompanied by the training of generalists, the alternative, some day, might be to make do with generals.

The country has an uneasy sense of the gravity of its situation. But it by no means regards its situation as warranting abdication of the power of decision. Unless those in the know share, and offer for national debate, the maximum that can be shared of their knowledge, the sources of consent will dry up and the country will express its ignorance through Congress. Does the quite exceptional skill which has been shown to date in handling the close-in phases of the Marshall Plan have a broader counterpart?

Power on the High Plains

(From a Correspondent in Colorado)

ONCE, shortly before he died, George W. Norris, for many years the leading progressive influence in the Senate, was interviewed by a reporter at his home in McCook, Nebraska. Naming several institutions for which Norris was largely responsible, including the Tennessee Valley Authority, the reporter asked him which in his opinion would be most valuable and enduring. He seemed a little disconcerted. Finally he said, gently: "You forgot the REA."

Norris's choice is understandable. The Rural Electrification Administration, of which he was the principal architect, has probably brought more prosperity, happiness, and freedom from exhausting toil, to more people than anything else which he helped to bring about. It is noteworthy that, with all their savage cries against the "New Deal" and promises about what they would do to its projects if they got into office, the present Republican Congress has hardly touched the REA. Appropriations enabling it to make loans to extend electrical service to more rural dwellers total one-fourth of a billion dollars for the fiscal year 1948, nearly all that was asked for.

Under REA, the government loans money at two per cent interest to qualified co-operative associations of farmers and small-town dwellers, who use it to provide themselves with electrical power facilities. When they have paid back the government, the power facilities become their own property. REA originated in 1935 to extend electrical service and its accompanying benefits to people comparatively neglected by the private power companies. The neglect was not so much because of the poverty of rural dwellers as because, in the country, the distances between customers require an extraordinary amount of line and other equipment per customer.

A typical REA area is the seemingly limitless prairie of the High Plains in Eastern Colorado. The vast over-arching bowl of the sky seems to dwarf the flat earth, on which in any direction the eye meets nothing to break the horizon save the grain elevators that rise here and there like mediæval towers. To the town-dweller this land is frightening. It is savage, and the almost untamable. Abused, it strikes back. Every year the savage lash of hail destroys thousand of acres of crops. Millions of tons of this land blew away during the "dust decade," but when the rains came back, those who had stubbornly stuck it out began to cash in. This year this land has borne its greatest and most valuable crop of all time.

A recent visitor found that the incessant and almost awe-stricken discussion of the greatest of wheat crops, then coming

in, shared attention with only one other topic, the full implementation of the Highline Electrical Association, REA, with headquarters at Holyoke, Colorado. Highline covers the whole Northeastern corner of Colorado and a bit of Southwestern Nebraska. Its area is about 7,600 square miles. Eventually it will supply some 4,000 customers, including virtually all farms and the dwellers in seven tiny villages, that means about two customers per mile of its eventual grid—the statistic is enough to explain why the private power companies never bothered to serve the area. Highline has 985 miles of line now activated, serving about 2,000 customers. There are 362 miles lying ready, but with no power supply. It has a Federal loan of \$600,000 with which to build another 600 miles of line. It has borrowed \$1,848,000 from the Government, on which it is repaying principal and interest at the rate of \$60,000 yearly. It has a surplus of \$50,000.

For years Highline's officials and customers have dreamed of "the big power from the mountains." Hitherto they have had to make out with power from three small municipally owned plants and from one private company. This has not been enough, and the rates have been high. The average wholesale rate has been 1.6 cents and the retail charge \$9.80 for the first 200 kilowatt hours (about 3d. per unit).

But in the Rockies, dimly visible on the Western horizon on very clear days, the government has been building large multi-purpose dams that pour out really "big power." The Bureau of Reclamation has planned grids to carry this power far out on the plains, to the town of Holyoke, for example. The private power companies, perennial opponents of REA, had strength enough until last year to prevent appropriations for this grid. But the 79th Congress finally provided the money, and the "high-line" is being built. Holyoke hopes for it in time for Christmas. Wholesale rates will then go down to 8.5 mills—still 50 per cent over TVA rate but a boon to this power-starved area—and cheaper power will flood into farm homes. Salesmen of electrical appliances are already swarming into the region, taking "down payments" on everything from washers to feed-grinders. Farmers estimate that just to be on an REA line adds some 10 per cent to the value of a farm. Highline now sells about 3,500,000 kilowatt-hours yearly. Sales are estimated to run to 12 million Kwh yearly when the new power is available, with use by rural small industries, as well as for farming.

There are now some 900 REAs like Highline, some smaller,

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some very much larger. The government has lent them about a billion dollars, two-thirds of which has already been spent for line construction while the rest awaits delivery of construction materials. Approximately half a million miles of line have been energised, and 1,700,000 consumers have been connected.

The programme is spotty. South Dakota and North Dakota, vast plains states, have only 15.8 and 13.6 per cent of farms electrified as against 95.5 for Connecticut and 79.3 for Utah, for example. Generally speaking, the states of the Deep South and of the Upper Missouri River Basin have lagged behind. One criticism advanced against REA is that, by bringing electric power to them wherever they are, it tends to fix people on the land whether or not their presence is economically and socially desirable. Thus, in the case of some High Plains areas, there is a question whether it is actually for the national good to have unstable soil with scanty rainfall exploited as farm land. Elsewhere, too, there are marginal lands where the application of either human energy or horse power is of dubious value. On the other hand, a major argument for the REAs is that in many areas they make possible, for the first time, effective operations with justifiable returns.

Private power companies are still fighting REA, though in many cases they have no desire or ability to serve its areas. Where they cannot stop the REAs themselves, they execute a strategic retreat, attempting to dominate their sources of supply. They have fought the extension of publicly owned transmission lines from the government dams. When they are faced with public competition, they have in many cases cut their rural rates deeply, both at wholesale and retail, and extended facilities. Since the beginning of REA the percentage of farms with electricity has increased from less than 11 per cent to about 57 per cent.

In a very few cases, REA co-operatives have been unable to make a go of it, and have sold out to private companies. But most of them are exceedingly strong, and are well ahead on their government commitments. When those are paid off, and the co-operative becomes the sole owner of the system, rates can be cut again. REA engineers and those of the Bell Telephone system, in co-operation, have worked out the principles by which telephoning may be done over power-lines, thus making telephone service available to farmers who have power-lines but no telephone lines.

American Notes

Interim Aid

The steady accumulation of "distress reports" from Europe this week forced a still reluctant Administration to admit that interim assistance must be given on a scale that could not possibly accrue without specific sanction from Congress. In his carefully worded statement in Washington on Wednesday, Mr George Marshall put on all possible pressure apart from calling for a special session of Congress—and that was beyond his power. There can be no doubt whatsoever now that Mr Truman will recall Congress as soon as material is available for study by the appropriate committees.

In fact, moves towards a special session have been taking place for some days now, following Mr Lovett's first admission a week ago that European events would demand a telescoping of the Congressional time-table. The Senate Appropriations Committee will meet on September 20th "to discuss financial policy in Europe," a move that followed discussions with Mr Kenneth Royal, the Secretary for War, and other departmental heads. A good many weeks must still elapse before the way is clear for any sort of appropriation by Congress. The report from the European Economic Committee must be dovetailed into the estimates submitted by the State Department, the special Congressional committee now in Europe, and the committees appointed

by President Truman. But, as already suggested here, the European Committee's estimate of about \$21 billion now accords quite closely with the higher range of figures submitted earlier by the State Department, and it is said that Mr George Kennan, the special State Department delegate to the European Committee, has also submitted a similar total for minimum aid over the longer-term.

Mr Marshall was careful to stress that "interim aid" would represent, not a simple stop-gap device, but part of the longer-term programme on which Congress would require more time for study. There seems now to be every reason to believe that Congress will be sufficiently impressed by the plight of Europe to sanction the short-term programme as expeditiously as possible, though any fuller programme will not secure assent without considerable opposition, not only from the incorrigible band of American firsters, but also from a number of sincere and able men who are entirely puzzled by the swift pace of events, and by the seeming inability of Europe to make more of a concerted effort on its own behalf. To overcome this opposition President Truman will no doubt stress once again the purely political consequences of European failure.

The Administration's new move rules out the possibility of a stalemate between the executive and legislative branches that might have followed from a decision to use specific funds of the Administrative agencies for stopgap treatment, pending a Congressional vote. It is true, of course, that substantial funds are available through the Reconstruction Finance Corporation and the Export Bank; little short of \$3 billion in fact. But such an evasive measure would have stiffened Congressional resistance, as Senator Vandenberg showed plainly in a speech last week. The RFC funds may now be used to save a little time, between a Congressional vote on an assistance programme and the actual appropriations vote. But approval of the programme will also bring sanction for direct Treasury operations within a short period.

An ominous reaction to Mr Marshall's declaration concerning the threat of "intolerable cold and hunger in Europe" has been the fresh rise in Chicago grains, which have been advancing steadily since European reports began to stress the gaping deficiencies in 1947 crops. September wheat in Chicago is up from \$2.61 to \$2.78 in a week, and maize from \$2.50 to \$2.63 (an all-time record). For the time being, nothing can stay new high levels for all grain prices, meat, and dairy products, and organised labour is even now pressing for still further wage concessions.

Exports Down Again

Preliminary figures for July show the expected further decline in exports to \$1.1 billion—unaccompanied by any general setback in price-levels. This level is 8 per cent below the June figure of \$1.2 billion, and about one-fifth lower than May which brought the post-war peak.

These figures have naturally aroused fresh discussion concerning a turn of the business trend. On any assessment, of course, it is quite clear that US industry has now passed the phase where foreign countries could afford to take whatever goods were on offer in New York ports. The stringent controls now governing shipments to Latin America are arousing real concern to many exporting concerns. Unless Congress acts much more generously on the Marshall programme than it would be realistic to expect, exports certainly will not be maintained at about recent levels without further considerable drafts on other countries' gold and dollar reserves, coupled with very substantial remittances by American citizens in the form of tourist expenditures and dollar gifts. In other words, it must take some time before there is any considerable relief through an increased level of US imports, and quite apart from the inability of Europe to speed production, there is no sign of any radical revision in domestic tariff policies.

If Congress supports Mr Marshall but delays the final appropriations, something like an export slump is still more certain, while failure to give substantial assistance would in all probability bring the further "freezing" of loans from such agencies as the World Bank and the Export Bank, since these institutions are professedly built as "non-political" units, and have certainly given any earlier relief only after the most rigid checks.

These considerations do not give any precise answer to the question of how far an immediate export decline will affect the general level of industrial activity. Most observers now expect that activity will be maintained at high levels for some while yet. But some stress is being put on the fact that the seasonally adjusted

Federal Reserve Board Index of Industrial production (1935-39) is now back to 178 against a post-war peak of 190 in March. This index has now fallen over four consecutive months, the July decline being attributed partly to holidays and raw material shortages. Moreover, civilian employment in August fell slightly below the 60 million level held both in June and July, though non-farm employment was actually higher, and unemployment no more than 2,100,000.

Reserve Board officials now predict that August production figures will be better, and most observers are unwilling to give clear-cut forecasts when so many earlier predictions have been falsified by events. None the less, it may be said that the US economy over the next few months at least will ride a rather precarious trail, and might quite easily face some untoward developments before 1947 is through.

Getting Up Steam for 1948

In holding the first nation-wide political rally on the air the Democrats have served notice that the campaign of 1948 is on. They have, of course, one advantage over the Republicans: they know their candidate, and the Republican charges that such early partisanship is bad taste carry a flavour of sour grapes. Even without the unanimous conclusion of recent public opinion polls that the President's popularity has so revived that he could take on with ease any Republican except Governor Dewey, there has never been any doubt that Mr Truman would lead the party in '48.

Basic to the Democratic campaign is the magic Roosevelt formula: a little left of centre. Mr Truman's Labour Day message was carefully phrased to avoid irritating Congressional sensibilities on the score of the Taft-Hartley Act, but he insisted significantly that good labour relations are not created by laws, and he urged restoration of the authority of the Department of Labour, the broadening of Social Security, and the raising of the minimum wage. The very able list of speakers who took part in the broadcast to 3,000 party meetings represented the Liberal wing of the party; they included Mrs Douglas of California, Mr O'Dwyer, the progressive Mayor of New York, Senator Sparkman of Alabama, and Senator McMahon of atom fame and with the exception of the latter, their common target was Republican reaction. The chief problem exercising the Democrats is the choice of a running-mate who will complement Mr Truman geographically and add political glamour to the President's good works.

In contrast, the Republicans are riding off rapidly in all directions. Senator Taft has set off on his conquest of the West with a reported intention of proving that he'd rather be right than President. He may have the opportunity. Like President Roosevelt in the famous Teamsters' speech, Mr Taft is determined to "smoke Dewey out," but unlike Mr Roosevelt, Senator Taft may not have the divine gift of knowing where to stop. Mr Stassen has also departed on a speech-making tour. Governor Dewey's political silence is proving a happy bonanza for the cartoonists, but his early strength is spurring rival candidates to a candour and early effort which promise a lively race for the nomination.

Most Republicans by now realize that the formidable strength of President Truman demands from the opposition a candidate of unusual appeal to the independent voter. Those who do not were rudely reminded last week by Senator Baldwin's attack on the "rock-ribbed" Republican record in Congress. This, as well as the desire to "stop Dewey" is sufficient to account for the interest being shown in the possibility that General Eisenhower might be persuaded to resolve a Taft-Dewey deadlock in the convention.

After Bilbo

Senator Bilbo's death at the end of August has removed permanently one of the most hated members of Congress and left unresolved the question of whether the advocacy of racial violence is a sufficient cause for exclusion from the Senate. Senator Bilbo was squarely in the Huey Long tradition, a radical demagogue who exploited consciously, and to perfection, the ignorance and the prejudices of the poor whites of one of the Union's most backward States. Like Huey Long, however, he provided broad as well as circuses; apart from the race issue, he was a strong supporter of the New Deal.

His exclusion from the Senate was not taken well in Mississippi. The Governor had made clear his intention of reappointing "The Man Bilbo" if the senate had excluded him. The hatred of outside interference on which he relied so long sustained Bilbo

to the very end. The choice of a successor now rests with the people of Mississippi, or rather with a small number of them, for no primary is to be held, and the winner need receive only a plurality of votes cast. Among the large number of possible contestants, the most prominent is Representative Rankin, who is said to be the only man capable of "out-Bilboing Bilbo." To this is added the dubious qualification that unlike Bilbo he believes the rubbish that he talks. The issue of "white supremacy" has been sharpened in Mississippi by charges of Northern interference in race relations.

Rail Rates Plea

The Ford Motor Company's decision to raise prices for most models by rather more than four per cent is, perhaps, the most eloquent of all recent commentaries on the strength of the inflationary forces now dominating the entire economy. The general movement has now reached the stage—classically regarded as the ultimate—or at least as the penultimate—phase of boom where price advances are covering the least volatile sections such as rents, power rates, passenger fares, etc. But the Ford Company, following the path of its founder, has put up such a staunch resistance to cost increases, that many believed it would be able to "hold the line" until a turn in the tide.

Railroad wage concessions now promise one more turn of the screw. From September 1st, non-operating employees secured a wage increase of 15.5 cents an hour, bringing the hourly average wage for these workers up to \$1.18, at an estimated annual cost of \$440 million. The powerful "Brotherhoods" (unions representing the so-called operating rail workers) have yet to stake their full claims, but for more than a year they have pressed for new "feather-bedding" rules which, on the managements' estimate, would add \$1 billion to the annual wage bill, and for wage concessions which might take another \$300 million. The non-operating workers will not enjoy any retroactive payments, but the Brotherhoods will, in all probability, demand that any concessions made to them shall date from September 1st.

Rail freight traffic is still at, or near, peak levels and 1947 gross income is expected to top \$8 billion (more than double the 1939 rate) against \$7.6 billion in 1946. Net income for 1947, however, was not expected to be much above \$450 million even before the recent wage concessions. The new claims make it quite certain that the Interstate Commerce Commission must concede freight rate advances, and hearings began this week. In July, the railroads were seeking advances averaging about 16 per cent over the whole country, sufficient to add \$1 billion to revenues on current traffic levels. This would bring the general level of freight rates to one-third above those of 1939. A new demand is for an immediate increase of 10 per cent, and a later advance of nearly 17 per cent. The ICC is expected to grant the request for emergency treatment, but to move slowly on the general claim. The railroad managements now fear that they will be caught, not only by a general decline in car-loadings, but by a simultaneous loss of the profitable long-haul traffic generated by war and post-war boom conditions. Their financial position, fortunately, is now very much stronger than in 1939.

Shorter Notes

Something like the Queensberry rules seems to be needed by committees of Congress conducting investigations. Hard on the heels of the Hughes investigation comes the news that a counsel for the House Committee on Education and Labour has seized a witness by the throat and knocked him down. The witness was abusive, it is true (he was Mr Padway, counsel for the American Federation of Labour) but Mr McCann's subsequent action goes far to justify the charge of "Gestapo Tactics" which provoked the assault.

Preliminary reports suggest that a large proportion of ex-service men will cash the Armed Forces Leave Bonds which became formally negotiable on September 2nd. The available total is about \$1.8 billion, and thus represents rather less than 1 per cent of disposable personal income on current account, which, through the first half of this year, was running at an annual rate of \$170 billion. Ten years ago, a similar bonus payment (on a disposable income level of about \$70 billion) brought a decided stimulus to business, and with supplies now so tight the present payment is expected to give a fresh twist to many retail prices.

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THE WORLD OVERSEAS

First Aid for France

(From Our Paris Correspondent)

ONE of the biggest obstacles confronting the Paris Conference in its endeavour to organise European economic co-operation is France's own chronic state of economic, political and financial crisis. The delegates have had before them this week the spectacle of rapidly accelerating inflation, swooping prices, strikes and demonstrations compelling the administration to post armed police all round the conference buildings, growing alarm and public indignation. They have seen the government appealing for heavy new subsidies for the nationalised coal mines, without offering evidence that the revenue will simultaneously increase. They have read of men and women striking for more bread as if convinced that the world shortage is a deliberate conspiracy by the French authorities.

By an ironic chance, these eruptions have come precisely at the moment when the French government (along with seven or eight other participating members) has submitted to the Paris conference a general plan for a return to orthodox finance, a balanced budget and the oft announced *assainissement financier*. The French delegation can hardly complain if their assurances are greeted sceptically when their own public opinion and press is openly and scornfully incredulous. But the French Government and its advisers are perfectly well aware that none of the present plans, either for financial, commercial or productive co-operation between the states of Europe, will make sense without some radical improvement in the French situation. M. Ramadier is confronted with an ever-recurring choice, and one which cannot be lightly made: should he remain in power, compromising on matters of principle, sustaining ambiguities to conceal differences, making concessions to demagoguery and hawking on foreign colonial and domestic policy? Or should he resign, leaving leadership to the extreme left or right, possibly jeopardising French independence, and delaying indefinitely the painful process of national reintegration?

The Root of the Trouble

M. Ramadier's survival is not itself sufficient to set the French house in order, or to ensure its contribution to Europe. The French Government believes that it is today necessary to have immediate external aid to save the franc and restore confidence, before what has now become a vicious circle of inflation and panic reduces the country to impotence. The reassurances from Mr Lovett and other notable Americans have already improved the atmosphere; but tension persists.

The root of the trouble is food: under-production and bad distribution. Between January and August of this year the cost of living based on 29 items of food has risen by 30 per cent. Having seen the peasants resist successfully the efforts of a corrupt and understaffed administration to collect and redistribute their produce, the town population came round to the view that it would be better for the produce to reach the towns at the peasant's price than not to arrive at all. The Government gave way to a campaign for lifting controls and maintained severe price restrictions only on the essentials: bread and milk. By so doing they put a premium on the production of non-essentials.

The meat market illustrates the process: when controls were lifted, supplies vastly increased but prices did not fall. The "normalisation" of the market merely encouraged peasants to feed grain to animals. While the rural population and the wealthy minority now eat meat twice a day, the rest of the population scrape and save on other items of the budget to pay exorbitant prices for what remains. The effect on wheat cultivation has been disastrous. In the 30s an average of 5,200,000 hectares was cultivated, this year only 3,310,000. This deficit, followed by the worst harvest yields in living memory has produced a situation in which France—once self-sufficient—will this year be unable to cover one-third of her normal consumption of bread. Just before the present harvest, adjustments in wheat prices were made; but non-controlled secondary cereals are still a very much more profitable crop than wheat.

Awareness that this wheat shortage was only one part of a

world crisis, and that France would not be able to replenish her stocks from abroad has created something like panic within the last few weeks. This has been aggravated by some ill-advised pronouncements of political leaders which sent the prices of all stockable foods rocketing up again as housewives queued to fill their larders. Potatoes were among the commodities on which there was heaviest pressure, although the potato crop is better this year than last: 12 against 11 million tons.

Without bringing food prices under control the whole policy of freezing wages became impossible: the Government have had to make very considerable concessions both to their own employees (over 2,000,000 today) and to industrial workers, whose wages are now under governmental control. The results affected industrial prices and for the first time since the Blum experiment began there has been this month an all-round edict permitting price increases of up to 5 per cent.

This levelling upward of wages recreated a budgetary deficit, despite the Government's repeated assurances that the 1947 "ordinary budget" (i.e., excluding reconstruction costs and military operations in the colonies) would balance, and the solemn warning in the Monnet plan that French revival depended upon it. In order to limit the impact of the wage increases on prices, the Government decided to continue subsidising coal; so that while expenditure increased by about 35 billion francs for paying civil servants an extra allowance, the anticipated gain in suppressing industrial subsidies had to be postponed. Before adjourning this week the assembly approved a new subsidy for coal costing 7,370 million francs; it is expected to tide the nationalised coal industry over the recess, until November 15th, when the whole economic policy of the Government will come under review.

Besides upsetting the plans for budgetary equilibrium, soaring prices further intensified the disequilibrium in the French balance of payments. French exports, particularly to the dollar area, are almost at a standstill because of the disparity between French and American prices; this is partly the result of superior equipment in all branches of American industry and agriculture, but mostly of the artificial rate of exchange maintained between the dollar and franc, despite the collapse of the franc's purchasing power.

While the dollars almost stopped flowing in, they flowed out much faster than estimated. The dollar reserves, which are for practical purposes today exhausted, were used up at an unexpected pace for two reasons: the rise in American prices, and the need to import from America more coal than expected, following the disappointment of hopes of cheaper coal from the Ruhr.

Threat of Paralysis

France has therefore this week had to sanction new drains on the gold reserve to the value of 12 billion francs and amounting to 90 tons of gold. The gold reserve of 1939 has thus been reduced from 2,159 tons to 592 tons after the last withdrawal. It is now generally recognised that any further withdrawals would reduce it below danger point. It has therefore been necessary to call a halt to the import programme and cancel all imports except those of fuel, grain and fats judged indispensable.

These import cuts will deprive France of raw materials for textiles, machinery, agricultural implements, food and rubber. They mean a suspension of the five-year modernisation plan, with a consequent check to the raising of French productivity. Industrial production, once the existing stocks are exhausted, will be almost paralysed. The return to financial equilibrium will be almost postponed. Deterioration in living conditions will add to political instability and shatter the confidence required for saving and investments.

These are the main reasons why urgent help to France is the indispensable condition of useful long-term American aid to Europe. Even M. Ramadier cannot survive if the franc collapses under him; and a French internal crisis would postpone seriously—perhaps indefinitely—European progress towards prosperity and self-sufficiency.

Federation for the West Indies

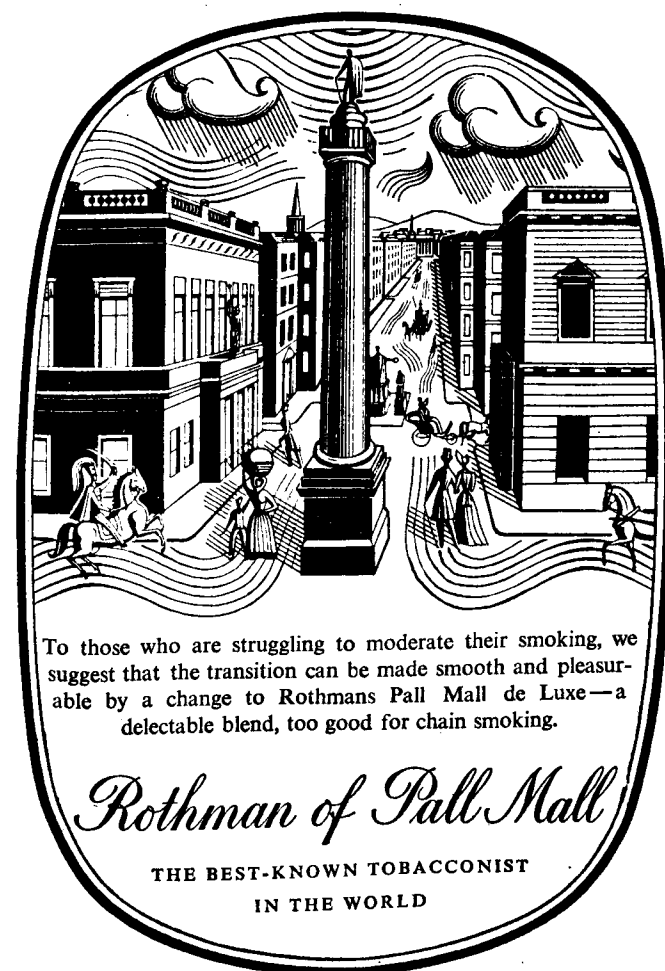
(By a Correspondent)

AN important conference is taking place in Jamaica during the present month on proposals for federating the several colonies of the British West Indies, the members of this conference being composed of representatives of the legislatures of each of them. For many years hopes have been expressed throughout the West Indies that the most urgent of the problems of the region might be solved in some degree through administrative machinery that could be set up, were the colonies grouped together into a larger political unit, and the time has now arrived to test the possibility of translating a rather vague discussion into terms of practical politics. The Secretary of State is attending the conference himself, and has thus emphasised its importance.

The most superficial inspection of the political organisation of the British West Indies demonstrates the strength of the case for these proposals. Approximately half the population of the territories concerned is concentrated in Jamaica (1,289,072 inhabitants in 1945), the remainder being scattered through six colonies, of which one, the Windward Islands, is merely a loose federation of four more colonies. In consequence, the responsibilities of government are entrusted to a succession of petty states, with populations varying in 1946 from that of the larger colonies of British Guiana (376,146) and Barbados (192,841) to the not-so-very-mighty atoms of British Honduras (59,149) and Dominica (47,682). The results are, indeed, somewhat ludicrous; and the colonies concerned are racked by the effort of supporting the full pomp and panoply of government when the financial resources and the officials of at least the smaller of them are hardly more extensive or numerous than those of an English rural district council.

In a dispatch issued in 1945 the Colonial Office called the attention of the West Indian Governments to the need for endeavouring to promote such constitutional reforms as would make it possible for them to keep pace with modern administrative requirements. This might well have been dismissed as a truism, had it not been that the dispatch also referred to the political consequences of administrative stagnation, adding that, "It will be generally agreed that under modern conditions it has become more difficult for very small units, whatever their outward political form may be, to maintain full and complete independence in all aspects of government." Unless, indeed, the difficulties of size can be overcome, the constitutional advancement of the British West Indies is likely to be checked by the operation of this factor alone.

The case for federation therefore rests on two grounds; the first and more obvious is the need for establishing a higher degree of technical efficiency in the administrative apparatus of government; the second, and perhaps in the long run the more important, is the need to meet clamant demands for the freeing of the colonies from the external controls hitherto imposed on them. It is important at this stage to note that the political movement for British West Indian federation has hitherto been closely associated with a much wider movement for a more general Caribbean federation. This fact is clear from the proceedings of the conference on "The Economic Future of the Caribbean," which took place in 1944 at Howard University, Washington, for the papers read at this conference represented the points of view not only of the British West Indies and the United States, but also of Puerto Rico and Cuba as well. It is also significant that the Anglo-American



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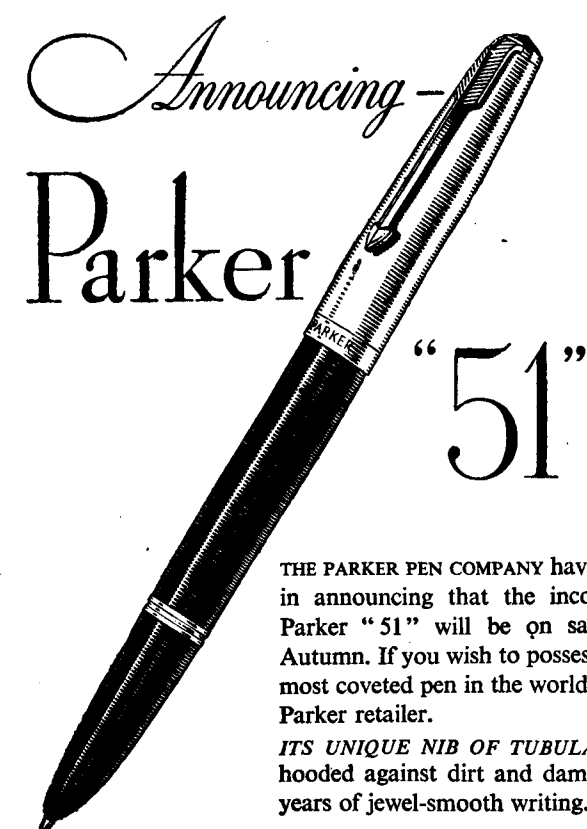
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Caribbean Commission, founded in 1942 for the joint discussion of problems of common interest to the United States and the British West Indian Colonies, was reconstituted in 1945 as the Caribbean Commission by the adhesion to it of the French and Netherlands Governments.

From the political point of view the movement for the federation of the British West Indian colonies must therefore be studied in this wider context. Barbados, it is true, looks first and foremost to Great Britain when it considers its place in the modern world, but Barbados is an island apart, out of sight of any other land. Jamaica, on the other hand, is conscious of ties with the Spanish-speaking peoples of Cuba and Central America, and with the French-speaking people of Haiti. Trinidad is fully aware of the importance which its geographical position gives at the crossroads between several lines of communication to and from South America. Most obviously of all, British Guiana knows so accurately what the possibilities are that lie before it as a South American State that it resents any attempt even to classify it as a West Indian territory. So far as politics go, there are therefore strong bonds of common interest which extend far beyond the British West Indies and the islands of the Caribbean region, to cover in some degree all Central America, and in addition Colombia and Venezuela.

This is even more obvious when the case for the wider Caribbean federation is studied as it has been put forward on economic grounds. The leading British West Indian exponent of these views is Prof. Eric Williams, of Howard University. In his judgment, the West Indian Islands such as Trinidad, Cuba, and Puerto Rico, can continue by themselves only "at the economic mercy of the more advanced and more powerful countries of the world." Writing in 1944 on "The Economic Future of the Caribbean" he has said that "Federation will . . . give the Caribbean a bargaining power in the world which its isolated units do not now have." While worthwhile industries could not be established in such small countries as Barbados, Jamaica, or even in Cuba with its population of 4,000,000, he argues that the combination of all the separate units of the Caribbean would produce a population of 14 millions, which would make the attempt "to work out industrialisation plans and talk of greater self-sufficiency or a planned economy" practical politics.

Parish Pump Politics

There can be little doubt, however, that if any of the West Indian Colonies were forced to make a decision, there would be extreme reluctance to sacrifice the advantages which the close ties between, say, Jamaica and Great Britain, Puerto Rico and the United States, and Martinique and France, bring in obtaining a secure market for sugar and other commodities for the sake of the problematic advantages which might derive from "greater bargaining power" and the possibilities of easier internal trade between one Island and another. The strength of the case for the narrower British West Indian federation is therefore political rather than economic, for the extent to which industry could be developed for the local market in an area containing merely twice the population of Jamaica is very small indeed. Politically, federation will bring with it a much-needed widening of the public stage, and it is to be expected that this would have the effect of diminishing the curse of parochialism which has undermined West Indian political life ever since the days of Emancipation.

Nevertheless, federation would give the British West Indies great opportunities in so far as economic development would be facilitated by greater political stability and administrative efficiency. But these opportunities can only be realised if the ideal of a wider Caribbean federation is renounced, and the ties between the West Indies and Great Britain capitalised for purposes of economic development. The chief economic asset of the West Indies is manpower, which is one of the most important shortages in Great Britain. The West Indian statesman would thus be given a chance to promote economic development by linking the industries of his region with those of Great Britain in such a way that processes which require relatively large amounts of unskilled and semi-skilled labour could be carried out in the West Indies. Textiles, rubber goods, and light industry generally afford good examples of possibilities in this direction. The importance of developments of this kind for the welfare of the West Indian peoples can hardly be exaggerated.

The decision to exploit the advantages of the connection with Great Britain rather than to create a new independent state out of the fragments left behind by colonial rule in the Caribbean

may, in fact, prove easier than it has appeared in the past to many politicians. Political trends are swinging in that direction at the moment; the possibility of exchanging the King Log of British rule for the King Stork of American social and economic domination may be one of the deciding factors in this change. Be that as it may, it is undoubtedly significant that the Caribbean Labour Congress has just decided at its session in Jamaica to press for Dominion status for the British West Indies. It is an influential body, as it is composed of trade union and political representatives from all the territories of the British West Indies. It will present its demands to the Secretary of State when he attends the conference on federation, and its voice will not go unheard.

No Marshall Plan at Bogota

[FROM OUR CORRESPONDENT IN LATIN AMERICA]

THE emphasis laid on European recovery at the recent Pan-American Conference at Petropolis makes timely a brief survey of the attitude of the chief Latin American states to this problem, its present suggested remedy—the Marshall Plan—and to their own difficulties. The more so when it is recalled that, before the Conference got down to its real business of drafting a defence treaty, suggestions were current that Latin America, like Western Europe, would become the object of regional economic help. Yet even before the firm but negative attitude of the United States finally disposed of the idea, the prospects and usefulness of such help were doubtful. For the needs of all the republics differ so much that they could not be met by any one co-ordinated scheme. Moreover, the importance of the European market is so great that the best contribution the United States can make to Latin American development and prosperity is to revive it as soon as possible.

Thus far there is broad agreement. On the measures to be taken by the Latin American States opinion and approaches differ. These differences are complicated by conflicts of local ambition and interest. The position of Argentina is the most interesting. The Argentine Foreign Minister agrees that Europe must be put on its feet if Latin America is to thrive, but at the time of writing has made no specific proposals towards this. Argentina has not joined the food agencies of the United Nations because they are officially considered Utopian and impracticable. On the other hand, Argentina claims to have used its strong economic position to help in the recovery of other countries. Argentine spokesmen point to the various trade treaties their country has concluded and to the fact that Argentina alone in February, 1946, voted at the Governing Board of the Pan-American Union for holding an economic conference.

Little Faith in Conferences

Other countries, however, both in Europe and Latin America, take a different view of Argentine aid. Chilean spokesmen, for example, refer to Argentina's attempts at economic domination and look forward to the day when world crops are normal and Argentina's hold over its neighbours will decline. They have a poor opinion of economic conferences, whether proposed by Argentina or any other country, and are not hopeful that anything of value will result from the Bogotá Conference or the alternative economic conference late in 1948. Mexico, for different reasons, also has little faith in conferences. It is feared that recent measures to stop the drain on its dollar holdings will prove unsuccessful. The crisis is likely to be reached before any general remedies can be agreed in conference. Thus either the *peso* will be allowed to go and paper money printed to finance development schemes, or a new dollar loan obtained. Nor is this view confined to Mexico. Countries which have strategic advantages to offer the United States are hopeful of negotiating direct and individual help. It is said that such an agreement was discussed by President Truman with the Brazilian Government during his recent visit. Indeed it is also said that the President had intended to sign a trade treaty which Mr Snyder's visit some weeks earlier had brought almost to completion, but that last-minute Brazilian objections prevented this. And Chile is believed to be negotiating with the United States for a further loan from the Export-Import Bank.

Chile, however, would like to see more imports coming from Britain. But both countries are short of dollars. So with Uruguay, which strongly supports the Marshall plan for Europe and is, in the words of a member of the Cabinet, particularly and vitally interested in Britain's recovery. A triangular trading arrangement between Britain, the United States and Uruguay has

been suggested as a small but concrete measure of help. But this plan, like so many others, is stultified by the shortage of dollars.

To sum up, opinion in Latin American countries recognises that the United States possesses the key to their problems, but also that the United States is right in giving prior, if not exclusive, attention to Europe. A Marshall Plan for Latin America has no real attraction. The Republics look for individual attention to their needs. But, while accepting that economic aid to Europe should have chronological priority, they feel, though they do not widely proclaim, that the development of Latin America should logically have long-range priority. For it is a secure region and investment here will bring more benefit to the United States than the same volume of investment in Europe. Financially this may be true—in the long term. But in the short term the political incentives for the United States to spend money in Europe are paramount.

Debunking the West

[BY A CORRESPONDENT]

LAST June the Soviet Union lived through another "ten days that shook the world." However, Russian citizens learned about this only in August when the news was spilled by their newspapers. The great event was a ten days' conference of Soviet philosophers which was convened on Mr Stalin's personal initiative. So at least Mr Zhdanov, member of the Politbureau, Governor of Leningrad, recently promoted to be the Philosopher-in-Chief and Literary Critic-in-Chief of Soviet Russia told the assembled philosophers. These were probably not quite taken aback by the announcement, for they had been accustomed to look up to Mr Stalin as the father of modern philosophy. What they may have found surprising was the choice of the moment for the great tournament of ideas. They must have been impressed by the fact that with so much work on his hands—the Five Year Plan and many international troubles—Mr Stalin could still afford to give some of his time and energy to cogitation on gnosis and meditation on dialectics. Yes, Mr Stalin could afford it; and Mr Zhdanov told the assembled thinkers what was the result of the leaders' cogitations. After Mr Zhdanov had spoken, forty-eight philosophers took the floor. Thirty-six dialecticians, in addition to the forty-eight, were ready to make their discourses, but as time was getting short the tournament had to be interrupted in the middle. However, the voices of the thirty-six have not really been muzzled, because Mr Zhdanov's harangue plus the forty-eight pronounced and the thirty-six unpronounced discourses have all been published in the thick, first volume of a new journal called "Problems of Philosophy."

The subject matter of the disputation was the three volume "History of Western European Philosophy" by G. F. Alexandrov. Mr Stalin had read the work and, frankly, did not like it. His doctrinal conscience was not satisfied by Alexandrov's exposition of ancient and medieval philosophy any more than by his exposition of the systems of Bacon, Descartes, Spinoza, Kant and Fichte. Worst of all, he found, was the chapter on Hegel. The work suffered from two deadly faults. It was lacking in militant, Marxist spirit. And it treated the various philosophical schools in a "false objectivist" manner. It also showed revolting signs of a "slavish adulation" for western European thought. It is certainly extraordinary that such sins should have been committed

by Mr Alexandrov who until recently was—and for all we know may still be—in charge of the Party's agitation and propaganda department. How is it that the virus of philosophical liberalism has penetrated into the mind of so outstanding a Stalinist?

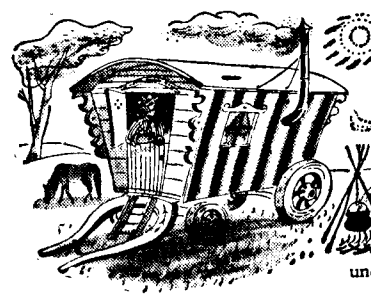
The real sting in Mr Zhdanov's criticisms has been his bitter remark on the "slavish adulation of western European thought," of which not only Mr Alexandrov but nearly all Soviet philosophers have been guilty. The recent ban on marriages between Soviet nationals and foreigners has now apparently been extended to the field of philosophy; and like some Russian decrees, this decree, too, is thought to have retro-active powers. But, alas, the authors of the ban have willy-nilly become involved in an embarrassing family scandal, for Stalinism itself has been the offspring—it has not been conclusively ascertained whether a legitimate or an illegitimate one—of parents who most viciously offended against that ban. Its two grandfathers, Marx and Engels, were Germans of good Rhinelandish stock. Moreover, those grandfathers prided themselves on a very complex international parentage, claiming to be the spiritual heirs of German philosophy, French Socialism and English political economy. One would have thought that some adulation for western European thought, which need not conflict with respect for good, pristine Russian traditions, was a natural sentiment among people with such a complex and ramified family tree. This has apparently been the sentiment by which poor Mr Alexandrov has been carried away. He has now been reminded by the Philosopher-in-Chief that this was utterly wrong. The ban on philosophical marriage bonds with western Europe is being enforced. And this was what the forty-eight plus thirty-six scholars were convened for to Moscow in the middle of June.

"Revaluation of Values"

What is poison for Soviet philosophers cannot possibly be meat for Soviet technicians. There must be no adulation for western European science either! But Russian text-books on the history of science have, as Professor Zvorikin recently pointed out in *Pravda*, been tainted with that deviation. The esteemed Professor has revealed to his readers a new version of the history of all the great technical discoveries and inventions. Who says that the technical inventions of Bessemer and Martens have been responsible for the development of the steel industry? The real revolution in the technology of steel was the work of the Russian Dmitri Konstantinovich Chernov. It is stupid to credit Edison with the invention of the electrical bulb when its real inventors were Russians. And has there been a more striking proof of the wickedness of western science than the fame enjoyed by Marconi, when a Popov was the real inventor of radio? And why should the name of the Englishman Stephenson be hammered into the heads of Russian children when the Cherepanovs were the real inventors of the steam engine? Why speak about Morse when it is well known that the telegraph had been in use in Russia even before the west had an inkling of it?

It is to be feared that *Pravda* has this time dangerously overreached itself for among the rulers of Russia who have taken much trouble and paid much money to bring foreign technicians into their country, Mr Stalin himself has held pride of place.

The "revaluation of values" is in full swing; and the columns of every Soviet newspaper and journal are filled with the silliest exercises in debunking the West. This is the comic aspect of the tragic division between East and West.



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THE BUSINESS WORLD

Retreat from Convertibility

THE Chancellor's broadcast on August 20th marked the end of an epoch, or at least of an experiment—the first attempt to rebuild Britain's overseas payments system on the lines of free and multilateral convertibility. In itself, the failure symbolised by the suspension of convertibility of current sterling into dollars was a condemnation not of the choice of ultimate objectives but rather of the pace at which Britain had been compelled to travel towards them before the vital prerequisite, the establishment of reasonable equilibrium in the British balance of payments, had been satisfied.

At first it seemed that some of the fruits of the labours of the past two years might be saved from the wreck. A detailed survey in these columns last week showed how wide was the technical system of sterling convertibility which remained, even after the dollar area and Canada had been withdrawn from the main region within which sterling was automatically transferable in settlement of current transactions. Obviously, there was a danger that this structure, given the severance of the link with the dollar area, would no longer withstand the pressures imposed by the hard facts of world trade disequilibrium. But there was at least a slender hope that the various monetary authorities concerned would perceive that their best interests, on anything but the shortest view, lay in taking every possible step to preserve as much of the system as was conceivably practicable. Already, it seems evident that this is not to be.

The ending of sterling's dollar convertibility inevitably required the re-negotiation, or at least reconsideration, of each of the sixteen or seventeen "transferable account" agreements so laboriously reached with leading trading nations in the past twelve months. The first such re-negotiation, with the Belgian monetary area, has resulted not in the retention of the principle of automatic convertibility of sterling within a limited area, but in a retreat to the basic wartime principle of bilateralism which obtained until the ill-fated experiment was launched. In practice, every effort will be made to make sterling more widely usable, but any resultant trilateral or multilateral convertibility will result from specific administrative action, which is a very different thing from the principle of automatic freedom.

In short, since this agreement is a clear pointer to what lies ahead, it seems evident that the British authorities already believe that the task upon which they embarked two years ago must now be started all over again. In the circumstances, the details of the new agreement with Belgium, and the background against which it has been reached, deserve the closest scrutiny.

A Belgian financial delegation came to London only towards the end of last week and, with a rapidity which betokens the urgency of the situation as well as the good will that was brought to the discussions, the heads of the new agreement were quickly reached and announced on Wednesday. The agreement replaces that of October 5, 1944—the first of Britain's monetary agreements with Western Europe—under which each party undertook to sell its currency to the other at a fixed rate of exchange, and to hold the other's currency up to a limit of £5,000,000 or its equivalent, anything beyond this figure being convertible into gold. In addition, there was a supplementary agreement signed on February 26, 1947, by virtue of which Belgium was made one of the countries in the "transferable

account" group and was thus given the right of expendability of current sterling not merely in other transferable account countries but in the dollar area. The suspension of convertibility of sterling into dollars clearly called for a re-negotiation of this agreement, but it will be noted also that the three-year term of the original agreement was about to expire.

From the wider aspect the most significant feature of the new arrangements is that they involve, as already indicated, Belgium's departure from the transferable account group. In future, Belgian residents will be called upon to accept sterling only from those "third" countries which have been specifically agreed upon between the two governments. Both parties undertake to encourage the use of sterling in international payments as much as possible; they consider, however, that for the time being there would be an advantage for their respective payments outside the sterling area to be controlled by the monetary authorities in each country and no longer to be delegated, as was the case under the transferable account mechanism, to the authorities of other countries. This may be taken as a clear intimation that the transferable account system is now in the process of liquidation. In future, transferability of Belgium's sterling to countries outside the sterling area will cease to be automatic. The system towards which Britain is moving is that which may be termed "administrative transferability." This means that each case will be judged on its merits and transferability of sterling will be extended only as and when the authorities in Britain are satisfied that the sterling in question will be made available for current purposes, strictly defined, and will not be provided in quantities which are likely to endanger the gold reserve.

The new Anglo-Belgian agreement, however, has its more reassuring aspects. Each central bank will continue to sell its currency, within defined limits, against the currency of the other country, and will do so at the prevailing rate of 176½ Belgian francs to the £. To meet the needs of the new situation these limits to the accumulation of currency have been increased from a figure of £5,000,000 to £12 million, or its equivalent in Belgian francs. In addition, the National Bank of Belgium will, if necessary, increase its holdings of sterling by a further £15 million, which is the amount of certain debts from the Belgian Government to the United Kingdom falling due during the next few years. It will thus be seen that, as from October 5th next, when the new agreement comes into force, the Belgian National Bank will be prepared to hold up to £27 million in sterling. The increase in the British currency which Belgium is willing to hold is a welcome and appreciated token of that country's readiness to help in the difficulties that beset Britain. That help, however, is not being given for no consideration. There is to be an exchange guarantee which will in future cover the balances accruing to either side up to the ceiling of £12 million. This, it should be added, is a strictly bilateral guarantee designed to ensure that neither party is adversely affected by a decision of the debtor country to devalue its currency in terms of that of the creditor. There is no question of a guarantee in terms of any third currency or in gold. If Belgian francs and sterling were to be devalued *pari passu*, the exchange guarantee would not come into play.

It is unfortunate that exchange guarantees should again have to appear in Britain's monetary agreements with other countries. Such guarantees had to be given in some of the agreements with neutrals during the war, but it was hoped that that chapter had been closed. Unfortunately, it has been reopened by the suspension of convertibility of sterling into dollars. If in the new circumstances non-sterling countries are called upon to accumulate larger holdings of sterling which is not automatically thus convertible, it is reasonable to expect them to demand an assurance that they will not lose if sterling were to depreciate in terms of their own currencies.

It is as yet impossible to estimate how the payments arrangements between the sterling area and the Belgian monetary area will operate and on which side the balances will accumulate. There can be no precision on this point until the amount of sterling which "third" countries will be allowed to transfer to Belgium, in respect of current payments between them, is foreseeable. One may assume that the intention of the Belgian and British monetary authorities will be to operate "administrative transferability" in such a way as to maintain the accounts between them as close to equilibrium as possible.

The relative economic strength of Belgium, and the pressure to which Britain is certain to be subjected in its external payments for the next few years, suggest, however, that it is Belgium which will be accumulating sterling and Britain which will, in effect, be giving the exchange guarantee.

The arrangements with Belgium will probably set the pattern for others that are either in process of negotiation or have yet to be begun. In some of the preliminary discussions that have already taken place the other countries have shown a less helpful attitude than that reflected in the arrangements with Belgium. If other countries refuse altogether to hold sterling and insist on payment in gold for any current surplus in their

trade with the sterling area, the only means of dealing with the situation will be to ensure strict bilateral equilibrium in the trade with them. Such a reversion to virtual barter would be deplorable and mutually damaging, but there would be no alternative to it in the prevailing circumstances.

Hitherto, the reactions to suspension of convertibility of sterling have been more satisfactory than could reasonably have been expected. No country has definitely stopped buying sterling or exporting to Britain. Momentary hesitations and doubts on the part of certain countries such as Uruguay and Sweden seem to have been satisfactorily resolved—at least for the moment. Argentina was, perhaps, the crucial test case, and, after an initial flurry it seemed that no undue dislocation of trade would result; but this week's news of suspension of exports of canned meat pending a clarification of the sterling situation is rather ominous. The agreements with American account countries will presumably stand, although, in the absence of further dollar aid, the turnover through American accounts will have to be curtailed to the size of Britain's dollar earnings. Finally, there are the amended arrangements to be made with the sterling area countries. Most of these have already indicated their firm intention to play their full part in overcoming common difficulties, all of them by making further cuts in dollar imports, Australia by promising to sell Britain the whole of the newly-mined gold, and New Zealand by undertaking to increase further its sterling balances against larger exports to Britain. The sterling area will certainly stand the strain that is being put upon it—and the presence in London of representatives of the Dominions attending the Bank and Fund meetings will provide the opportunity to discuss these "family affairs."

But, despite these sources of reassurance, the whole drift is disquieting. The retreat from automatic transferability of

The word 'dollar' is a corruption of the German 'Joachimsthaler' or 'thaler,' the name given in the 16th century to coins from the silver mine of Joachimsthal in Bohemia.



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sterling may be a step which Britain is compelled to take. Some pressure to move backwards along this road is likely to come from the transferable account countries which will wish to be free of the unconditional undertaking to accept sterling—now inconvertible—in payment for their exports to third countries. Even greater pressure to that end may be exerted from Britain, which has recently seen in the uncontrolled and unpredictable movement of sterling within the transferable account countries one of the main channels through which sterling has been presented for conversion into dollars. But although the need for

Overhauling the TUC

THE ghost of Grimethorpe walked at Southport. The shadow of the Yorkshire strike and the failure of the miners' leaders to control their men lay heavy over last week's Trades Union Congress. Yet there seemed to be a tacit understanding not to refer publicly to the causes or consequences of the dispute, which was regarded as a matter solely for the National Union of Mineworkers and the Coal Board to settle between them. This omission was typical of the conference, where such burning issues as wages, unofficial strikes, hours, productivity and incentives were barely mentioned. Indeed, although the economic crisis and measures for the direction of labour were discussed in general terms Southport was mainly remarkable for the questions it left unanswered. It tended, even more than the Margate conference of the Labour Party, to become a debating society on world affairs rather than an industrial forum.

Equally marked, though perhaps less striking from the public point of view, was the failure of the TUC to pay serious attention to the problems of its own structure and organisation, and to the need for equipping itself to meet the heavy responsibilities which are now falling on the unions. From this point of view it was regrettable that a resolution of the Amalgamated Engineering Union, proposing that the TUC should consider appointing a number of full-time members to the General Council, received only scant consideration by the Congress and was brusquely brushed aside by the Council's spokesman. This resolution, it might have been thought, could have provided the opportunity for a full-dress debate, not so much on the responsibilities which the unions are seeking and assuming in industrial and economic affairs, as on the capacity of their membership methods and machinery to fulfil them. The engineers' resolution was turned down because the General Council thought the appointment of full-time members would be undemocratic and would tend to create a bureaucracy of permanent officials who would inevitably be out of touch with the day-to-day activities of the membership.

There is admittedly a danger that such a change might lead to bureaucracy and to an ossification of the General Council, with conflicts between the full-time and annually elected members. Yet it is painfully obvious that the members of the General Council today have too much work and too many responsibilities. They are expected to serve intelligently and assiduously on a plethora of committees, both on trade union work and on the numerous liaison bodies with the Government and the employers. In consequence, few of them have any time for the tasks of clear thinking and policy-forming which the TUC needs so urgently. As nominees of particular industrial or occupational groups, they must inevitably tend to think and act sectionally, rather than in the interests of the movement as a whole. There is also the question of sheer physical capacity. The danger is that they will fall short of what is required of them both as members of the Council and as leaders of individual unions. It is, indeed, highly creditable that, in spite of all the difficulties and dis-

some retreat from wide and automatic transferability of sterling may be conceded, that development strikes a serious blow to hopes of the re-establishment of sterling as a truly international currency, to London's pretensions to be an international banking centre and to the chances of expanding trade. The damage can be mitigated by the most liberal operation of "administrative transferability," but the loss of automaticity must in itself act as a serious deterrent to confidence in sterling, to the readiness with which it will be accepted in international payments and—even more important—to the role it can play in the re-expansion of world trade.

advantages, the TUC should have increased its authority as much as it has done. This is due mainly to the patience and perseverance of its late General Secretary, Lord Citrine. Indeed in recent months the TUC has frequently shown itself to be ahead of the Government in demanding far-reaching measures to deal with the economic situation.

The AEU's solution may not be the right one. But it is clear that some means must be found of strengthening the machinery if the TUC is both to keep abreast of developments and perform adequate service to its affiliated unions. In particular, an expansion of headquarters staff, above all on the research side, is urgently required. This would help, but it would not solve the main problem, which arises not so much from the inadequacy of administrative resources as from the structure and traditions of the trade union movement. Every union affiliated to the TUC is jealous of its individual autonomy, suspicious of any attempts to dictate policy from the top and determined not to surrender any of its "inalienable" rights. In these circumstances, and so long as the TUC is content to remain a co-ordinating body, with an inadequately equipped secretariat, its central direction is bound to be weak. This, more than anything else, explains the rejection, at Brighton last year, of a suggestion (also emanating from the engineers) that the General Council should examine the possibility and desirability of a wages policy—because of the unwillingness of the TUC to accept any form of discrimination, whether in wages or rations, in favour of one particular section. It also explains the omissions from the Southport agenda.

The question of organisation and leadership has been made particularly urgent by the appointment of many prominent members of the General Council to the boards of nationalised industries. This year, at Southport, no fewer than six members of the Council were displaced, either because of retirement or because of their appointment to serve on public bodies. Sir Joseph Hallsworth, who has gone to the Coal Board, Mr Benstead and Mr Bussey, who have gone to the Transport and Electricity Boards respectively, have followed in the wake of Lord Citrine and Mr Ebby Edwards. The leadership of the unions at a crucial stage has thereby been rendered significantly weaker. But if fresh blood is needed in the hierarchy of the TUC, so far there is little evidence that the younger men are coming forward and few signs of potential leaders among the unions. Much has been said about the importance of training, and equipping trade unionists to hold responsible positions in public service or in the TUC—that was the main theme of Lord Citrine's swan song last year—but in practice insufficient attention is paid to the problem. Most of the present generation of trade union leaders grew up in the hard school of struggle. Today's round-table discussions and advocacy before a tribunal require different techniques and qualities. The TUC's schemes for training in trade unionism, as well as its courses in general education, well-devised though they may be, barely touch the fringe of the problem.

It is not only the machinery of the central body of the TUC itself that is ill-equipped to meet the present situation. The whole organisational structure of the movement is out of date. It may have been adequate enough in the early days, but its lopsided and unbalanced character—the result of historical development—is completely out of keeping with the needs of the post-war world. Little has been done to improve the situation, in spite of resolutions passed repeatedly at previous conferences and in spite of the General Council's 1944 report on "Trade Union structure and closer unity." This report examined trade union structure "with regard to uneconomic overlapping and competition" and to see "what amalgamations are desirable and what structural or other changes are necessary to ensure maximum trade union efficiency in the future." The report recommended an intensification of the process of amalgamations and showed how this could be done, industry by industry. It acknowledged that the movement could not "retain its pre-war conception of organisation if it is properly and efficiently to fulfil its ideological and practical functions."

Three years have confirmed this conclusion, but comparatively little has been done. The formation of a national union for the miners, instead of the loose district federation; the affiliation of the AEU to the Confederation of Shipbuilding and Engineering Unions; the amalgamation of the two unions catering for shop assistants and distributive workers—these are the three main developments since 1944 towards a more unified organisation. But, in many industries, unions compete for members and conflict where they should co-operate. Within the railway industry three separate unions cater for operative grades, locomen and clerks—although in this instance reasonably effective co-ordinating machinery exists. Six different unions are concerned with the organisation of tobacco workers. Building workers are loosely organised in a Federation, although the objective is still "one big union." The situation in the textile industries is chaotic. Over a hundred autonomous local and district associations, belong to six different federations, operate in Lancashire. As the General Council report points

out, "there is no industry in the country in which it is more essential to secure the greatest possible unification of the administrative and economic policy of the unions"; the cotton Working Party reached the same conclusion. The same is true of wool, where, as in cotton, local rivalries and the prestige and vested interests of local branch officials have prevented the absorption of the smaller unions by the larger organisations. There is competition to organise clerical workers—the dispute between the miners and the clerical workers over the colliery clerks is a case in point—and to organise public employees and local government officials. In addition, the two large general workers' unions compete against other unions and against each other to build up their mass membership wherever they can.

Size is not necessarily a criterion of efficiency in a trade union, or in any other organisation—the Transport Workers' Union and the General and Municipal Workers' Union are notoriously no more efficient in representing their members' interests or imposing their authority, than many smaller bodies. But, broadly speaking, it is true that a large organisation which caters for workers with a community of interests is likely to be more effective than a host of smaller ones. This is, of course, easiest to achieve in industries the boundaries of which are clearly defined, as in mining, or where there is already a strong trade union tradition. The TUC Disputes Committee has done much to smooth away difficulties, but its effectiveness, like that of the TUC itself, is limited by its lack of authority.

The barriers of tradition and vested interest are hard to wear down. But the unions will obviously have to be prepared to surrender some of their functions to the central body of the TUC if they are to exert an influence commensurate with their membership, now nearly eight million. The charge that the unions want to plan everything and everybody except themselves can be levelled with great force against the lack of planning of their own organisation and structure. The TUC at the moment is rather like a vast army—an army which is certainly marching, but precisely where it is going no one can be sure, for lack of a properly equipped and united General Staff.

Business Notes

Markets and "Stopgap" Aid

The performance of stock markets this week—that is, the seven days since the last issue of *The Economist* went to press—is in quite astonishing contrast to that of the previous week. In the earlier period the stream of disquieting economic news had been mirrored in unrelieved gloom on the Stock Exchange, and ominously persistent selling sent equity prices plunging downwards. The loss in capital values, as measured by the *Financial Times* index, was almost 7½ per cent, for the index dropped from 112.6 to 104.2. Yet on Friday of last week it shot up again by 4½ points, and a continued though less violent advance since then has virtually restored it to the level of a fortnight ago. Some leading equities, such as Woolworth, have gained more than 10 per cent in hardly more than a week.

From this violently erratic behaviour two conclusions emerge. The first underlines the fact discussed here last week, that the London market in present conditions has virtually ceased to fulfil its proper function as a shock-absorber. In circumstances of its proper function and major change the jobbers play for safety which uncertainty and the violence of last week's fall ever way the current is flowing. The violence of last week's fall resulted substantially from the unwillingness of dealers to absorb the stock; the violence of the subsequent recovery is a measure of the extent to which they succeeded in avoiding doing so. And such technical factors have certainly played a larger part in the second movement than they did in the first.

The other conclusion has more fundamental implications. This week's behaviour suggests that, despite the shocks of the past two months, the mood of investors has not basically changed, but is still governed by the incorrigible heads-in-the-sand attitude which produced such extraordinary results in the markets in the

first half of this year. To some extent the rally resulted from the action of institutional investors who, long embarrassed by the difficulties of securing an adequate yield from gilt-edged, soberly calculated that industrials were worth picking up at last week's levels. But such buyers would certainly not have pursued the market upwards. The main reason for the movement seems to have been a semi-speculative reaction based chiefly upon the first indications that America might extend "stop-gap" aid to Europe pending the working out of the Marshall plan. Without such aid Europe this winter will certainly face a crisis of incalculable gravity. With it, the Continent may be spared the worst pangs of hunger and its economy may be saved from collapse. But succour measured in such terms—and more than this is hardly physically possible—is a poor justification for advances in prices on the scale seen this week. It is certainly no reason for ignoring the still deteriorating drift of Britain's internal situation, the best barometer for which is the trend of coal output. And this week's reading, seen against the background of the Grimethorpe stoppage, is particularly disquieting, as a subsequent Note shows.

Meanwhile, the delays in disclosure of the Government's programme for meeting the crisis and the way in which each successive batch of proposals is being announced in isolation, ensure the minimum of response psychologically. Yet the very impotence of physical controls over a wide range of the economy makes the psychological factor all-important. Nothing tangible has been revealed about the results of last week's Ministerial discussions with the FBI on the pruning of the capital programme, and nothing positive has been said about an autumn budget. If such a budget is being planned, it would be psychologically valuable to say so now.

Coal Prospect Now

At this, the tail-end of the holiday season, there is usually an upswing in activity at the coal mines. But any slight improvement in production there may have been this year for this reason has so far been more than offset by the strike in South Yorkshire. Provisional figures for the first week in September show a decline in total production to only 3,638,300 tons, compared with 3,698,600 tons the week before. Tonnage lost through disputes, accidents and breakdowns amounted to 289,950, compared with only 105,600 tons. In the troubled South Yorkshire coalfield output was no more than 337,700 tons, against 404,800 tons in the previous week.

The revised target for average weekly production of deep-mined coal, recently announced by the Prime Minister, was "at least 4,000,000 tons" from September 1st onwards—say, 4,200,000 to 4,300,000 tons for total production. To attain even the original production target set out in the *Economic Survey*—200 million tons for 1947—a weekly average output of over 4,000,000 tons would be necessary between now and the year end. This is now manifestly impossible; and if there are a few more weeks of production at a rate of only 3,600,000 tons, even the "unofficial" estimates of 195 million tons for the year will no longer be attainable—a contingency which cannot be ruled out even though the Yorkshire strike will have terminated on Monday. For the trend of recruitment, which until recently was almost the only reassuring aspect of the coal situation, is now distinctly disquieting. There were only 717,900 men in the pits at the end of August compared with 719,000 in July.

Until the end of August, the latest period for which figures are available, coal stocks were mounting steadily towards the goal of 15 million tons by end-October. On August 30th, they stood at 12.7 million tons. But the South Yorkshire strikes have forced firms in the north to make inroads into their coal dumps, a fact which may yet force a revision in some areas of one of the assumptions on which the winter coal allocation programme was to have been based—namely, that all firms would be assumed to have three weeks' stocks laid by at the end of October.

This week's production statement is apparently the first of a resumed series of weekly output statements from the Ministry of Fuel and Power. The decision taken, at the beginning of the summer season, to revert to only monthly statements was widely and rightly deplored. Perhaps the welcome reversal of that decision now is a sign of increasing realism; but at least it demonstrates in practical fashion that the authorities belatedly recognise the public disquiet at the way in which the whole problem of coal is being handled.

* * *

Steel Output Spurts

Steel, in contrast to coal, achieved in August a gradual recovery in production from the disappointingly low levels of July. Pig-iron output reached a weekly average of 147,300 tons, compared with 143,500 tons in July and 145,300 tons in August, 1946. Production of steel ingots and castings followed a similar trend. Weekly output in August was 234,200 tons, against 211,700 tons in July and 225,900 tons in August last year.

PIG IRON AND STEEL PRODUCTION
('000 Tons)

	Pig Iron		Steel Ingots and Castings	
	Weekly Average	Annual Rate	Weekly Average	Annual Rate
August, 1946.....	145.3	7,558	225.9	11,747
July, 1947.....	143.5	7,460	211.7	11,007
August, 1947.....	147.3	7,660	234.2	12,178

The annual rate of production of steel thus recovered from 11 million tons in July to 12.2 million tons in August. By the end of the month, production was running at 13½ million tons a year. This is a particularly significant figure, for, if this rate can be maintained for the rest of the year, the 1947 target of 12½ million tons announced in the *Economic Survey* will be achieved, and there will be some grounds for expecting that the target of 14 million tons for 1948 recently fixed by the Prime Minister may also be reached.

There has never been any doubt that, given the necessary supplies of coke and other fuel, these targets were within the industry's capacity. But there remains considerable anxiety about the adequacy of coke supplies for the rest of this year; a shortage of coke would certainly hold up pig-iron production and so throttle any recovery which might be developing in ingot and steel castings output.

The IMF and World Disequilibrium

The second annual meetings of Governors of the International Monetary Fund and the International Bank for Reconstruction and Development opened in London this week under the chairmanship of the Chancellor of the Exchequer who is British Governor of both institutions and for the past year has been chairman of their respective Boards. The meetings could hardly have been better timed. They have drawn to London the highest financial authorities of the 45 member countries and there will be no lack of material for their deliberations. As was foreshadowed in these columns last week, however, no sense of the importance of the occasion will be obtained from a study of the agenda, with its suggestion that the main concern of the governors will be the receipt and approval of the executive directors' reports of the past year, the admission of new members, the election of next year's chairman, and other routine matters of the same character. This reticence, however, cannot veil the significance of the opportunity offered for a discussion of the growing financial paralysis which is creeping over world trade and recovery.

The reports of the Fund and Bank presented to the meetings deal frankly with the present position. It is inevitable that they should be somewhat out of date, given the pace at which events have recently been moving. But, even so, the executive directors have shown good foresight. Those of the IMF, writing well before August 20th about the transferability of sterling, pointed out that:—

the assumption of the obligation to permit the transfer of current sterling may add significantly to the burden of the deficit in the British balance of payments. There is, therefore, a danger that if efforts to improve the United Kingdom's international position and the general international payments situation are not effective, the assumption of this obligation may compel the imposition of even more severe restriction of imports and thus, in some degree, reduce the flow of trade.

The second annual report of the Fund again stresses the limitations of that institution in the abnormal circumstances of today. The executive directors point out that:—

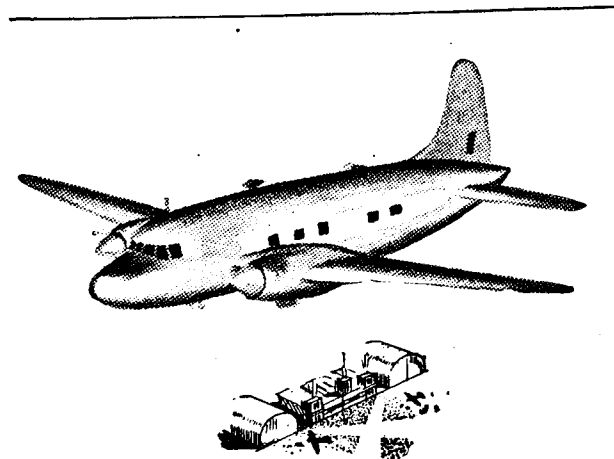
The Fund's objectives can be fully realised only in a world in which the war damaged and war devastated countries have restored their productive efficiency to the point where they can achieve balance in their international payments with a level of trade conducive to their own and to the general well-being. Now, more than a year after the establishment of the Fund, the world is confronted with seriously unbalanced trade, with an urgent problem of financing international payments, and with severe shortages of goods for reconstruction and even for maintaining the minimum consumption standards in many countries. The Fund cannot solve these problems but the role which the Fund will be able to play in the future must inevitably be determined in large measure by the way in which these problems are solved.

The executive directors add that the resources of the Fund are not intended for reconstruction, that it can and will provide temporary assistance to its members during the transition period but that "if the Fund is to continue to help its members to maintain stable and orderly exchange arrangements it must be in a position to provide financial assistance after the transition period." That the Fund has not been entirely idle is shown by the fact that during the year to June 30th last it sold US \$50 million to France, and \$6,000,000 and £1,500,000 sterling to the Netherlands. There is reason to believe that since the end of the financial year further sales of dollars have been made to France and also to Mexico, both of which have largely exhausted their permissible purchases from the Fund for the current year. The executive directors' report recognises the turning point of economic policy which the world is approaching and again proclaims its faith in the principles of international co-operation: "either we seek through a concerted effort the goals of expanded production and higher standards of living or we resign ourselves to economic conflict and impoverishment."

* * *

World Bank's Reconstruction Loans

The report of the International Bank states that in addition to the loans of \$250 million to France and \$195 million to the Netherlands granted before August 10, 1947, the end of the period covered by the report, two loans have been granted, namely \$40 million to Denmark and \$12 million to Luxembourg. The loan to Luxembourg is of particular interest because it is intended to cover expenditure in Belgium and the resources out of which it will be financed will in fact be provided from Belgium's quota contribution to the Bank. The report emphasises that in order to carry out its task of helping to raise the level of world



AIRPORT BANKING

With the opening of a branch at NORTHOLT Airport and arrangements made for one to be established shortly at Croydon the Midland Bank extends the special services which it offers to travellers by air. A branch is in operation at London Airport, Heathrow, and banking services are available at Prestwick Airport through a branch of the Clydesdale Bank, an affiliation of the Midland Bank. Full facilities are provided at these branches for foreign exchange and all banking transactions.

MIDLAND BANK LIMITED

NORTHOLT AIRPORT,
Middlesex.

LONDON AIRPORT,
Heathrow.

CROYDON AIRPORT,
Surrey.

THE CLYDESDALE BANK LIMITED
PRESTWICK AIRPORT,
Ayrshire.



IN Flintshire, North Wales, Courtaulds have four factories. Three (Aber, Castle and Deeside) are in the Borough of Flint; the fourth (Greenfield) is in Holywell.

To meet the increasing demand for viscose rayon yarn, the Company purchased Aber works in 1916 and built Castle Works in 1920-1922. Then in 1927 Deeside Mill was purchased for rayon crepe processing—that is, preparing and creping yarn for use by textile manufacturers.

This new and vigorous industry helped to revive employment on the Dee estuary—a district amply supplied with water and coal, and near the great rayon weaving mills of Lancashire, Yorkshire and Cheshire. Today it contributes substantially to the national output of continuous filament rayon.

Between 1928 and 1933 units were set up in these factories to investigate the production and spinning properties of "Fibro"—Courtaulds' name for their viscose rayon staple. First made in 1918, this revolutionary product could be spun and woven on existing textile machinery into an unlimited range of fabrics.

Large-scale production of "Fibro" was essential, so in 1934 Courtaulds decided to build Greenfield Works—their fourth in the county—in which to concentrate an output of 20 million lb. a year.

One of the largest of its kind in the world, this factory started production in 1936 and today turns out 75 million lb. a year. Further large extensions are being made to it. "Fibro," a basic textile material, is now an important factor in the national economy.

Of over 21,000 people employed by the Company in the United Kingdom, more than 6,000 are hard at work in these four factories in the smallest county in Wales. Rhwydd hynt i'w hymdrech! — Ymlaen, Gymry!

This is one of a series of statements to inform the public of some part of the contribution made by Courtaulds' industrial enterprise to economic well-being in various districts of the United Kingdom.

Issued by Courtaulds Ltd., 16 St Martins-le-Grand, London, E.C.1.

production as greatly and as rapidly as possible, the Bank must concentrate on "those projects or programmes which promise the greatest increase in productive output in the shortest possible time." Accordingly, the Bank has up to now given particular attention to the problems of European recovery, but the report stresses that reconstruction and development needs in other areas, Latin America, Africa, Asia and the Middle East, are being actively considered and indeed that "it should not be very long before the financing of development projects in those areas will tend to become the primary concern of the Bank"—hardly a reassuring forecast from the European point of view.

Although stabilisation loans were, on United States initiative, marked out as coming within the scope of the Bank's activities, it appears to be the tendency of the present management of the Bank to favour loans for specific reconstruction projects, and in particular to favour those projects which in turn will prepare the ground for private investment; in the words of the report, "to provide a catalyst by which production may be generally stimulated and private investment encouraged." The report states that in private loans the Bank limits its commitments as far as is practicable. At first it lends only enough to cover an initial phase of the long-term development project, leaving the remainder of the application to be considered in the light of progress during this initial period. This probably explains why the French demand for a \$500 million loan was cut down to \$250 million. The French Finance Minister has announced this week that the second instalment of this loan is now being requested.

The Bank report discloses that most of the loan applications so far submitted have come from European members. The applications to which no definite answers can yet be given are Chile, \$40 million for hydro-electric and transportation plans; Czechoslovakia, \$350 million for reconstruction of war damage and restocking of raw materials; Iran, \$250 million for industrial and agricultural development; Mexico, \$209 million for irrigation, hydro-electric and transportation development; Poland, \$600 million for reconstruction of coal mining, iron and steel and textiles, electricity and transport.

* * *

Marshall Plan and US Prices

Food prices in the United States have once again started to move rapidly upwards—in many commodities last November's peak has already been regained—and the present trend looks like continuing. The disclosure last week-end of Europe's prospective food requirements under the Marshall Plan naturally gave a further impetus to the general rise, but the full effect is unlikely to be felt until the deficit countries are able to operate on the market. Before the war, the sixteen European countries represented at the Paris Conference had an annual grain requirement of over 90 million tons, of which some 65 million tons were produced domestically and the remaining 25 million tons imported. Domestic output of all cereals for these countries aggregated only 55 million tons in 1946-47, and the severe weather last winter has reduced the current season's supply to under 50 million tons. Even if Western Europe can import 30 million tons this season, total available supplies will, therefore, be over 10 million tons short of the prewar level; the probable deficiency is nearer 15 million tons—between 11 and 17 per cent of total prewar requirements. But the cereal position is even more serious than this. The population of those 16 European countries has already increased by 8 per cent above prewar. On the basis of prewar *per capita* consumption, therefore, the cereal deficit for 1947-48 is likely to be about 20 million tons—even on the assumption that 30 million tons of grain can in fact be imported.

Meat supplies are equally short; production in Western Europe for 1947-48 is estimated at only two-thirds the prewar figure of 9 million tons. And expansion in the livestock industry is a slow process, highly dependent on the supply of feeding stuffs. Milk production is also lower; it is 20 per cent below the 1934-38 average of 72 million tons, but recovery to that level is expected by 1950-51. Oils and fats (excluding butter) are not quite in such short supply, while sugar output is estimated to exceed the prewar level by 1948-49.

Even on a three-year view, the food prospects for Europe look far from bright. By 1950-51 domestic production of all major foodstuffs except meat will, it is hoped, have regained its prewar magnitude. If imports, however, are restricted to a 1934-38 average, consumption per head of population may still be reduced. As the Western Hemisphere countries alone have exportable surpluses which are not wholly earmarked under long-term contracts, much of the increased demand for food imports by Europe will be reflected in Western markets—provided that the European countries have sufficient foreign exchange available. In

producing areas such as the United States, where the high level of prosperity encourages an expanded home consumption, a decline in the exportable surplus may aggravate Europe's problem. Perhaps sufficient economic incentive still exists for the currently high food prices to induce farmers to expand output—at least in those countries where the farmers receive the benefit of those high prices. But expansion in the production of one commodity invariably presupposes a reduction in another unless new food-producing areas are developed.

* * *

"Non-utility" Prices: Is Control Desirable?

The Board of Trade last week made an Order fixing, as from October 1st, maximum prices for men's non-utility made-to-measure "outer wear." The maximum price, excluding purchase tax, which a tailor will be able to charge for a made-to-measure suit or overcoat will be 110 per cent above the price charged in the three months ended August 21, 1939, or £15, whichever is the larger. When a customer has his own cloth made up, the corresponding maximum making-up charge will be 100 per cent of the 1939 level, or £10. Tailors who were not in business in 1939 will be limited to a charge of £15 for the complete suit or overcoat. From October 1st onwards all tailors will have to display notices of their permitted maximum prices, including purchase tax.

Naturally, any attempt to prevent the unscrupulous from exploiting the consumer by charging exorbitant prices is praiseworthy in principle, and this move will undoubtedly benefit some consumers—even though the margin over 1939 value looks liberal, by the standards of price-control as now practised. But it is questionable whether the restraint upon exploitation will be effective in the very cases in which it is already most extreme; and, what is worse, whether it will check the seepage of cloth from export allocations into the home market. To the extent to which tailors who have been charging more than the new maxima now reduce their charges, the shortage of non-utility supplies will become more acute, and the possible gains by the unscrupulous will be *pro tanto* increased. Obviously, so long as the basic policy of trying to stabilise the prices of essentials continues, the price control of utility clothing is imperative, however frictionally it may work. But, surely, when there is such urgent need for maximum economy—especially in supplies which are still readily marketable abroad—the consumer who, for whatever reason, avoids the utility grades should pay fully for the privilege. Is this really the moment to encourage such expenditure, however clear it may be that some tailors have been behaving unreasonably? Which is worse—to have some tailors charging excessive margins, or to put an additional premium on law-breaking, penalising the honest and encouraging black-marketeering, and risking further diversions from export supplies?

Even in the sphere within which it is effective, the Order is likely to work creakingly. Given the policy—which in unstandardised goods is inevitable—of controlling prices by reference to a past datum line (1939), control for new businesses is bound to be arbitrary. In this case there will obviously be inequity as between new tailors of high-grade (restricted to a flat £15 maximum) and pre-war tailors of similar grade who charged "exclusive" prices before the war and now will be able to operate at prices up to double the maximum enforced on their new competitors. Another type which may be unfairly hit is the low-price, multiple bespoke tailor who achieved low costs before the war by spreading overheads over a large output, but who now has supplies sufficient only for a fraction of his pre-war turnover. Finally, there is the question of quality. Is it really possible, in these unstandardised lines, for either tailor, customer or price controller definitely to ascertain in every case the 1939 equivalent (and its related price) of the cloth which is being sold now? If there is room for honest difference of opinion, the Order will be unenforceable.

In short, there is now a strong case for pruning-down the scope of price control beyond the range of essential articles and utility grades. This Order is a good example of departmental enthusiasm which has results wholly unrelated to, and indeed at variance with, the needs of wider policy.

* * *

More Natural Rubber for US

The Office of Materials Distribution in the United States has announced the elimination of controls on the use of natural rubber in some 30,000 items, all unconnected with the transportation industry. This modification of "R.I." will undoubtedly encourage increased consumption of natural rubber in America, but its effect

will be limited. The specification for the manufacture of tyres and inner tubes still stands, and in 1946 this accounted for three quarters of America's total consumption of rubber.

Last year American industry consumed 756,000 tons of synthetic rubber, of which 549,000 tons was used for transportation purposes and 207,000 tons for other uses. Obviously, not all of this latter quantity will be replaced by the natural product; indeed, in certain more specialised applications, synthetic rubber may well hold its own, while for other purposes reclaimed rubber will probably be used. Nevertheless, it would seem reasonable to suppose that there is an outlet opened up for at least an additional 100,000 tons of natural rubber. Moreover, now that natural material may be used in the manufacture of certain rubber products, the markets for them may expand. Although the effect of this modification of "R.I." may not be very appreciable in the rubber market, it at least shows a welcome change in the official US attitude.

In transportation, it is not expected that natural rubber will be allowed to compete on equal terms with the synthetic product. But the recent announcement at least raises hopes that Congress may take a more sympathetic view when fixing the level of synthetic output. If this were restricted to 250,000 tons a year, natural rubber would have a total potential US market for some 780,000 tons based on 1946 consumption figures. Part of this, however, would be taken up by the use of reclaimed rubber.

* * *

Depositing Securities: An Unfortunate Confusion

The Treasury is naturally anxious to ensure wide publicity for its measures to implement the Exchange Control Act, 1947, which comes into force on October 1st—and especially for the provisions which require bearer securities and certain securities which can be loosely described as "foreign" to be kept henceforth with an authorised bank. Banks, solicitors and stockbrokers have been circulated and space has been procured in various journals to inform the public. This is the normal procedure when such information has to be disseminated. But in a broadcast announcement recently after the BBC news—an announcement addressed to the whole body of investors "and every one who receives interest or dividends"—the Treasury apparently succeeded in misleading and disturbing many a maiden aunt and penurious widow—at all events, many of the less instructed of investors felt it necessary to telephone either the BBC or a responsible newspaper for an interpretation before hustling to their investment advisers to deliver up their stocks and shares.

The facts seem to be these. The BBC received the text of the broadcast, not as a news item, but as an announcement worded by the Treasury, and read it as such. Responsibility for its abruptness and any misinterpretation is not, therefore, on the BBC's head. The Treasury for its part ought to have realised that the people it sought to reach by a general broadcast were the very ones who most needed the clearest and simplest explanation possible. It also seems to have underestimated the effect upon a public keyed up to hear the worst—especially upon the investing fraternity, who might be excused for being rather more on edge than others.

Actually, the purpose of these arrangements is simply to prevent holders of certain internationally negotiable securities from using them to acquire foreign exchange, and there is nothing frightening about them at all. The actual classes of securities which, from October 1st, must be kept in an "authorised depositary" are four—bearer securities, securities on which interest or dividends are payable by coupon, registered certificates issued by a registrar outside the scheduled territories (i.e., the sterling area), and registered certificates issued by a registrar inside the scheduled territories in respect of securities which can be transferred without the registrar's consent to a registrar outside the scheduled territories. All other securities owned by United Kingdom residents can be kept at any place the owner chooses.

* * *

Switzerland and Gold

One of the more remote consequences of the suspension of convertibility of sterling into dollars has been a ban on gold coin sales by the Swiss National Bank. Since last November the National Bank has sold gold coins freely at the official price, provided the gold was not destined for export. The danger that these coins might be exported was thought to

have been mitigated by charging the purchaser a seigniorage premium of 5 per cent plus a turnover tax of 4 per cent. These charges have, however, been powerless to arrest a considerable smuggling of coins out of the country, particularly into France and Italy, where high prices are quoted for gold in the black markets. The demands for gold coins from the National Bank increased considerably after the suspension of convertibility of sterling and rose to a pitch at which the Bank was compelled to suspend these sales. The official announcement notifying this change of policy states that gold coins had been put into circulation in Switzerland as a means of absorbing the gold accumulating through the surplus on Switzerland's balance of payments. By putting gold into circulation, instead of keeping it in reserve and issuing additional notes against it, it was believed that the danger of inflation would be averted. The announcement goes on to say that recent international currency developments had led to a vastly increased demand for gold and that, since Switzerland was the only country selling gold to the general public, she became a focal point in this traffic and, unwittingly, an instrument of international speculation and smuggling.

This undesirable situation has been remedied by the suspension of gold coin sales. Another result of the suspension will be to close the gap between the rate for "financial dollars" and the official dollar rate. This gap has recently widened, partly as a result of the demand for gold. The National Bank of Switzerland does not freely accept dollars against Swiss francs at the official rate unless those dollars are the product of *bona fide* current commercial transactions. Financial dollars have to find their own level, and that level has been falling rapidly, since the Swiss francs required to finance gold coin purchases from the National Bank have in large measure been obtained by sales of dollars. Another consideration which may have encouraged the Swiss National Bank to suspend sales of gold coins is the change in the prospective balance of payments in Switzerland threatened by the present international monetary developments. Given the considerable curtailment of tourist traffic to Switzerland, there is less likelihood of that persistent surplus in the Swiss balance of payments which in the past encouraged the Swiss National Bank to get rid of its surplus gold by putting it into circulation.

* * *

Australian Banking Uncertainties

Very little definite information has yet reached London about the project for full-scale nationalisation of the Australian banking system which was so suddenly announced four weeks ago (and was discussed in *The Economist* on August 23rd). All the evidence tends to show, however, that the Commonwealth Government is determined to proceed. It is clear, as was surmised at the outset, that the announcement was a sequel to the High Court decision which in effect frustrated the Government's plan to concentrate the banking business of public bodies and local authorities in the state-owned Commonwealth Bank. But it is fairly certain that the Government's decision was not taken suddenly in a moment of pique. The Government obviously was piqued, but it appears that some members had all along wanted to go the whole hog in nationalisation, and were only awaiting an appropriate excuse for pressing their plans.

Obviously, it should not be taken for granted that the project will be carried through; all save the most extreme and doctrinaire advocates must well know that the existing arrangements already give the Government all the advantages which, from its own standpoint, it might hope to reap from full nationalisation. Its powers enable it to grip the commercial banks in almost as tight a strait-jacket as it chooses to impose. The commercial banks themselves had certainly assumed that nothing worse would befall them than the structure of control imposed by the perpetuation of the wartime principles, and they were beginning to adjust themselves accordingly. That explained the two bank mergers announced early this year. In view of the new uncertainty, it was to be expected that the merger between the Bank of Australasia and the Union Bank of Australia, which had not been consummated, would be suspended. An announcement to this effect has been made this week, making it plain that the plans have not been irrevocably dropped, but are being pigeon-holed until the general situation is clarified. The main reason, it is believed, for the earlier delay was the heavy burden of stamp duties which the merging institutions would have to shoulder. Obviously, it would be a foolish waste of effort and of stockholders' resources to proceed with the scheme if both institutions are shortly to be swept into the Governmental machine.

Higher Cocoa Price for Growers

The Gold Coast Cocoa Marketing Board has announced that the price to be paid to farmers for cocoa beans for the season 1947-48 will be increased from 30s. to 50s. a load. This is equivalent to an increase of from £56 to over £93 a ton. It seems hardly likely that a similar improvement in prices can be withheld from the farmers in Nigeria, since conditions of production and marketing are broadly the same as in the Gold Coast, although a much smaller crop is harvested.

The price at which the West African Produce Control Board (after October 1st it will be the Gold Coast Cocoa Marketing Board, but this will involve no important changes in the mechanism of marketing) buys cocoa from the farmers is fixed at the beginning of each season. The avowed object is to insulate the farmer from short-term fluctuations in the world price. But the Board sells at the world price to both the Ministry of Food and foreign buyers, and in recent years the price fixed for purchases from the farmers has been well below the selling price. Hence the Board has been able to build up the handsome surplus of about £20 million, most of which is intended to provide a buffer for the farmer against a sudden fall in the world price. Recently, the margin between the price to the farmer and the Board's selling price has been widening still further. Some mid-crop cocoa has lately been taken up by the Ministry of Food and by American buyers at 29½ cents a lb. Even a price of £93 a ton to the farmer is equivalent to only about 20 cents a lb., so the proposed increase in cocoa prices in the Gold Coast will still leave a large margin.

The continued buoyancy of the open market price in New York is an indication of the continued pressure on available world supplies. It is quite clear that if the present high level of the world price is maintained, the price paid for cocoa by the Ministry of Food, and hence by manufacturers, will be forced above its present level. Although this will mean dearer chocolate, there is, of course, the compensating factor, from the point of view of public policy, that cocoa is a useful earner of dollars. Meanwhile, the West African cocoa farmer benefits from the high world price by a direct increase in his cash price and in the growth of the "cushion" against a possible eventual fall in prices when the pressure of purchasing power on comestibles in the United States has eased off. If the smoothing principle eventually works as intended, the benefit should be substantial—not only, or perhaps even mainly, because of the support in seasons of low prices, but because under present conditions of general scarcity, the "reserve" purchasing power if released now would be largely dissipated in the high prices paid for consumables.

World Oils and Fats Problem

The shortage of oils and fats is causing considerable hardship to importing countries. Although production last year showed a 5 per cent increase on 1945—the United States Department of Agriculture estimated the world total at 15.7 million tons—it was still some 20 per cent below the pre-war level of 19.3 million tons. The total quantity available for international trade during the current year was calculated to be 3,100,000 tons, in contrast with 5,800,000 tons in the 1935-39 period. And it will probably be five years or more before consumption in the deficit countries can be restored to its pre-war level. Some illuminating facts on the present position were given last Monday by Mr Geoffrey Heyworth at the meeting of Lever Bros. and Unilever Ltd. He estimated the 1947 output to be some 2,500,000 tons short of the pre-war figure, with a total deficit of 4,000,000 tons after allowing for an increase in world population of 8 per cent.

The recovery of production in the Far East has been disappointing. Only very small quantities of palm oil and copra were available from the Netherlands East Indies, while exports from Malaya are but a little more than one-third the pre-war quantities. Shipments of soya beans from Manchuria have been severely restricted and India is no longer an exporter. The Philippines alone of the chief pre-war sources has expanded output. In that country, the recovery of the copra industry has been phenomenal; in 1946 exports had reached the pre-war level of 375,000 tons of oil and during this year they are proceeding at the rate of 600,000 tons a year. Supplies from the Far East, the major source for international trade, are nevertheless heavily curtailed. In Western Europe production has also shown a serious decline, and here it is mainly in the form of butter and lard. The shortage of feeding stuffs is the main obstacle to expansion, and it is unlikely that the pre-war output will be reached for some years.

But there are other operative factors. Consumption in most producing countries has increased, reducing the available export surplus. Thus India, which until 1939 was an important source of supply, is unlikely to export on any large scale in the future. The increased consumption of liquid milk, encouraged by various governmental nutritional schemes, has necessarily curtailed the supply of fats, while under the International Whaling Agreement, a season's catch is restricted to a level which in 1946/47 produced only 320,000 tons of whale oil, compared with 500,000 tons in the pre-war years.

Mr Heyworth's prescription for increasing supplies to cover the present annual oils and fats deficit of 4,000,000 tons is simple and, were it carried out, might well be effective. The deficit countries should co-ordinate their purchases rather than compete against one another on the world market, and subsidies should be withdrawn from consumer prices to enable consumer resistance to react upon the current high prices for oils and fats. Additional supplies should be obtained by more development projects such as the East African groundnut scheme, by expanding production in Western Europe, and by increasing the exportable surpluses of those countries where liberal supplies allowed on the home market are creating artificially low domestic prices out of proportion to world market prices. An increased use of materials derived from mineral oils could provide additional quantities of detergents, and the limitation on the catching of whales should be temporarily suspended. On oils and fats, Mr Heyworth speaks with authority. It is to be hoped that his advice does not fall on deaf ears.

Higher Retail Sales

Retail sales for July, as indicated by the index numbers published by the Board of Trade, show the pressure of home purchasing power on the goods in retail supply after the seasonal contraction of sales in June. Last year, the index was carried steadily from 125 in July right up to 161 in December. Although sales in July this year are thus 14 per cent higher than in the corresponding period last year (sales of every category except books and stationery show an increase on July, 1946), the development of the austerity programme is unlikely to permit any such expansion of sales as occurred in the autumn and Christmas season last year.

INDEX NUMBERS OF SALES PER WEEK
(Average for 1942=100)

	Apparel	Household Goods	Non-Food Merchandise	Food	Total
July, 1946.....	112	185	124	123	125
May, 1947.....	159	222	165	135	147
June, 1947.....	141	225	150	134	139
July, 1947.....	140	232	152	138	142

INDEX NUMBERS OF APPAREL STOCKS
(Average for 1942=100)

	Women's Wear	Men's and Boys' Wear	Footwear
July, 1946.....	93	66	70
May, 1947.....	114	90	83
June, 1947.....	133	99	89
July, 1947.....	123	99	95

Of the items which contributed to the rise from 139 in June to 142 in July, the index for household goods was the highest this year and the food index the highest yet recorded. Tobacco sales continued their recovery from the fall which followed the Budget, and the rise in café and restaurant sales was maintained. It is particularly interesting that the sales index for apparel, which at this stage in the coupon period ought to be dropping rapidly, in fact lost only one point. This is partly accounted for by an increase from 125 to 144, in sales of men's and boys' wear. The amount spent per coupon in July was about 8 per cent higher than a year ago.

Stocks of footwear were the highest since 1944, but while stocks of men's and boys' wear maintained an overall high level, wholesale houses at the end of June had less than two weeks' supply of some items at the current rate of sales. The decrease in the retail sales of women's wear appears to have been more than balanced by an increase of 16 per cent, over the same period, in stocks at the wholesale stage. But the really critical period

Homburg Hats — new issue

Our Fenchurch Street shop is offering a new issue of the most excellent Homburg Hats. Their colour is of course black but the outlook when under one is very bright indeed as they promise to pay vast dividends in comfort and appearance. The preferred price is 51/- but there are others and sizes fluctuate very conveniently. Other hats in various shapes and shades are reported to be good buys, particularly 'Snap Brims' from 38/6.

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2 OZ. AIRTIGHT TIN 8/5
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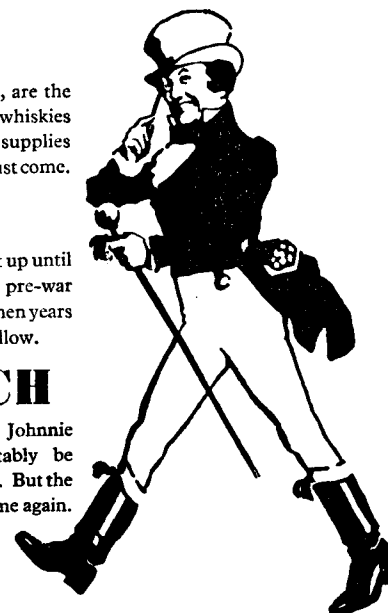
and precious, indeed, are the reserves of fine old whiskies from which present supplies of Johnnie Walker must come.

GOOD

stocks cannot be built up until distilling reaches its pre-war volume again. Even then years of maturing must follow.

SCOTCH

whisky as good as Johnnie Walker will inevitably be scarce for some time. But the days of plenty will come again.



Johnnie Walker

BORN 1820—STILL GOING STRONG

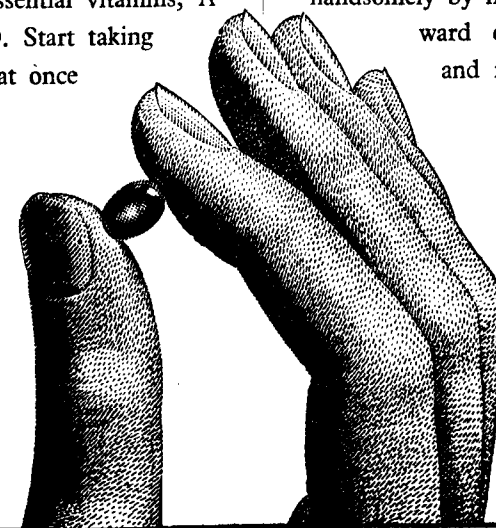
"RED LABEL" 25/9 per bottle 13/6 per half-bottle.

"BLACK LABEL" 27/9 per bottle

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for stocks may come when the coincidence of a new ration period and the Christmas boom has taken effect. After Christmas, supplies in the shops may begin to show the effect of an increasing diversion of textile goods to export markets.

The Small Firm Puts its View

The meeting on Monday between the President of the Board of Trade and a deputation from the National Union of Manufacturers comes as a timely reminder not only of the grievous strain which government by control and licence, however necessary it may be at present, puts upon the small firm, but also of the opportunities which exist among small firms for efficiency and enterprise in the production drive.

It is sometimes forgotten that two-thirds of the whole volume of production and services is sustained by the small men. Yet this fact alone means that, in an age of industrial controls, two-thirds of industry is forced to put managerial and technical resources, which can ill be spared from small staffs, to the task of filling forms, collecting statistics for official use and supporting the industrial bureaucracy which is inseparable from the present system of control. But more than this, it emphasises the disadvantages under which the major portion of the industrial economy may have to operate if official policy in general and allocation of scarce materials in particular is determined mainly by reference to the requirements and experience of large units of production.

Yet, if labour is to be attracted to the undermanned industries and if production for export over the widest possible industrial field is to be stimulated, a technique will have to be developed for getting the men and materials to the small firms which are engaged on priority work, and especially to those industries where most of the firms may be classified as small.

There is plenty of scope for improvement in export sales technique among small businesses, especially if they are to compete seriously in the United States market, and the deputation to the Board of Trade last Monday obviously realised this need. But there is wide scope, by smoother and more realistic allocation of men and materials for production, for aid from official policy and administration. It is all to the good that this fact was emphasised five days before Sir Stafford Cripps's announcement of the export plan last Friday.

Burmah Oil Corporation

The doggedness shown by the Burmah Oil Corporation in its struggle to resume production in Burma is admirable. But the latest manifestation of faith strikes a faintly pathetic note against the background of anarchy which has plagued the birth of the new republic. The Corporation states in its annual report that it expects shortly to reach an agreement with the new Burmese

Government, and though no date is mentioned for the possible restarting of production, late in 1950 is stated as the probable time for opening the new refinery—if local conditions are propitious and deliveries of plant come up to schedule. In preparation for these developments, up to the date of the balance-sheet £872,589 had been spent on rehabilitation, and evidently money is going into the erection of the refinery. Plans have also been made for continuing exploration to establish new oil reserves to replace the main Yanangyang and Chauk fields, which have yielded most of the company's output for the past sixty years and are now nearing exhaustion. The Corporation's hopes are obviously being backed with hard cash. But while investors await the outcome of the representations being made in Burma, they can console themselves for interim disappointments by reflecting that only a small proportion of the Corporation's eggs has been left in the Burmese basket.

In fact, a calculation of the break-up value of the £13,736,513 ordinary stock, taking credit for only a nominal valuation for fixed assets in Burma (£2,927,536 was transferred from the war contingencies reserve in 1946 to write off these assets), gives a figure of £3½ per stock unit, compared with the current market price of £34. This is, perforce, a tentative estimate, for though total current market values of investments are included wherever this is possible, where it is not—in the case of the gilt-edged portfolio—the balance-sheet figure has been taken. Further, in 1946 only one-sixth—substantially less than in 1945—of the total profit of £3,133,887 was derived from trading in India and Burma. The remaining five-sixths came from other subsidiaries, associated companies and investments, and showed a 12 per cent increase over profit from these sources in 1945. Interest on Government securities rose from £379,733 to £564,829, although the total holding was reduced from £23,059,998 to £16,713,447 to repay loans and make advances to subsidiaries. Income from associated and other subsidiary companies showed only a small increase, these being mainly concerned with trade in the disturbed Orient. The accounts were prepared too soon to reflect the record year of Anglo-Iranian, in which the Corporation has a direct holding of £4,292,985 ordinary stock, and, through its wholly owned subsidiary, the BOC-Anglo Iranian Share Trust, a further £1,050,000 ordinary stock. Nor has the latest increased payment on the £1,200,000 ordinary stock of Shell Transport and Trading been credited; the heavily weighted interest in these oil producers is an appreciating asset which next year should show a substantially increased return. Indeed, in view of the narrowing of profit margins in the retailing of oil and the delay in the resumption of production in Burma, the "holding" side of the Corporation has become the core of the business.

Industrial Disputes

Until the outbreak of the Yorkshire coal disputes, the industrial record of 1947 had been reasonably creditable. The number

COMPANY MEETINGS

LEVER BROTHERS & UNILEVER, LIMITED

REBUILDING EUROPE'S FAT SUPPLIES

The annual general meeting of Lever Brothers & Unilever, Limited, was held, on the 8th instant, in London.

Mr Geoffrey Heyworth presided and in the course of his speech said:—

Apart altogether from the war there are other causes which in varying degree contribute towards the shortage of oils and fats. First, there is the tendency for producing countries to consume a greater part of their own production, which, for the time being, has a serious effect on supplies available for Europe. A second factor is the increase in the habit of drinking milk. This is chiefly noticeable in the United States and Great Britain. It is to be welcomed, but it reacts adversely upon the supply of available oils and fats. Thirdly, there has been a serious decline in the production of oils and fats in Western Europe. The shortage of animal feeding stuffs and the likelihood that improvement will be slow means that it will be a long time before the European production of butter and lard can be brought up to the pre-war level.

In all I estimate that the 1947 world production of oils and fats is about 2,250,000 tons per annum below the pre-war figure of nearly 20,000,000 tons. If one takes into account the fact that the population of the world must have increased by about 8 per cent. since 1939, which would mean an additional requirement of 1,500,000 tons per annum, the total deficit compared with pre-war quantities amounts to about 4,000,000 tons. With Europe in its present condition

it is doubtful whether it could afford to purchase its share even if it were available.

QUESTION OF CONTROLS

It is said that if Governments would abandon their controls and leave the business to those who are experienced in it, there would be greater supplies and prices would more quickly get back to normal. I believe this to be true as a general proposition, although I do not think it is yet expedient in the case of oils and fats. It would be easy to argue from the experience in the United States, with its quick rise and its sudden precipitous fall, that the advocates of de-control were right, but in spite of freedom from control inside the United States the prices are still artificial in the sense that they are sheltered from the demands of the rest of the world which is not so well supplied. The gap between supply and demand is too big to permit abandonment of Government controls in either Great Britain or Holland at this time.

I do, however, urge that the shortcomings of Government control should be mitigated as far as possible. The critical position today of the countries of Western Europe, illustrated by their trade deficits, is due in no small part to the high prices of imported foods, including oils and fats. First of all, then, the Governments of Europe which agree to the allocation of supplies by the International Emergency Food Council should not make their deficits worse by competing in their purchases, but should co-ordinate their buying. Secondly, whereas an ordinary business would act very cautiously

in the face of the high prices which are being paid today for the marginal quantities of oils and fats in Argentina and elsewhere, Governments, even when advised by competent business people, in their anxiety to maintain supplies probably pay a much higher price than the public itself would pay.

Politically, the decision may be difficult to make, but, providing all unessential imports had first been cut, the Government, like any other buyer, ought to take the risk of smaller supplies in an attempt to break these high prices. European Governments today are paying in some markets seven or eight times the pre-war level for oils and fats, and I cannot believe that the public itself would consider such a level justified even with the present supply position. Under the conditions with which we are faced I am emphatically of the opinion that the earliest abolition of the subsidies on food is essential.

Another step that would help to reduce the excessive prices that are being paid for marginal supplies of fats would be the granting by the United States and the Philippines of larger allocations for export. As we have seen the United States' internal supplies are now liberal, and no undue disturbance should result. The release of relatively small amounts should greatly strengthen the hands of the European buyers in resisting high prices elsewhere.

These then are the actions that can be taken to bring about lower prices within the present supply situation. They are of urgent importance for Western Europe, whose immediate problem is to get as much or more than it is getting now for less money. But the basic problem of increased supplies remains, and we must now explore it.

PROBLEM OF INCREASED SUPPLIES

First, whale oil. I question whether in times of such gravity as the present it is sound policy to maintain the restrictions on the number of whales to be caught. The extra quantity of oil each year for the next

(Continued from page 460)

of working days lost through strikes in the first seven months of the year was 1,485,000, compared with 1,330,000 in the same period of last year. The main loss of working days occurred in coalmining, which accounted for about half of the total, with transport following second. In July, 167,000 working days were lost, transport being the main industry affected.

The statistics of wage increases, published in the Ministry of Labour Gazette, suggest that by comparison with the very large advances in wage rates secured during 1946, increases this year have been moderate. Between January and July, 1947, 1,750,000 workers gained increases in their weekly wage rates of £488,500, compared with increases of £2,250,000 in the wages of 6,300,000 workers during the same period of 1946. Advances in the weekly wages of 537,000 workers amounting to £190,000 during July have brought the increase over September, 1939, up to 67-68 per cent, compared with the 66-67 per cent for the end of June.

The progressive reduction in working hours, which has been a feature of post-war industrial agreements, has been continued. During July, a further 670,000 workers, mainly in the main line railways, secured reductions in working hours, amounting on the average to 3½ hours per week. The actual reductions in working hours are of course likely to be offset by the extensions which are now being planned, especially in the industries producing for export. These will not, however, affect the terms of industrial agreements on the shorter working week since they will be on an overtime basis.

While the review of wages and hours up to July suggests that the situation has been kept relatively stable, it would be unwise to deduce from this that the upward pressure of wages has reached its limit. Certain unions, including coal mining and building, are pressing for wage revision and if successful, may encourage other unions to follow their example.

Rehabilitation in Tin

The rehabilitation of tin mining in both Malaya and the Netherlands East Indies is showing encouraging results. The

Malayan production of tin-ore has expanded steadily over the first six months of this year, reaching 3,056 tons in June. The second quarter aggregated 8,217 tons, compared with 4,614 tons for the first three months, giving a half-yearly total of 12,831 tons. Increased output has been obtained by both European and Chinese mines. Total mines operating in June numbered 370, against 295 in April, and the native labour force has expanded to 34,184. But the high mining costs are causing considerable difficulties at the present controlled price of the product—dredging costs are estimated at double their 1941 level. Although supplies of consumer goods are increasing, the cost of living—particularly rice—has remained consistently high.

Output in the Netherlands East Indies has also shown an upward trend in spite of the unsettled conditions. Estimated production for the current year is put at 21,000 tons compared with 8,747 tons in 1946, and by 1948 it should have regained its pre-war level. New dredges have arrived and are being put into operation; Holland has already built six dredges since the end of the war. Much, however, will depend on the political situation, but given more normal conditions, recovery should be fairly rapid.

Shorter Notes

The Society of Motor Manufacturers and Traders is to present a memorandum on the Government's decision to end the basic petrol ration. They claim that the price of cars exported depends on the amount sold at home, that the motor industry at present is earning £1,000,000 a week from overseas, and that a rise in costs would quickly lose this country more than the £5,000,000 it hopes to save on petrol imports.

The Leather, Footwear and Allied Industries Export Corporation has prepared a scheme to increase exports of footwear by 100 per cent; the scheme has received official approval. At present, targets are being assigned only to manufacturers already engaged in the export trade.

SECURITY PRICES AND YIELDS

A fuller list containing 370 securities appears weekly in the Records and Statistics Supplement. Notes on the following company reports also appear in the Supplement: John Lewis; Fairey Aviation; Burmah Oil Corporation.

Price, Jan. 1-Sept. 10, 1947		Name of Security	Price, Sept. 3, 1947	Price, Sept. 10, 1947	Net Yield, Sept. 10, 1947 (n)	Gross Yield, Sept. 10, 1947	Prices, Jan. 1-Sept. 10, 1947			Name of Security	Price, Sept. 3, 1947	Price, Sept. 10, 1947	Yield, Sept. 10, 1947		
High	Low						High	Low	(a)					(b)	(c)
British Funds															
103½	100½	Conversion 3% March 1, 1948-53...	101	101	£ s. d.	£ s. d.	113½	99½	(d)	Australia 3½% 1965-69.....	102½	102½	£ s. d.		
103½	100½	War Bonds 2½% August 1, 1949-51...	100½	100½	0 16 8	2 0 4	105½	89½	(d)	Birmingham 2½% 1966-71.....	92½	92½	3 0 10		
102½	98½	Exchequer Bonds 1½% Feb. 15, 1950...	100	100	0 18 9	1 14 11	142½	113½	40 c	Argentine 3½%	101	102	3 9 0		
105½	99½	War Bonds 2½% March 1, 1951-53...	99½	99½	1 12 7	2 15 5	232½	118½	5 a	Anglo-American Corp. 10s.....	128½	130½	3 16 11		
105½	97½	War Bonds 2½% March 1, 1952-54...	99	98½	1 14 5	2 17 3	80½	56½	10 c	Anglo-Iranian Oil £1.....	162½	167½	3 11 8		
108½	101½	War Loan 3½% (after Dec. 1, 1952)...	103	102½	1 12 2	3 5 0	95½	73½	25 c	Assoc. Port. Cem. Ord. Stk. £1	58½	63½	4 14 14		
106	97½	War Bonds 2½% Aug. 15, 1954-56...	98½	98	1 12 7	2 15 7	245½	167½	75 a	Austin Motor 'A' Ord. Stk. 5s.	26½	31½	6 8 0		
106	99½	Funding 2½% June 15, 1952-57.....	101	100½	1 10 6	2 16 0	95½	73½	25 c	Barclays Bank Ord. 'B' £1.....	75½	77½	3 12 3		
108½	99½	National Def. 3% July 15, 1954-58...	101½	100½	1 12 3	2 19 8	115½	80½	12 b	Base Ratchiff Ord. £1.....	170½	180½	2 15 7		
109½	100	War Loan 3% Oct. 15, 1955-59.....	102½	100½	1 12 6	2 19 3	58½	40½	7½ c	British Oxygen Ord. £1.....	82½	88½	4 10 2		
108½	98	Savings Bonds 3% Aug. 15, 1955-65...	100½	99½	1 14 2	3 1 5	29½	22½	8 c	Dorman Long Ord. £1.....	41½	44½	3 7 11		
105½	96	Funding 2½% April 15, 1956-61...	98	96½	1 13 6	2 16 3	81½	57½	12 c	Dunlop Rubber Ord. £1.....	25½	24½	6 11 3		
109½	98½	Funding 3% April 15, 1959-69.....	101½	99½	1 13 5	3 0 4	53½	40½	3 c	Imp. Chem. Ind. Ord. Stk. £1	56½	63½	4 15 3		
122½	109½	Funding 4% May 1, 1960-90.....	112½	111½	1 5 5	3 0 6	49½	39½	7½ c	Lancs. Cotton Ord. Stk. £1.....	41½	44½	4 10 2		
110½	97½	Savings Bonds 3% Sept. 1, 1960-70...	100	98½	1 14 3	3 1 6	57½	45½	10 c	Lever & Unilever Ord. £1.....	40½	48½	4 2 1		
104½	93½	Savings Bonds 2½% May 1, 1964-67...	95	93½	1 15 8	2 19 8	84½	73½	12 c	London Brick Ord. Stk. £1.....	50½	53½	4 13 0		
123½	109½	Victory Bonds 4% Sept. 1, 1920-76½	113	112½	1 7 4	3 0 7	84½	73½	12 c	L.M.S. 4% 1st Pref. Stk.....	75½	76	5 6 0		
111½	97½	Savings Bonds 3% Aug. 15, 1965-75...	100	98½	1 14 2	3 1 5	36½	32½	4½ b	N. Eastn. Elec. Ord. Stk. £1	34½	33½	4 3 7		
117½	106	Consols 4% (after Feb. 1, 1957).....	108½	107½	1 8 0	3 3 1	68½	47½	5 a	Pichin 'J'ason Ord. Stk. 10s.	50½	54½	4 12 7		
115½	102½	Conversion 3½% (after Apr. 1, 1961)...	104½	103½	1 12 11	3 3 9	39	29½	169-58c	Prudential 'A' Ord. Stk. 10s.	50½	54½	4 12 7		
100½	80½	Treas. Stk. 2½% (after Apr. 1, 1975)...	85½	84½	1 12 7	2 19 3	63½	44½	12 c	Stewarts & Lloyds Def. £1.....	30½	30½	2 8 8		
110½	95½	Treas. Stk. 3½% (after Apr. 5, 1966)...	98½	97½	1 16 8	3 4 1	108½	80½	12½ b	'Shell' Transp. Ord. Stk. £1	83½	86½	5 7 0		
117½	97½	Redempt. Stk. 5% Oct. 1, 1986-96...	99½	98½	1 13 10	3 1 1	147½	108½	12½ b	Tube Invest. Ord. Stk. £1.....	113½	117½	4 14 10		
99	80	Consols 2½%	85½	83½	1 13 0	2 19 11	107½	71½	15 a	Turner & Newall Ord. Stk. £1	69½	70½	3 11 5		
Redemption yields on stocks optionally or finally redeemable within the next five years are worked out on the assumption that they will be repaid at the earliest date. Rows in italics are for securities not yet issued.															

Redemption yields on stocks optionally or finally redeemable within the next five years are worked out on the assumption that they will be repaid at the earliest date. Redemption yields on other dated stocks assume that stocks paying over 3 per cent will be redeemed at the earliest date (these are marked 'c'), and those paying 3 per cent or less will be repaid at the latest date (marked 'l'). (n) Net yields are calculated after allowing for tax at ½% in the £. (f) Flat yield. Assumed average life 17 years 6 months.

(a) Interim. (b) Final. (c) Whole year. (d) Int. paid half-yearly. (e) To earliest redemption date. (f) Also a capital bonus of 2½ per cent free of income tax. Yield worked on 15 per cent basis. (h) Fifteen months to March 31, 1947 (yield basis 7-6 per cent). (i) To latest redemption date. † Free of tax.

few years when the need is so great would, I think, justify any risk that there might be in suspending the operation of that part of the international agreement for two or three years.

Help can also be derived from what are known as soapless detergents. We, in this company, have been interested in soapless detergents for many years and have spent considerable sums on research upon them. We have ready for the market products of this nature and would make them to the fullest possible extent limited only by the supply of the various necessary materials and the suitability of the final product.

The main effective improvement in the supply position of oils and fats must, however, come from the restoration of production still suffering from the effects of war and from the development of new sources.

The need for new sources is emphasised by the fact that the world's population is steadily increasing. As it is desirable that the standard of living everywhere should go on rising, it means that new sources of supply must likewise go on being developed in a corresponding degree.

There are two approaches. First, through annual crops, of which the most important are groundnuts, sunflower, rapeseed, soya beans, and linseed; and secondly, through tree crops, such as palm oil and kernels, and copra. The British Government's East African Groundnut Scheme, in which you will remember we are playing a prominent part through the United Africa Company as the Government's managing agents, is an outstanding example of how to tackle the problem. This scheme will take six years to come to full fruition, when it is expected to produce an oil equivalent of 250,000 tons from 3,250,000 acres. Big as this scheme is, the quantity will not fill the gap in supplies caused by India's partial withdrawal from the export market. It will be apparent that a number of schemes of this magnitude must be undertaken, and even if tackled now it will be two years before they could begin to show results.

The magnitude of these projects is such that they immediately raise the question of the provision of the necessary capital resources. Normally the territories to be developed would look to Europe for this, but whether the labour force and production facilities to make the equipment needed can be provided is, at least, open to doubt. The alternative is to look to America, which again raises the question of balance of payments.

INTERNATIONAL BALANCE OF PAYMENTS

We cannot leave the discussion of the world shortage of oils and fats without some reference to the international balance of payments problem. Even if the necessary supplies of oils and fats were available, most of the countries of Western Europe would be unable to pay for their full requirements. The full restoration of pre-war standards of consumption is therefore possible immediately only if imports can be financed by loans or met by gifts; and ultimately if the industrial capacity of the countries with unbalanced accounts is developed until they can pay by exports for what they wish to import.

The maintenance of the standard of living of Western Europe is therefore dependent either on some new orientation of her productive plant and labour force that will increase the total productivity of her natural resources and her people, or on outside help, or on both. If we accept that it is undesirable as well as improbable that outside help will be forthcoming without Europe itself making a contribution, we must consider whence increased productivity within Western Europe can spring.

There is at present an annual world shortage of some 4,000,000 tons of oils and fats. Supplies can be increased, but the process will be slow.

The steps which can and should be taken to improve the situation are: First, the con-

trol system, although it cannot yet be abolished in Western Europe, can be made to operate so as to improve the terms of trade by more effective combination in the purchase of raw materials and by the removal of subsidies on the finished products. Secondly, the countries of Western Europe can increase their home production. Thirdly, the production in overseas territories which exported before the war must be restored to the full, and the re-establishment of the conditions which will make this possible must be accorded the highest priority. Fourthly, additional production must be found by bringing into cultivation unused tracts of land as typified by the East African Groundnut Scheme. Fifthly, an increased use of materials derived from mineral oils can provide additional quantities of detergents. Sixthly, limitation on the catching of whales should be temporarily suspended.

And finally, because of the economic plight of Western Europe, the resources necessary for the development of new supplies of oils and fats, and indeed of all goods urgently needed, can only be accumulated through better utilisation of existing production facilities, and the foregoing of expenditure on them. The most effective accumulation of these resources will be achieved by treating Western Europe as a whole and by following a policy of "make-do and mend," in all fields of activity which do not immediately contribute to the alleviation of essential shortages.

The report and accounts were adopted. [The Chairman's speech will be reprinted in full as a pamphlet, "Rebuilding Europe's Fat Supplies." Copies may be obtained from the Secretary, Lever Brothers & Unilever, Limited, Unilever House, London, E.C.4.]

LEVER BROTHERS & UNILEVER N.V.

The annual general meeting of the members of Lever Brothers & Unilever N.V. was held at Museumplein, Rotterdam. Mr P. Rykens presided and made a speech in similar terms to that delivered by Mr Geoffrey Heyworth at the annual meeting of Lever Brothers & Unilever, Limited, reported above. The report and accounts for the year 1946 were adopted. An amendment of the Articles of Association, whereby the authorised capital of the company is increased from Fl.500,000,000 to Fl.530,000,000 by the creation of a further 30,000 4 per cent. Redeemable Cumulative Preference shares of Fl.1,000 was approved.

THE RHODESIA RAILWAYS, LIMITED

DIVIDEND MAINTAINED

The fiftieth ordinary general meeting of the Rhodesia Railways, Limited, was held on the 28th ultimo in London, Mr. Arthur E. Hadley, C.B.E., the chairman, presiding.

The following is an extract from the chairman's statement circulated with the report and accounts:—

The gross revenue of £6,349,480 for the year ended September 30, 1946, including an amount of £52,549 transferred to it from reserve for arrears of maintenance, was £156,720 higher than that of the previous year, and as working expenditure increased by £607,318 net earnings were lower by £450,598 at £1,665,802.

After adding to this operating profit of £1,665,802 the various amounts credited in the net revenue account, there was a total amount of £2,218,619 to meet debenture stock interest £854,706, debenture stock redemption £245,996, excess profits tax in the Union of South Africa £11,082 and income tax in the United Kingdom and the Dominions £981,835, leaving £125,000 which enables the directors to recommend the payment of the same dividend as last year.

The Southern Rhodesia Government has now purchased from the Rhodesia Railways Trust, Limited, the entire share capital of

this company, the change of ownership taking effect from March 31, 1947.

The estimated gross revenue for the first eight months of the current financial year, that is to May 31, 1947, is £342,177 higher than in the previous year, while working expenditure, due chiefly to increases in the cost-of-living allowances and wages, is higher by £447,665, so that the surplus of gross revenue over working expenditure has decreased by £105,488.

The report was adopted.

HUNGARIAN CREDIT BANK MAGYAR ÁLTÁLANOS HITELBANK ANNUAL GENERAL MEETING

The Hungarian Credit Bank recently held its annual general meeting, when an account was given of the period from January 1, 1944, to December 31, 1946. Details were given of the merger with the Hungarian Country Central Saving Bank (Magyar Országos Központi Takarékpénztár, Moktár), and of the change that occurred in the list of principal foreign shareholders. On the basis of the Potsdam agreement, shares of the German group were transferred to the Soviet Union. The representative of the Soviet Union was elected to the Board of Managers at the special annual meeting in 1946. The forint balance sheet of the bank, as at January 1, 1947, is as follows:—

ASSETS		Forint Filler		Forint Filler	
I.—Invested Capital					
Real estate ...	...	9,425,817.92			
Outfit and equipment ...	...	3,178,226.39			
Shares ...	...	167,882,774.60			
				180,486,818.91	
II.—Capital in Circulation					
Inventory ...	...	19,468.10			
Securities ...	...	31,560,650.52			
Bills of exchange ...	...	100,207,442.90			
Debtors ...	...	172,953,943.52			
Mortgage bonds ...	...	45,196,050.55			
Cash ...	...	10,710,383.28			
Transient assets ...	...	12,452,565.37			
Miscellaneous assets ...	...	659,127.87			
Pension fund ...	...	315,124.24			
Welfare funds ...	...	380,624.39			
				374,455,380.74	
				554,942,199.65	
LIABILITIES					
I.—Own Capital					
Stock capital ...	...	66,000,000.—			
Reserve ...	...	33,000,000.—			
				99,000,000.—	
II.—Special Reserves					
Pension reserve ...	...	6,651,437.67			
Recognised pension fund ...	...	15,000,000.—			
Welfare funds ...	...	2,651,651.32			
				24,303,088.99	
III.—Balance Items					
Contra items to doubtful assets ...	...	34,851,564.40			
IV.—Liabilities					
Re-discount ...	...	68,816,976.22			
Saving accounts ...	...	12,739,055.36			
Current accounts ...	...	88,352,069.79			
Creditors ...	...	94,815,163.34			
Mortgage bonds in circulation ...	...	35,326,023.17			
Ceded mortgage security ...	...	6,330,885.32			
Miscellaneous liabilities ...	...	57,848,854.45			
Transient liabilities ...	...	32,558,518.61			
				396,787,546.26	
				554,942,199.65	

GOVERNMENT RETURNS

For the week ended September 6, 1947, total ordinary revenue was £54,308,133, against ordinary expenditure of £86,732,772 and issues to sinking funds £3,121,598. Thus, including sinking fund allocations of £7,582,982 the surplus accrued since April 1st is £212,741,229, against a deficit of £449,602,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1947-48	Receipts into the Exchequer (£ thousand)			
		April 1 to Sept. 7, 1946	April 1 to Sept. 6, 1947	Week ended Sept. 7, 1946	Week ended Sept. 6, 1947
ORDINARY REVENUE					
Income Tax	107,300	382,784	350,389	21,057	18,458
Sur-tax	80,000	14,986	17,055	275	250
Estate, etc., Duties	155,000	63,400	73,379	2,290	3,500
Stamps	57,000	14,250	20,780	500	1,300
N.D.C.	202,000	13,759	12,920	760	640
E.P.T.		139,226	94,486	7,125	7,400
Other Inland Rev.	1,000	148	110	...	10
Total Inland Rev.	156,800	628,553	569,119	32,007	31,558
Customs	736,960	250,245	333,539	11,146	15,170
Excise	643,040	247,095	255,200	2,795	1,800
Total Customs & Excise	1,380,000	497,340	588,739	13,941	16,970
Motor Duties	50,000	9,403	10,215	456	236
Surplus War Stores	95,000	33,839	78,697	18,949	599
Surplus Receipts from Trading	55,000	...	25,000	...	...
Post Office (Net Receipts)	...	4,750	1,730	400	650
Wireless Licences	11,000	2,250	3,190	...	...
Crown Lands	1,000	450	440	...	...
Receipts from Sundry Loans	21,000	7,461	15,316	4	1,547
Miscell. Receipts	270,000	14,483	161,600	181	2,749
Total Ord. Rev.	3,451,000	1,198,528	1,454,046	65,938	54,308
SELF-BALANCING					
Post Office	144,230	50,900	59,550	1,600	1,650
Income Tax on E.P.T. Refunds	49,000	97,715	11,303	2,941	208
Total	3,644,230	1,347,143	1,524,899	70,479	56,166
Expenditure	Estimate, 1947-48	Issues out of the Exchequer to meet payments (£ thousand)			
		April 1 to Sept. 7, 1946	April 1 to Sept. 6, 1947	Week ended Sept. 7, 1946	Week ended Sept. 6, 1947
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	525,000	242,258	245,953	43,111	42,768
Payments to N. Ireland	23,000	7,804	9,644	696	764
Issue to Nat. Land Fund	...	50,000	...	...	...
Other Cons. Fund Services	8,000	3,500	3,318	8	...
Total	556,000	303,562	258,916	43,815	43,533
Supply Services	263,514	133,759	974,806	50,700	43,200
Total Ord. Exp.	3,191,114	1,641,156	1,233,722	94,515	86,733
SELF-BALANCING					
P.O. & Broadcasting	144,230	50,900	59,550	1,600	1,650
Income Tax on E.P.T. Refunds	49,000	97,715	11,303	2,941	208
Total	3,383,344	1,797,711	1,304,575	99,056	88,591
After increasing Exchequer balances by £360,598 to £2,979,899 the other operations for the week increased the gross National Debt by £50,326,927 to £25,591 million.					
NET RECEIPTS (£ thousand)					
Tithe Act, 1936, Sec. 26	...	...	...	74	...
Civil Contingencies Fund, Sec. 3 (1)	...	...	...	15,000	...
NET ISSUES (£ thousand)					
P.O. and Telegraph	...	...	...	675	...
E.P.T. Refunds	...	...	...	254	...
Overseas Trade Guarantee Act, 1939, Sec. 4 (1)	...	...	...	88	...
Housing (Temporary Accommodation) Act, 1944, Sec. 8 (1)	...	...	...	23,000	...
Housing (Scotland) Act, 1944, Sec. 4 (2)	...	...	...	251	...
Local Authorities Loans Act, 1945, Sec. 3 (1)	...	...	...	1,500	...
War Damage: War Damage Commission	...	...	...	376	...
Finance Act, 1946, Sec. 26 (7), Post-war Credits	...	...	...	29,494	...

Statistical Summary

CHANGES IN DEBT (£ thousand)		NET REPAYMENTS	
NET RECEIPTS		3% Def. Bonds	
Treasury Bills	37,855	200	2,035
National Savings	200	662	19
2 1/2% Def. Bonds	356	Internal	19
Tax Reserve Certs.	356	Treasury Deposits	19,000
Other Debt	2,478		
External	2,478		
Ways & Means Advances	29,830		
	71,381		21,054

* Including £1,424,000 paid off on maturity.

FLOATING DEBT (£ million)		Treasury Bills		Ways and Means Advances		Treasury Deposits by Banks		Total Floating Debt	
Date		Tender	Tap	Public Depts.	Bank of England				
1946									
Sept. 7	1950-0	2522-7	418-1	20-0	1692-5	6603-3			
1947									
May 31	2180-0	2603-3	337-5	1-5	1463-5	6585-8			
June 7	2180-0	2584-9	341-5	5-5	1463-5	6575-4			
" 14	2180-0	2592-1	347-1	10-25	1463-5	6582-9			
" 21	2180-0	2614-4	341-9	10-0	1443-5	6589-8			
" 28	2180-0	2537-3	369-9	...	1442-0	6529-2			
July 5	2180-0	2584-9	356-7	6-25	1368-5	6496-4			
" 12	2180-0	2541-0	378-6	...	1358-5	6486-0			
" 19	2180-0	2503-1	328-9	...	1408-5	6420-5			
" 26	2180-0	2493-4	270-9	...	1408-5	6352-8			
Aug. 2	2180-0	2470-4	317-7	2-5	1400-5	6371-0			
" 9	2180-0	2424-0	348-4	3-5	1400-5	6356-4			
" 16	2180-0	2428-2	336-7	1-75	1380-5	6337-1			
" 23	2180-0	2467-9	336-9	9-75	1350-5	6345-1			
" 30	2180-0	2428-5	339-8	4-75	1352-0	6286-1			
Sept. 6	2190-0	2466-4	369-6	4-75	1301-0	6334-8			

TREASURY BILLS						
(£ million)						
Date of Tender	Amount			Average Rate of Allotment %	Per Cent. Allotted at Min. Rate	
	Offered	Applied for	Allotted			
1946						
Sept. 6	150-0	289-3	150-0	10	2-04	31
1947						
June 6	170-0	290-5	170-0	10	1-49	45
" 13	170-0	277-7	170-0	10	1-61	49
" 20	170-0	282-0	170-0	10	1-65	49
" 27	170-0	288-1	170-0	10	1-43	46
July 4	170-0	292-1	170-0	10	1-51	46
" 11	170-0	299-8	170-0	10	1-09	40
" 18	170-0	294-5	170-0	10	1-39	44
" 25	160-0	292-4	160-0	10	1-24	40
Aug. 1	160-0	287-9	160-0	10	1-11	39
" 8	170-0	275-6	170-0	10	1-48	49
" 15	170-0	336-6	170-0	10	2-34	68
" 22	170-0	258-4	170-0	10	1-58	55
" 29	173-0	251-9	170-0	10	3-14	59
Sept. 5	170-0	276-8	170-0	10	2-54	46

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At a meeting of the Board of Directors, held to-day, a dividend of two per cent (fifty cents per share) on the Ordinary Capital Stock in respect of the year 1947 was declared payable in Canadian funds on November 1, 1947, to shareholders of record, at 3 p.m. on September 22, 1947.

By order of the Board,

FREDERICK BRAMLEY, Secretary.

Montreal, September 8, 1947.

Following the meeting, Mr W. M. Neal, Chairman and President, stated that the payment of this dividend was possible solely because of income derived from sources other than railway operations. He added that while gross earnings from freight and passenger traffic had shown an increase compared with the previous year, the higher wage rates and advances in prices of materials and supplies had resulted in a lower net railway income.

RUSSIAN lessons by a lady educated in a Russian University.—Box 553

The Economist

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September 20, 1947

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No Motive Power

SIR STAFFORD CRIPPS is, beyond question, one of the ablest and most courageous members of the present Government. He has a clear and logical mind and he has, in recent years, lived down some of the more fantastic prejudices that he used to parade in public. It was to be expected that his contribution to the Government's effort to find an economic policy would be lucid, consistent between its parts and expounded with great skill of advocacy. There can be no doubt that his speech and his broadcast of last Friday have given a greater impression of confidence, determination and courage than all the rest of the Ministerial pronouncements put together.

It would be pleasant to go on to say that last Friday's export plan marks the turn of the tide and the beginning of a policy that will get the country out of its economic difficulties. Unfortunately, that would not be true. An export plan is, indeed, badly needed, and Sir Stafford Cripps was wholly right to produce a "realistic" plan in detail rather than to rely on generalised exhortation. His plan, as is argued in a later article (where it is considered more closely), is arithmetically perfect—in fact, rather too precisely perfect. It is very doubtful whether anybody could produce a better export plan than this, and it goes without saying that every effort must be made to carry it out in full. And yet the major doubt remains: it is almost impossible to believe that it will work. Even the most perfectly designed machine will not work if the motive power is lacking. And it is the motive power behind any and all of their economic schemes that the Government persistently ignore. Unfortunately, it has to be said that by far the best plan the Government have yet produced is the one that most conspicuously illustrates their ability to see every point except the main one.

The instruments on which Sir Stafford Cripps places his main reliance for the execution of his plan are, as was expected, the direction of labour and tighter allocations of materials. It is very doubtful whether anybody believes that the direction of labour will work to any significant extent. It has been handled in a very gingerly way by the Minister of Labour—as is, indeed, proper in a democratic community—and it is not apparently to be applied, in a positive sense, to any but unmarried men. It will be of some use in preventing a deterioration in the labour supply available for the export industries; but it should not be counted on to secure any improvement.

Allocation of materials is a more powerful weapon. But it is also one that is much more difficult to use for such a variegated purpose as the stimulation of exports. The immediate producers will no doubt get their priority allocations, and so perhaps will their direct suppliers. But who will look after the more remote suppliers, whose contribution is no less essential? To take a simple example which has been used before in these columns—The Economist is largely an export business. We receive an additional paper allocation for our export orders. But will the paper makers get their coal allocation? And will priority be extended to the manufacturers of the wire for the staples—for lack of which production of The Economist, in a form fit to export, has

several times almost been suspended. The manufacturers of the wire probably have no idea that it goes into exports, and even if they did, would have no means of distinguishing this particular wire from the rest of their production. If the way is really to be cleared for exports, then priority allocations for direct exporters are not nearly enough; the allocation machinery must go down to every ha'porth of tar that goes into exports. This will be the more necessary because Sir Stafford Cripps made it clear that there is to be no attempt to reduce the clamant demands of the home market, they are merely to be held back by the allocation machinery. The pressure of demand on the supplies available for the home market will be greatly increased, and anyone who has any experience of allocation knows how great a strain this will throw upon the control machinery—even if it be supposed that there are enough competent controllers to man it.

There is still another major difficulty, perhaps the greatest of all. Even if the goods can be produced, can they be sold? Sir Stafford did, indeed, mention this difficulty, but not in such a way as to suggest that he put it where it should be—at the very centre of his plan. There is hardly a country in the world that is not engaged in cutting down its imports and expanding its production for exports, and it is not enough to say that if British industry cannot sell one thing it must sell another. The central factor—and it will soon be dominant—is that of price, and unfortunately there is all too much reason to believe that British prices are, in general, a long way above the competitive level. Moreover, an economy based on directions and allocations, on wheedling, fighting and arguing for every essential component, is one—as everybody now knows—that puts costs up to astronomical levels. If industry is to meet its export targets, it will have to do a great deal of selling at a loss, and it cannot be expected to be very enthusiastic about doing so.

South of the Caucasus

THERE is no accounting for the curious and irrational timing of Russian diplomatic moves. Just when Mr Marshall is obviously scrutinising the Palestine prospect with a rueful expression, wondering how far he can take Americans towards acknowledgment of their stake in the Middle East; just when there is the chance of an impatient British Cabinet saying it will withdraw its troops from Palestine; and just when the rumour is going around London that Mr Molotov may be all smiles at the November conference of Foreign Ministers—just at this moment the Russians choose to rap out a request that the Persians should agree immediately to joint working of oil concessions north of, but not far from, Teheran. They are reported to have suggested that a draft treaty, handed by their Ambassador to Qavam es Sultaneh on August 12th, should be signed forthwith without submission to the Persian Parliament; to which the Persian Prime Minister very properly replied that such action would be unconstitutional.

The story then began to receive accretions of the kind which enabled Qavam, in the spring of 1946, to score the masterly diplomatic triumph over the bewildered Russians, for which Uno took the credit. The American Ambassador in Teheran was reported to have concluded a lecture on the evolution of parliamentary government with an unqualified pledge of United States support for Persian independence. And then the British Ambassador was reported—with substantial if not literal accuracy—to have covered his colleague's words by suggesting in Teheran that if Parliament rejected the oil concession treaty with Russia, the door should be left open for further friendly discussion of the matter. By the time it had been explained

There is, in short, no department of the national economy where the policy of defying natural economic forces by the brute force of compulsory controls works under a greater disadvantage than in the stimulation of exports. And by the same token there are few departments where the opposite policy, so often described in these pages, could be expected to be more effective. The only way by which the export industries will get the labour they need at the wages they can afford to pay is by restoring a certain amount of competition in the labour market and making a job once again something that is prized. The only way in which exporters will get the materials they need—including the ha'porth of tar—is by making other people less clamorously intent on pre-empting them for other purposes—that is, by reducing competing demands and not merely trying to hold them back by barriers of red tape. And the only way in which industry can be made enthusiastic about exporting is by making it at least as profitable to sell abroad as to sell at home.

Unfortunately, Sir Stafford Cripps did not discuss this alternative policy—unless an off-hand dismissal of “the old-fashioned method of . . . producing a poverty-stricken and partially unemployed working population” is to be regarded as discussion. It is a sad state of affairs when responsible Ministers deliberately close their minds to a reasonable line of argument and will mention it only in the form of caricature. No responsible person wants mass unemployment, but only the restoration of a little elasticity to the labour market. Nobody wants a poverty-stricken population, but only that the community should achieve an equation between its energies and its appetites. Do Ministers never wonder why their plans do not succeed? Do they really believe that it is always somebody else's fault? Or will they eventually open their minds to the possibility that their economic system is limping for lack of motive power?

that the British Ambassador had made no “request” and that the American Ambassador, in fact, only said that patriotic Iranians, when considering matters affecting their national interest may rest assured that the American people will support fully their freedom to make their own choice, the old Persian oil question was well in the limelight, provoking the familiar explanations and conjectures.

The Russians have, indeed, reason to be impatient with the Persians. The agreement of April 4, 1946, was to the effect that the Persian and Soviet Governments should form a joint company to develop and exploit oil resources in the north for a period of fifty years. After it was announced, remarkably little happened until the Russians presented a draft treaty a month ago. The pacification of Azerbaijan, the holding of elections and a number of less convincing reasons were offered by the Persian Prime Minister to explain the delay in submitting the proposal to Parliament. It was doubtful from the first whether the Persian deputies would accept the agreement, concluded, as it was, under duress with Russian troops still in their country. And Qavam probably calculated that a refusal could be made more safely if time were gained to enable American policy to develop its full resistance to Russian pressure. The latest Russian reminder and the manner of its presentation make it difficult for him to delay the test much longer; and the peroration of the American Ambassador already quoted will hardly increase the chances that the concession will be approved by the Persian Parliament.

Any prophecy about Russian diplomatic tactics is foolhardy; but it is reasonable to suppose that their primary aim in the

present campaign of pressure against Persia is not to get a share of Middle Eastern oil but to find where, in the eyes of Washington, the international frontier runs south of the Caucasus. Everyone knows that the Truman doctrine covers Turkey. The question is whether it also covers Persia—and it is by no means academic for the Russians. The Caucasus and northern Persia form the soft under-belly of the Soviet Union; they are vulnerable parts on any reckoning of strategic possibilities. There is no reason to explain Moscow's concern about them by bringing in arguments about oil. The need for oil has far less influence on Russian interest in Persia than it has on British and American interest in the whole Middle East. The Persians understand this quite well and would certainly not object to drawing further revenues from Russians working oil in the north, if they felt certain that they would not bring with them the type of official and business man who was known in Hitler's day as a “tourist.”

The Russians are not, of course, wholly devoid of interest in Middle Eastern oil, particularly in the next few years. Production in the Soviet Union in 1946 was estimated at only 22.8 million tons of crude, or about a quarter of the average production between 1938 and 1940. This deficit is almost certainly due to the temporary factors of shortage of equipment and difficulties of rehabilitation after the war. Russian oil reserves at 22.5 billion barrels (17 billion of them in the Caucasus) are actually greater than those of the United States at 20 billion barrels, and the Russians do not need to export oil. There seems to be no reason to suppose that, in the long run, it is a vital interest of the Soviet Union to have exclusive access to large quantities of oil in Persia or elsewhere in the Middle East.

★

Once the idea is put aside that Russia urgently needs additional oil which can only be secured from northern Persia, it is possible to concentrate on the other alternative explanation of the resumed diplomatic offensive. This lays all the stress on the vital interest in Middle Eastern oil of the western nations—especially the United States. It is possible that in years to come the Middle East will prove to be the soft under-belly of the “Anglo-Saxons”; its security is already one of the prime strategic interests of the British Commonwealth. So fast are events moving in this direction that the British pre-war policy of conserving oil in that area has given way to an American policy of maximum production. World demand for oil products has risen steeply: for 1947 it is estimated at 3,079 barrels or 242 million more than in 1946. Most of this increase is due to demand from the United States, which not only itself produces and consumes 60 per cent of the world's present output, but is rapidly becoming a net importer of oil products. Moreover, it is now believed that henceforth proved reserves of oil in the United States will decline and that within a period of thirty to fifty years the easily producible oil will be nearly exhausted.

Although the biggest exporter of oil is still the Caribbean area, where Venezuela alone produced over 55 million metric tons of crude oil in 1946, the Middle East comes next with an output of 33.4 million tons or nearly nine per cent of the world total. Nearly all of this was available for export; so that, although these figures are dwarfed by the 234 million tons produced—but largely consumed—in the United States, they are of greater significance for the world at large.

When it comes to reserves, the Middle East leaps to the front. The latest figure for proved reserves was 16 billion barrels, but an American official mission estimated the actual reserves in 1943 at 27 billion against the 20 billion of the United States and the 22.5 billion of the Soviet Union. Even more striking is the fact that only 150 exploration wells were required to arrive at the Middle Eastern estimate, which is less than five per cent of the number of exploration wells drilled each year in the United States. Then again, Middle Eastern oil obtained more cheaply and easily than in most other countries: 1000 tons a day may be given by a well without pumping, and a well completed this year in Persia is giving 3000 tons a day. Add to these facts the estimates that the next five years will see some £500 million—two-thirds of it British—spent on capital installations, that the Middle Eastern area is now capable of refining a great part of its production on the spot, and the vital and precious stake of Britain—as well as of the United States—is only too evident.

Yet it is in this very area that least is known about how vital the Russians regard their interests to be or about how ready the United States is to bring it under the umbrella of the Truman Doctrine. For all practical purposes the dominant and effective Power in the area is still Britain, although the Middle East bit by bit is coming—or has already come—into the American sphere of influence. What is British and American policy to be if the Russians persist in pressing the Persians to fulfil an agreement which they will say was reached under duress? Will the Security Council be asked to exert its dwindling authority in a matter of which it has such painful memories? Or will the British role be the conciliatory time-saving one already played by the Ambassador in Teheran? If so, there will be official and unofficial American criticism of the kind there has been already, with questions about why Mr Bevin cannot be as firm as Mr Marshall in a matter affecting vital British interests. Indeed, the criticisms would be justified, for the time is still far off when the defence of British interests in the Middle East can be left, even partly, in American hands.

It is unfortunate in some ways that Mr Marshall is at the moment absorbed in a diplomatic experiment. The Washington correspondent of *The Times* has described it as an attempt to play the Russians out of the court by following each American drive up to the net and smashing the Russian return out of reach. Those are very exhilarating tactics and, no doubt, if Mr Bevin joined Mr Marshall at the net very few Russian balls

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would get past. But the Middle Eastern court calls for rather different tactics.

It was argued in *The Economist*, when Mr Truman made his momentous declaration of foreign policy, that it would be a British interest to support the Americans in its execution so long, and only so long, as it was understood that their ultimate object was a general diplomatic agreement with the Russians. Six months have passed since then, and Mr Marshall should soon be able to judge whether his smashing tactics are weakening Mr Molotov. The present session of the General Assembly of Uno should supply some evidence, the Foreign Ministers' conference in November even more. If Mr Marshall is satisfied by it that his strategy is beginning to succeed, then he could do nothing better than propose to the Russians a Soviet-Anglo-American exchange of views on the demarcation of their vital

The Coal Board

THE incident of the Grimethorpe strike cannot be said to be over until the fact-finding commission of three have found their facts and the men have finally accepted the results. There may be more difficulties yet to come. But this strike has had a much deeper significance than the loss of over half a million tons of coal—serious though this loss is. Abroad, and particularly in America, it has been given great symbolic importance, coming as it did at a time when attention was directed to Britain's willingness and ability to contribute coal to European reconstruction. And at home it has served to bring out three fundamental difficulties in the new organisation of the coal industry under a national board. These difficulties may be summarised in three antitheses: syndicalism *versus* socialism; bureaucracy *versus* local enterprise; men *versus* machines.

The first difficulty was briefly discussed in these pages two weeks ago; it arises from a misconception by the rank and file of the miners—or at least by a substantial number of them—of what nationalisation meant. To them nationalisation signified the handing over of the mines to the miners, not to a remote London-bound Board; it meant giving the management of the mines to the men—or at the very least to their direct representatives. Instead, control for all day-to-day purposes appears to the working miner to be virtually unchanged; some mine managers have gone, but most of them have stayed. Moreover, the manager is no longer responsible to a board of directors, who were sometimes flexible in their outlook, who were often locally known and who always knew the special conditions of each pit; he can now claim, and usually with truth, that his hands are tied by the instructions of the local office of the Coal Board in his area. To ease the transition and console the men, joint consultative machinery is being set up from end to end of the industry to replace and improve upon the old pit production committees. But however well this works, and however zealously the colliery manager consults, it will not give and ought not to give the men any responsibility for control. Only one man can be manager.

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The second difficulty is much harder to analyse succinctly, for it is compounded of so many elements. The basic case for the nationalisation of the coal industry still stands: without it the clash with labour would have been violent instead of veiled; the financial problem of the industry would have been insoluble; and little or no progress could have been made with the technical reorganisation of the industry. But the general justification for nationalisation does not automatically justify its particular manifestation as it is at present being evolved from Berkeley Square. There are too many reports of excessive interference in local management, of conflicting policies being

interests in the Middle East. It might fail to produce agreement but every party would gain useful information; the cards and stakes would be quite different from those held in the peace conference and in the Moscow meeting; and by merely making the proposal Mr Marshall would convey to Moscow, in a courteous and formal manner, that his government is indeed vitally interested in the Middle East, and recognises the Russian interest in the area south of the Caucasus. In no other part of the diplomatic field is such an approach now possible; every other part is littered with the debris of past conferences. It is quite obvious that the latest Russian moves in Persia are intended to test American sensitiveness, and no good will be done—least of all to British interests—if the American reaction is just vague and irritable or, like the American Ambassador's peroration, either meaningless or misleading.

pursued by different departments of the Board, of technicians wasting their time on unnecessary administration, of demands for sheaves of reports and estimates of expenditure for approval—in short too many complaints of the characteristic sins of a bureaucracy—for there to be much doubt that control is too tight and that initiative at the periphery is being smothered by over-organisation at the centre.

It would be grossly unfair to the Board to imply that it is being proved a failure. The legacy which the Board inherited was not an easy one; and nothing but a miracle could have produced a really satisfactory output of coal this winter. And in fact there were many indications in the public report that Lord Hyndley made last week that real progress is being made, that the organisation of the Board is taking shape, plans of reorganisation are being begun and that mechanisation is progressing reasonably well—at least in some areas. With nine full-time members of the Board, 900 staff at headquarters and over 25,000 in the rest of the country, some results ought to be visible by now. And indeed there are some encouraging signs. In some Divisions, notably in Scotland and in the present mischief-maker Yorkshire, planning and reorganisation are being energetically pressed ahead, and divisional officers are throwing their whole weight into increasing productive efficiency. But if the Board is not a failure, it is equally not a success, judged by the acid test of the output of the industry as a whole. The major responsibility for the continuing disappointments of the production returns must be laid on factors that are outside the scope of this article. But among those who are in a position to observe what is happening, there are also doubts about the organisation of the Board itself. The Board consists of nine members, each of whom (apart from the Chairman and Vice-Chairman) is responsible for a different department. The system might work well if the members of the Board had been chosen as a team. But they were chosen as almost the opposite of a team, as a political balancing of opposing considerations. That being so, is there too much tendency for the different departments to act independently of each other? Is the Board itself effective in producing a coherent policy from these divergent elements? Can policy at the centre, in any event, be satisfactorily divorced from local execution? And can the impersonal character of a public institution be given the characteristics of a human mind in the local pit?

Theories about public boards in general have only a limited application to the coal industry in particular, for in no other sphere of public control has an attempt been made to organise either so large or so highly differentiated a structure. The BBC, or the London Transport Board or the Port of London Authority all run public services in which equal treatment is meted out to all customers: the same public service element

will apply to the transport services as a whole under the new Transport Commission. But coal is won from hundreds of pits, each with its individual problems and its own distinct groups of workers. Clearly this is a case when rules must be at their most elastic, and the opportunity for local variations at its greatest. Only the broad lines of policy should be worked out at the centre, and they should be transmitted to the eight Divisions and fifty Areas in such a way that they can be interpreted freely in the light of local conditions without absolving individual colliery managers from personal responsibility. There are those who claim that the Board is showing signs of doing what it ought not to do—that is, of centralising control—while leaving undone what it ought to do—that is, to give those who bear the local responsibility a clear definition of the broad lines of policy on which their efforts ought to be directed.

Report has it that there have already been serious strains and stresses in the Board itself, although these have been somewhat eased by the departure of Lord Citrine. Differences of opinion about the pace at which reorganisation and the closing of pits are to be pursued or about the elaboration of methods of training are natural and inevitable, and there is little evidence as yet that these differences have seriously interfered with the work of the Divisions and Areas. But they will have to be settled soon if work is not to be held up. It is impossible not to feel uneasy at the very small scope of Lord Hyndley's report of the progress being made in the concentration of production at the more efficient pits and in the closing down of inefficient pits. This may have been due to the danger of creating trouble by making public statements in advance of local warnings to the men affected. Or it may have been due to the Board's inability to make up its mind. But this is the crucial issue, and the public should be told what is happening.

The relation between those sections of the Board dealing with labour and production is, indeed, the most ticklish organisational problem the Board has had to face. The conception that men with trade union experience should be put in charge of manpower, recruitment and labour relations has obvious attractions, but it has also obvious disadvantages. The Government's gentleness towards the unions over the last two years shows how hard it is to be firm and hard-hearted with one's own supporters. This difficulty is magnified in the case of the miners, for they are in a stronger position than any other group of workers in the country. And however fairly the labour officers of the Board may work, there is the danger of divided loyalties. As the Board gradually trains its staff in its own needs and methods, and the ingrained suspicions of the men are softened by the experience of fair dealing, this difficulty should be overcome. Meanwhile the need for the fullest understanding

between the Labour and Production officers from top to bottom of the Board is the surest key to success.

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The difficulties between the Labour and Production division's of the Board are not, however, merely questions of organisation. They arise from a much more fundamental conflict of men *versus* machines. The miners cannot be driven; they must be led. They cannot be ordered to evacuate South Wales and go to Yorkshire; they must be persuaded. Nor is it of any use to press forward with the introduction of machines like the now famous Meco-Moore's if agreement cannot be gained on how to work them, nor to introduce other new methods if the men are untrained to use them. The country demands greater output with an urgency which is getting more and more frantic. But it is patently clear that exhortation alone will not move the miner, and that, as at Grimethorpe, he will rebel if driven harder than he is prepared to go. It is easy to rail at him. But the miner can only be touched personally in his own village, and in his own pit. The National Union of Mineworkers, in its efforts to get an increased production of coal, is itself in danger of becoming, to the ordinary miner, as remote and unsympathetic a body as the Coal Board.

Every action of the Board which encourages its managers to reach agreements at the pits, and gives them full support when they do so, is to be welcomed. It is for the Board to make the main lines of its policy clear; to resolve its own conflicts and to issue the bare minimum of general instructions on reorganisation, equipment, supplies, training, recruitment and the like, and then to leave the rest to the man on the spot. The suggestion for solving the deadlock over the extension of the five-day week by local agreement, which was put forward by the union last week, is a good example of a sensible method of finding a solution. Everyone knows the extension was needed. Local conditions vary—why not let it be settled locally?

It is, nevertheless, all too easy to be critical of the Board. Because the urgency of its task is so great mistakes are liable to be magnified in the public eye. Eight months to set up a huge and entirely new organisation controlling 700,000 workers and, until January 1st, broken into 800 units is a colossal task. And new reorganisation schemes take months or even years to work out. The Board inherited certain schemes which it is continuing, but the effects of the Board's own schemes cannot be seen yet, and the more ambitious projects will not bear fruit until 1948 or 1949. This is irritating to the impatient, but the facts are obdurate. In the short run output can only be increased by the individual miner working harder. That is a job of persuasion. And if the Coal Board has not found the perfect solution, it can at least be urged in its defence that no one else has either.

Argentina's Two Faces

(By a Correspondent recently in Buenos Aires)

TO the outer world, Argentina still shows a bold, indeed a brazen, face. In his diplomatic struggle with the United States, President Perón has won nearly all the tricks. In his economic relations with Britain, Señor Miranda can still use forcing tactics and gain so much by them that he can afford a few charitable gestures, from which a tinge of patronage is not wholly absent. The court paid to Señora Perón in Europe was eloquent evidence of the strong position in which Argentina stands. But a strength that depends entirely upon the present peculiar posture of the world's markets is not very durable. Behind the bold front the processes of change are already at work.

At this time last year it was commonly claimed in Buenos Aires that the main reason for the current inflation in Argentina

lay in the export surplus, which during the war produced a balance in Argentina's favour of 4,000 million pesos (\$1,000 million). Once imports begin to come again, it was argued, customs duties will balance the budget, and the goods will mop up purchasing power. This line of thought hardly took sufficient account of the size of the budget deficit, which was 3,651 million pesos in the three years ended 1946, and is estimated at 3,000 million pesos for the two years to 1948. But through the rose-coloured spectacles of a country selling what the world could not do without, namely food, and accumulating what all the world wanted to accumulate, namely gold or dollars, it seemed to be an easy explanation and a pleasant forecast. It has proved completely wrong. Argentina is rapidly heading for, or rather is being steered towards, a position where it will become a bad risk.

In the light of the strength of the Argentine position a year ago this may seem difficult to believe. But the facts do not admit of any other interpretation. In mid-June, 1946, Argentina held over 6,000 million pesos of gold and foreign exchange, or the equivalent of \$1,500 million. By mid-June, 1947, in spite of a large and continuing export surplus, it had only 4,474 million pesos or the equivalent of around \$1,000 million. And of that, £150 million, or \$600 million, is pledged to the purchase of the railways. Thus, effectively, the Argentine gold and foreign exchange reserves have fallen from the equivalent of \$1,500 million to less than \$500 million in a year, and the process is likely to continue. Such figures may, of course, be misleading, because they do not take into account the forward commitments in either direction; but the fact remains that the position has become sufficiently serious to warrant the imposition of much stricter exchange control and the wholesale prohibition of imports, even of such conventional necessities as cars and cloth.

This impression that the position has changed radically is strengthened by the trade statistics themselves. For recent periods these show (in million pesos):

	Year 1946	Last Six Months 1946	First Three Months 1947
Exports.....	4,604.8	2,747.7	1,291.3
Imports.....	2,330.3	1,176.3	887.5
Export surplus	2,374.5	1,671.4	403.8

Thus, during the nine months to the end of March, Argentina had a surplus on trade account of 2,075 million pesos (say \$500 million). Yet its gold and foreign exchange holdings fell by 1,500 million pesos in only a slightly longer period, excluding the amount pledged to the purchase of the Argentine railways.

Furthermore the position has deteriorated since March, and for the first time in years Argentina had an important surplus in May:

	(millions of pesos; gold movements excluded)		
	Imports	Exports	
May, 1946	196.5	313.7	+121.2
May, 1947	414.4	388.7	- 25.1

This change indicates how Argentina has been buying abroad, particularly in the United States. In view of the heavy orders already placed, and now coming forward, it seems doubtful whether the country can again achieve a substantial export surplus for some time to come, if ever. It is true that import restrictions have been imposed and foreign exchange control tightened. But the latter will not affect trade. And the former cannot have an immediate effect as they do not immediately cancel outstanding permits. In any case Argentina is likely to continue in deficit with the United States, now running at a rate of \$400 million a year.

A partial explanation of the discrepancy between the trade surplus and falling exchange reserves, is that some goods are being exported on credit, since Argentina has granted 2,400 million pesos, or say \$580 million, of such credits, largely for political motives. But goods have not yet moved under them in anything like these amounts. There is, therefore, only one possible explanation of the discrepancy, namely that there has been a very heavy flight of capital from Argentina during the past year.

Up to July the Argentine foreign exchange control was organised to impede the entry of foreign capital on the grounds that it might be "hot money." On the other hand, there was no restriction on the purchase of foreign exchange, which had only to be formally notified to the Central Bank. Thus, for example, a *bona fide* traveller to Argentina had to make special application before he could receive any remittances over \$2,500 in three months. But the Argentine citizen who wished to purchase \$100,000, or even more, of foreign exchange, was able to do so without waiting for a permit. At one time, income tax returns were printed to include a declaration of

foreign assets, but an amendment slip was rapidly attached making this optional. Cruel tongues in Buenos Aires wagged to the effect that there were many in high places who could not make such a declaration without disclosing sources of income which were, to say the least, "extraordinary."

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The second reason for tightening up the foreign exchange control and the import-licensing regulations lies in the enormous future orders for goods which are outstanding, and the large quantities of not always suitable goods already bought by the state-controlled *Instituto Argentino de Promoción del Intercambio*. Whilst it has sometimes been said that "paralysis" and not "promotion" should stand for the "P" in IAPI, this is not shown by the trade statistics. It is true that IAPI has cut out a large number of foreign traders, so long as it could make up to 50 per cent profit on the export of certain commodities. It is also true that a fair part of the imports that it has bought are not what the Argentine consumer wanted. But the value of trade is nevertheless higher than it was last year.

The value of exports in the first quarter rose from 754 million pesos in 1946 to 1,291 million in 1947. But the proportionate rise in the value of imports was even more, from 416 million in the first quarter of 1946 to 888 million in 1947. It must, however, be said that the rise in the value of exports was entirely due to higher values, the relative figures of volume being 1.6 million tons in the first quarter of 1946 and 1.7 million in the first quarter of 1947. Thus for 5 per cent less tonnage Argentina received 70 per cent more money and still contrived to draw on its reserves.

This however, is not the end of the story. Every trader in Argentina has covered himself as far as possible forward against reductions in import licences by making exchange applications to the Central Bank. Until recently, if these exchange permits were not taken up the trader paid a fine of 1 per cent. He did not, therefore, mind if he took up only half the foreign exchange allotted to him under his permits, since he could easily recover the small fine on the balance. When the first batch of import restrictions were introduced, every importer in lines not yet affected at once applied for exchange permits to cover future imports in his line—and received these permits. Later, however, the Central Bank issued a circular according to which holders of forward exchange permits must either use them before the expiry date or pay a fine of 20 per cent. The amount of the obligations outstanding against the Central Bank in respect of these permits is, of course, not known to the public, but it must have been a strong factor in inducing the Government to suspend the issue of further permits. The suspension cannot, of course, be permanent. Argentina must trade in order to be able to sell its agricultural surpluses. With all the world short of gold and dollars, and dependent on American aid for the present, Argentina cannot expect to be able to rehabilitate its foreign exchange position. As before, it will have to take the goods which it needs. Thus the ill effects of the suspension on British exports to Argentina may be exaggerated, since by the time current orders are completed, other conditions may prevail. But a warning should be sounded that, if delivery of existing orders is delayed, existing permits may not continue to remain valid. This would be a serious matter in certain cases.

There is another factor that tells against a long-continued restriction of imports. About one-third of the receipts in the Argentine budget come from two items. These are import duties and the profit on exchange made between the various rates charged by the Central Bank. If the suspension of the issue of import permits were continued for a very considerable period, so that it actually did diminish imports, the results on the finances of the country would be serious. Although budget-balancing is not one of the better-known Argentine pastimes,

the inflation is already causing political difficulty, which is a further reason for assuming that Argentina will not try to commit *hara kiri* by autarky.

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Another of the reasons lying behind the decision to stop granting import permits lay in the large quantities of goods ordered, chiefly from American surplus stores, by the IAPI. At the end of July the port of Buenos Aires and its surroundings looked like a dump of second-hand lorries and cars. Many of these were of wartime design, construction and usage, and not popular with civilian users. IAPI was therefore finding them very hard to move into consumption. This did not apply to motor vehicles only, since IAPI had taken a plunge on most things from Bolivian tin, which it could not smelt, to prime movers of various sorts, which it could not sell. In fact, it had gone into the import market in a big way without having the experience that had enabled some firms to make fortunes in the same trade. The new decrees will help IAPI to unload without loss—or without too much loss.

So by a flight of capital, which must have been in the region of \$1,000 million, by speculative ordering of goods, and by unwise buying by the government trading body, Argentina has been brought face to face with a possible shortage of exchange

NOTES OF THE WEEK

Marshall With the Gloves Off

The tough line is being taken by the Americans at Lake Success, and Mr Marshall is himself leading them in the General Assembly of Uno to see that the punches are well and truly planted. Knowing that the General Assembly feels aggrieved at the way the Powers have ignored its suggestion, made in December, that they should "make every effort to ensure that their right of veto does not impede the Council in reaching decisions promptly," Mr Marshall is trying to direct its indignation against the Security Council and the Russians.

Three lines of attack are laid down: firstly Mr Marshall has announced that the Assembly will be asked to vote on a resolution about Greece similar to that already vetoed by the Russians in the Security Council, and will be asked as well to take up the question of Korea, in which there has been stalemate after stalemate between Americans and Russians. Then he is challenging the right of the Russians and the Poles to resist majority proposals for an international agency to control atomic energy. Lastly, and most important, he wants the Assembly—in this very session—to form a committee of all its members which would sit continuously for a year and provide additional machinery for dealing with dangerous situations and disputes. These are all smashes aimed into the Russian court. There can be little doubt that if the last suggestion is persisted in, with a majority of the Assembly following the American lead, the Russians might find it necessary to choose between a serious weakening of their position in the Security Council and withdrawal from Uno.

As at the time that the Truman doctrine was announced, the State Department has launched this surprise attack without consulting London; so Mr McNeil has had to refer back for instructions. It is hard to see how he can oppose such an ingenious method of strengthening Uno authority now that the basic idea of the Security Council—unanimity of the Great Powers—has proved unworkable.

Clearly, with vigorous American leadership, the Assembly could make this an opportunity to split the United Nations from top to bottom. Whether there would be British support for such an attempt to force the Russians and their seconds out of the ring is more than doubtful. It is a pity that Mr Bevin will not be there to decide on the spot. He may be keeping himself fresh for the November conference on Germany, but things might happen at Lake Success which would make that meeting impossible.

Whatever is done or attempted to stop the farce of the veto the Assembly may well be treated to a special example of it. Before that body can make recommendations about action to maintain the integrity of the Greek frontier, it has to receive a request from the Security Council that it should do so. As it is almost certain that the Assembly, if asked, would recommend the super-

for real needs. Although this government trading body has ridden on the high tide of a sellers' market so far as concerns the prices at which it has sold, it has actually exported less produce. One is therefore entitled to ask, in the light of its import trading, whether it could not in fact have helped Argentina and the rest of the world by exporting more. It is easy to criticise the Argentine Government for having reversed the role of Shylock and got a pound of gold for each pound of meat. But that would not be a wholly fair criticism, and it is human nature to sell at the best price obtainable. Where the criticism becomes more serious in its implication is when it suggests that the Argentine government trading organisation was not taking steps to increase exports, or was deliberately hindering them, thereby holding back supplies from a hungry world and forcing prices higher; and that then the same Argentine authorities were allowing the hard paid money to be frittered away in an unrestricted export of capital for the benefit of the few, and in the purchase of unnecessary goods which would not benefit the many.

Some possible reasons for this may lie in internal policies or politics. There are certainly many curious aspects of Argentine economic life today which are hard to explain and which will be examined in a succeeding article.

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Finale in Paris

Mr Clayton's "do or die" methods have worked in Paris with the sixteen governments of the Marshall plan conference. Ceremony will set the seal on seven weeks' hard work next Monday, and there is no reason to suppose that there will be hitches or second thoughts over this week-end. Last week-end was all second thoughts when the American representatives, conferring formally for the first time with Sir Oliver Franks and his colleagues, had shown impatience and disappointment with their draft report. Mr Clayton wanted more evidence of readiness among the sixteen to work together, to make mutual sacrifices and, above all, to give assurances of thrifty housekeeping by their respective governments. So the winding up of the conference was postponed for another week, while M. Alphand led the way back into Mr Clayton's good books by translating some of his suggestions into French.

The final draft that emerged is not profoundly different from that which the Americans rejected—quite rightly if they honestly believed that Congress would riddle it with criticism. The cost of carrying out its recommendations and meeting the needs of the sixteen remains 21 billion dollars. The schemes for economic co-operation in production, commerce and finance remain as they were, but sounding rather more forcible and looking more impressive in a new dress of italics and capitals. Individual governments are formally to pledge themselves to observe the pledges the report contains. So far there is little to account for the temporary row of the sixteen, led by the French and Italians with the British calling halt, which followed Mr Clayton's first salvo of criticism.

But the last of the six points which distinguished the revised draft presented by the French is significant. It proposes that the co-operation committee representing sixteen governments should remain intact throughout the five years of the scheduled Marshall plan, to supervise its execution. At first sight that would appear to represent a surrender of sovereignty by governments which have shown themselves suspicious of any such thing. But the committee will have no powers, will not allocate dollars or commodities, or act in any way as a distributing or controlling agency. It will be able to bring to bear nothing but "moral,

pressure" on individual governments which do not fulfil their parts in the joint recovery programme. Emphasis is laid on their desire that unity should remain on a "strictly economic plane," a phrase of which the principal purpose has been to calm the doubts and fears of the Scandinavians and the Swiss.

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Sent on Approval

The trouble taken to define so generally the future relationship of the sixteen was necessary not merely to keep open the door to eastern Europe; and to anticipate the Russian charge of dancing to the American tune. It was also needed to meet such difficulties as the Swedish objection to French ideas of carrying out the Monnet steel programme at the expense of the Germans who might buy Swedish ore; or the Benelux fear of French predominance in western Europe; or the British reluctance to agree to joint allocation of steel production at the expense of the present plans. The common economic interests of this rump of Europe were found less compelling than the State Department believes them to be.

Mr Clayton's acceptance of the plan—not yet published in full—does not mean that it has been sold to Washington, still less to Congress. It will be delivered on approval. For the next few weeks less attention will be given to it than to the provision of "interim aid" for Europe and to deciding whether that shall be part of the total Marshall plan or something extra and apart.

At the same time the French and the Italians—determined to get American aid before the winter—will be pressing ahead with discussion of a customs union between themselves, as well as taking part in a study group which will examine the possibility of wider European union. All those governments which were invited to reply to the Marshall offer but refused have been invited to join in the work. There is no reason to suppose they will accept.

It is clear that the Italians will gain little but American applause if they secure customs union with the French, because their immediate economic interests pull them eastward towards the Danube area. In the case of Switzerland and Sweden there is the same tug-of-war between trade links and ties of political interest. As time passes and Mr Marshall's general foreign policy develops the sixteen governments will probably admit to their peoples, what they do not care to confess now, that the value of the Marshall Plan will lie as much in the political security it offers as in the economic benefits it may confer.

* * *

Peacetime Control of Labour

The long-awaited text of the Control of Engagements Order, which is to come into force on October 6th, follows expected lines. It will apply to men between 18 and 50 and women between 18 and 40. Exceptions will be made for married women with children under 15 living with them, for certain categories of administrative, professional and managerial workers, and for Service men and women on demobilisation leave. The worker's freedom will be restricted, in that if he becomes unemployed he will have to find a job through an employment exchange; the employer will be limited in the same way and he will no longer be allowed to offer vacancies through advertisements. In theory, at any rate, the order should give the Ministry of Labour an instrument to direct the flow of unemployed labour into the most productive channels. But how much labour will be available through unemployment? Is the Government going to create unemployment by combing through unessential industries or restricting their activities by one means or another? This is still not certain, but if there is no such intention the order will clearly only apply to a small minority.

The limitation in practice of the order in effecting the redistribution of manpower are acknowledged officially by the decision to back it up, where necessary, by the exercise of the powers of direction, which the Minister of Labour already has. Exactly what these powers will amount to, or against whom, or under what circumstances they will be used, remains to be seen. There is, apparently, no intention to direct people to work away from their homes, although this may be done in the case of young unemployed men and women without responsibilities. It seems inevitable that direction will be used in only the most restricted sense, and it is obvious that without the wartime paraphernalia of registration and sanctions, it cannot be fully effective. Mr Isaacs continues to breathe fiery threats against the "spivs and drones"

—those who are engaged in "obviously unessential or anti-social activities"—and it is against them that the powers of direction are primarily aimed. But whether a Government which has run away from so many manpower problems and acted so timidly in dealing with the more tractable members of the community can suddenly act with vigour and boldness in tracing and controlling the elusive few is more than open to doubt. In any case, what real use are such people in productive employment, in coal mines and textile factories?

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Battle of Edge Hill

It is not difficult to decide which of the three parties must be most disappointed at the result of the Edge Hill by-election. The Liberal candidate, generally assessed as a fairly strong candidate, polled only 910 votes and forfeited his deposit. The electorate preferred to see the fight as a straight one between Labour and Conservative and voted accordingly.

Both of the two major parties have cause for rejoicing and both have cause for disappointment. The Government can be pleased that, two years after the General Election, its record of not having lost a by-election is still unbroken. Hitherto, it had only had to contest safe or established Labour constituencies. Edge Hill, however, had in the past returned a Conservative candidate, though it is true that in 1935 his majority was only 301. The Conservative candidate was a local man and, by all accounts, a very able candidate. The Labour candidate, on the other hand, was brought in from outside. Further, Edge Hill is a Liverpool constituency, and Liverpool has suffered more than most in the post-war world. Unemployment is relatively high, and, in spite of the lack of better prospects, the Government has refused to schedule Liverpool as a development area.

The Economist Moves

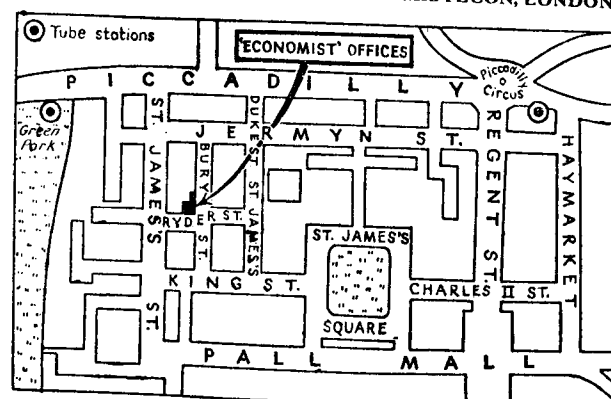
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Here, surely, if anywhere, the Conservatives should have been able to turn grievances and discontent to their own advantage. That they failed must be as much of a disappointment to them as the apparent loyalty of the Labour rank and file will please Transport House.

Yet the Labour leaders would be advised to study all by-election figures carefully. It is not only that the Labour majority at Edge Hill was reduced from 6,039 to 1,953 in a poll of virtually the same size. More important is the fact that almost imperceptibly the trend of voting in by-elections in the last twelve months is moving away from Labour. Up to the middle of 1946, it was still possible to say that Labour was consolidating and even improving its position; it was, that is, obtaining a larger proportion of the total vote at by-elections than it received in the same constituencies at the General Election. Since then, however, Labour's proportion of the total vote has been falling. At Edge Hill, it fell from 64.9 per cent at the General Election to 52 per cent, and the Conservative proportion rose from 35.1 per cent to 42.6. At the three by-elections fought so far this year, the percentage of the total vote given to Labour has fallen from 72.7 to 63.5, whereas the percentage given to the Conservatives has risen from 27.3 to 32.9. These changes may seem small, but it is not often remembered how small a swing in the total vote would put Labour out of office at the next General Election.

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Food Talks Break Down

As has so often happened, the food talks with Denmark have broken down. It is still too early to say whether it is only the end of round one or whether the fight is over. Both contestants have shown their strength, and each has refused to be frightened by the other. In the past, after some preliminary sparring, Britain has generally given in and accepted its opponent's terms. It is only natural that Denmark should count on the same thing happening again, especially as Britain is in a weaker position than it was last year. Officially, agreement could not be reached because the Danish export boards asked for an increase in the price of butter from 242s. a cwt. to 341s. 6d. and for bacon from 161s. to 235s. a cwt. These increases are large; but according to the Danes they are necessary to cover farm costs, particularly as export subsidies are to be abolished. Moreover, the new prices would compare favourably with the high prices paid by other European countries. In any case, the quantities available for export would be much smaller than in 1946-47 owing to the bad harvest and the shortage of feed, and of the smaller exportable surplus larger quantities have to go to other countries which can supply Denmark with essential imports.

In trade negotiations Britain is always in the unenviable position of having to demand from its suppliers specific quantities of foodstuffs within certain periods without being able to reciprocate by guaranteeing delivery of coal or capital equipment. Had Britain these exports to help its bargaining position, it is unlikely that the price of Danish butter would be much above that of New Zealand. Nevertheless it is a poor advertisement for the highly prized long-term contracts, when they are so loosely drawn up that they become invalidated as soon as there is disagreement at the annual price reviews.

As regards butter, the answer to the Danes is readily available to the Ministry of Food, but whether it is acceptable to the Cabinet is another matter. If the 6 oz. weekly ration of butter and margarine were covered solely by margarine, butter could be sold unsubsidised and unrationed. In the first few months its price would no doubt be nearer 5s. a lb. than its present level, but within a year the competitive power of New Zealand and Australia would soon bring Danish prices down to a more reasonable figure. The same policy, however, could only be adopted for bacon were there another foodstuff to cover the basic ration requirements.

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Act Four in Palestine

The decisive factor now for the future of Palestine is the unreadiness of American public opinion to accept the commitments in the Middle East to which its economic and strategic interests so clearly point. To say this is not to attribute blame in a peevish manner; it is to make clear the delays which must attend any attempt by Britain to reduce its own commitments in an area where the frontier between rival power interests is not yet clearly drawn. How long these delays will be in the case of Palestine—as in the case of Greece—may be revealed by what the Americans have to say in the debates which will take place

in the General Assembly of Uno, which has begun work this week.

With the special committee's report and recommendations on the table, some initiative will be required from Britain. Sir Alexander Cadogan must say something, and that something can hardly be a blank No. He is virtually committed in advance to accepting any recommendations for giving independence to Palestine and for terminating the Mandate. If the British delegation then welcomes these particular features of the committee's conclusions, it can do one of three things. It can go on to accept the majority partition scheme, totally rejected by the Arabs, together with the suggestion that Britain should have assistance in carrying it out. Or it can qualify in some way acceptance of the majority scheme by suggesting modifications—which would certainly be resisted by the Jews. Or, lastly, it can decline to have anything to do with carrying out—which means enforcing—the majority scheme of partition, and declare its preference for withdrawing British troops at the earliest possible date.

Of these three choices the first is certainly the worst; whatever the assistance offered by Uno the main burden and all the odium for a difficult military operation would fall on the British. The second puts Britain in the wrong tactical position; if its execution went wrong the blame would be attributed to the British modifications. The third is consequential and in every way to be preferred. In asking the Assembly to designate the authority to which Palestine is to be handed over, the British delegation could add to the effect of its declaration by declaring the readiness of the British Government to produce, if called upon, a practical plan of transfer, as in India, where no communal issues were prejudged by Britain and where the people themselves were left to make the choice for partition and for or against war.

Official America is bound to approach the Palestine issue with a divided mind. Oil interests pull one way and the largest Jewish population in the world pulls the other. If to appease the Jews of America it is necessary to impose a policy which will provoke the Arabs to armed resistance, it would suit the Americans that the British should do the imposing. But it would be the height of folly for Britain to accept a division of duties which might bring it into conflict with the Arabs while America remained at peace with the Zionists. American support—for that is what United Nations assistance would mean—in enforcing the majority partition scheme would make Mr Bevin appear to the Arabs as Mussolini appeared to the Greeks. Impatient as he is to redeem his public pledge to solve the Palestine problem, the Foreign Secretary can hardly aspire to that role.

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Trieste Without a Master

Last Tuesday the Free Territory of Trieste was put on the map, in more senses than one. The most obvious symptoms of the trouble it will cause are that the Security Council have still not agreed about who should be the governor, and that on the very night that the new Yugoslav-Italian border came into being Marshal Tito's troops tried, in the phrase of the American general on the spot, "to pitch a fast curve." What was intended to be a daylight operation, in which Italian and Yugoslav troops should line up opposite one another on the Morgan Line, suddenly became a night operation in which four separate armies might easily have collided. After agreeing that the move should take place on Tuesday morning, the Yugoslavs informed the Americans at 7.30 on Monday evening that they would take up their positions immediately, in view of the fact that the ratification of the Italian peace treaty became effective at midnight. Only very fast and skilful staff work on the Allied side prevented skirmishing in the darkness which might have had unpleasant consequences. It is to be hoped that the Yugoslavs will realise that American and British patience with such behaviour is wearing very thin.

In the absence of a governor the Free Territory will be administered by Allied military government with the help of 15,000 troops, to which Britain, the United States and Yugoslavia each contribute a third. They will be needed, for it is unfortunately only too clear that the atmosphere of the town and the territory is and will remain explosive, and that more than one European or even world-wide tremor can be started in Trieste. In the serious rioting and street fighting which went on for three days last week, Italians and Yugoslavs seem to be equally to blame.

No one really knows whether the population of Trieste itself is now 250,000 or 400,000, so that the unemployment figure of

27,545 for the town does not reflect its grave economic difficulties. Exports through the port in 1946 were 45,000 tons against 654,000 tons in 1938; whereas imports have risen from 930,000 tons in 1938 to nearly 1½ million tons thanks to supplies for Allied Military Government and Unrra freight. Commercial cargo has been negligible. Something could be done to improve the prospects of the port if the British and Americans used it instead of north German ports for sending supplies to Austria and Czechoslovakia, and if the present Lloyd's practice of charging a special premium on voyages to Trieste were reconsidered. Naval experts now handing over the port point out that only one ship entering or leaving Trieste has suffered damage since March, 1946.

Recovery of the important industries in the territory is being delayed by the political passions of the population. Orders and capital are not forthcoming, and as a result the military administration of the Territory has been costing something like \$20 million a year. The economic prospect is no more cheerful than the political.

* * *

The Civil Service Machine

The Fifth Report of the Select Committee on Estimates, issued under the cumbersome title "Organisation and Methods and Its Effect on the Staffing of Government Departments," deals with a question whose importance has grown, since pre-war days, out of all recognition; that of efficiency in the Civil Service. The Organisation and Methods Division—O and M as it is generally known—is a very young body, evolved during the early years of the war from a nucleus of office-machinery experts; it is, as befits its central position, incorporated in the Treasury machine, but is supplemented by O and M sections in the larger Departments, and aided by a part-time panel of business men from the highest ranks of industry. Its work, as described in the evidence before the Committee, ranges from advising on the installation of Lamson tubes to save the legs of messengers to overhauling the registry system of Uno at Lake Success. On the whole, however, O and M functions low down rather than high up, and on detailed rather than structural jobs. It may cut down the flow of intra-departmental minutes, straighten the meandering course of a document's progress or simplify the form of records; but neither constitutionally nor by convention does it deal with the actual allocation of work between Departments or, what comes to virtually the same thing, the departmental affiliations of individuals handling particular jobs. The reorganisation which transferred the issue of new passports from the Passport Office to the labour exchanges, thereby releasing some 400 persons from the former besides giving a vastly better service to the public was quite exceptional. O and M, in short, looks after the machine's lubricating system; it does not redesign the machine itself.

This, however, is surely just the field in which it could do most good. The Civil Service in wartime proliferated almost impromptu; even if not a man or a woman had then been redundant or misplaced, the process of adapting the whole patchwork to peacetime uses could hardly be properly carried out piecemeal by the Departments themselves. Then there is the question, more urgent than ever, of providing smoothly and organically functioning links between the Civil Service proper and the new National Boards, public corporations, local authorities and other bodies. The Select Committee follows the Macdonnell Commission, the Haldane Committee, and the Tomlin Commission—whose recommendations suffered equal neglect—in counselling boldness. To release Civil Servants for other work is only part of the advantage to be gained. The essential is that the Departments, whatever their ultimate size, should do their job properly. Probably no reorganisation would enable them speedily to digest and translate into efficient administration the Government's gargantuan doses of new legislation; but they should be given the best possible chance to do so.

A Reply to the NUJ

The Royal Commission on the Press has now published the evidence submitted to it by the Institute of Journalists (HMSO, 9d.). Like the National Union of Journalists, the Institute is a trade union, but unlike the NUJ it is mainly concerned with the professional standards of journalists, and that it does not like the NUJ is made very clear from its evidence to the Royal Commission.

On the whole, this evidence is in direct conflict with the evi-

dence submitted by the NUJ (discussed in *The Economist* of July 26th, page 139). The Institute does not find that there is undue interference with the presentation of news by the proprietors of newspapers. The real villain, in any menace to editorial and journalistic independence that exists, is not a Beaverbrook or a Rothermere but the NUJ itself and the Public Relations Officer of a Government Department. The closed shop campaign of the NUJ, which went so far in 1943 as to attempt to prevent a journalist from reporting the proceedings of the Trades Union Congress unless he held an NUJ card, is severely attacked—and rightly so, for, in the interests of good journalism, any editor should be free to appoint the best person available to his staff without reference to his trade union affiliations. There is also a great deal of force in the Institute's criticisms of the PROs. Too much is probably made of the monopoly inherent in the handing out of official news through the sole medium of the Public Relations and Press Officers' Departments; thanks to them Government Departments give out publicly far more information about their activities than they used to, and for this both press and public should be thankful. But the old criticism, repeated by the Institute of Journalists, that the PRO or Press Officer regards his main function as being to cover up his Ministry's mistakes and to put the best possible gloss upon its activities, is still justified.

All this, however, is a very long way from the terms of reference of the Royal Commission, which are to inquire into the control, management and ownership of the newspaper and periodical press and the news agencies, including the financial structure and the monopolistic tendencies in control, and to make recommendations thereon.

The Institute has assumed that the Royal Commission is examining the far wider question—What Is Wrong with the Press?—and if it were relevant its own main answer, better journalism, is the right one—although its proposals for achieving this are not so unquestionable. It will certainly be interesting to see what conclusions the Royal Commission itself comes to, what with its prejudiced terms of reference and the hotchpotch of partly irrelevant and mainly contradictory evidence that has been submitted to it by the two organisations of journalists.

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County and County Borough

A fierce controversy has flared up among local authorities in Lancashire over the reorganisation of local government. It was always clear that there would be a struggle between the eighteen county boroughs, almost every one of which can make out a good individual case for boundary extension, and the county council which naturally resists these claims. The first step was for the county boroughs to table claims to the Boundary Commission, which taken together would create a solid block of all-purpose authorities in Southern Lancashire and deprive the county of well over half its population, area and rateable value. But then the issue became more complicated. Manchester did not feel that these proposals would provide (any more than does the existing system) the unitary control of town-planning and other major services which is undeniably desirable for its surrounding region; and supported by a number of minor authorities it put forward a scheme for the creation of a "Manchester County Council." But if a single major authority (with lesser authorities under it) is necessary for the whole Manchester region, is not the same true of Merseyside too? And how about North Lancashire? The Lancashire County Council, neatly pocketing the idea, declared itself in favour of the division of the county into three "ridings," each of which would have a population of nearly two million and a rateable value of over £10 million. The necessary corollary of the scheme is, of course, the complete abolition of the county boroughs.

This is a very far cry from the county boroughs' original plans. Understandably incensed, all the Lancashire county boroughs (with the significant exceptions of Liverpool, Manchester and Salford) have this week registered a strong protest to the Boundary Commission to the effect that such sweeping proposals should only be considered on recommendation from a Royal Commission. They claim, with some justification, that the county borough has been to date the most popular and successful type of authority in Lancashire. Lancashire is highly municipalised, 64 per cent of the population live in county boroughs, and most other areas have county borough status as their goal; popular sentiment, it is claimed, is strongly municipal and lukewarm towards regional ideas.

The county boroughs' case, especially since it has roots in popular tradition, calls for a better answer than the advocates

of urban regionalism have yet put forward in public. The answer, however, is very likely there. The County v. County Borough controversy is very largely beside the point, which is that both types of authority are too thick on the ground and that larger better-balanced units of local government are urgently necessary. Whether these new units should take the form of more concentrated counties or of enlarged county boroughs must depend upon local circumstances, which it is the business of the Boundary Commission to investigate. (The difference between them is that a county has subordinate local bodies and a county borough does not.) The case in Lancashire, on grounds of efficiency, for the creation of some type of Greater Manchester and Greater Merseyside authorities is very strong; but in the country as a whole there is room and need for both counties and county boroughs—so long as each type of authority is sufficiently enlarged and reformed.

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The Dutch Move Right

While a consular mission representing the United Nations was moving last week into and around Java, to watch observance of the cease-fire order given by the Dutch and the Indonesians, both sides were still firing, even at the consuls. And the communiqués of the Netherlands Army were announcing daily the occupation of new towns. So the "police action" begun on July 22nd goes on, and it looks as if the Dutch will occupy the whole of Java, whether such an operation is authorised from The Hague or not. The occupation of east and west Java alone can obviously contribute little to the settlement of central Java where the Republican headquarters are; and unless Jogjakarta directly feels the impact of the "police action" it will settle nothing.

Unfortunately the solution of Indonesian difficulties, and the release to the world of the islands' precious food and raw material crops, are tied up with the political situation in Holland, where the tendency is towards the right. The military operation of the last seven weeks has strained to breaking point the government coalition of the Labour Party and the Catholic People's Party; it was only approved in the first place by Labour on condition that it should be limited to local operations and to the checking of nationalist violence. With the right-wing press and members of the Catholic party now pressing for a full military occupation, Labour Ministers might resign. If they did the present Cabinet could be succeeded only by a right-wing coalition or by a "national" Cabinet. The Dutch Catholics, who pride themselves on being a centre party with progressive sympathies, would not like the first solution; and a national government would have to include extreme right-wingers of the Labour Party and some "neutral"—which means conservative—strong men.

The prospects for a conciliatory Indonesian policy are in any case not bright. Uno's interference has stiffened the nationalists, who were already irresponsible enough, and the opportunity to send a new team to Batavia from The Hague has been missed. British mediation should again be available if asked for, but the Dutch will be much less impressed than they used to be by references to the results of "progressive" British policy in India and Burma.

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West Indies Federation

The conference in Jamaica on West Indies federation has worked quite fast. By the time Mr Creech Jones left it on Tuesday the first step towards federation had been taken. It was agreed to ask legislatures of the individual colonies taking part to appoint representatives to a committee which would plan federation and report by June, 1949. Of the three main resolutions passed, the first accepted the "principle of a federation in which each constituent unit retains complete control over all matters" not specifically assigned to the federal government.

All this was fairly plain sailing, but when the question came up whether advance towards federation would or should hold up the development of responsible government there was some strong talking. The Jamaican delegation in particular, led by Mr Bustamante, said it would and threatened to have nothing to do with the plan. After the representative of Trinidad had told Mr Bustamante that the rest of the West Indies would go ahead without Jamaica—which contains half their population—there was a scene of the kind that Mr Bustamante enjoys, followed by a pacification. In the end the conference's second resolution insisted that the political development of each colony "must be pursued as an aim in itself" and not subordinated in any way to progress towards federation.

This resolution will soothe the vanity of some of the legislatures, but it should not be allowed to frustrate the efforts of those who want to remove the curse of parochialism from West Indian politics. Some of the colonies are too small for complete independence, and it is better to say so quite frankly now.

* * *

Restrictive Practices

Within the last month, leading men in the three political parties have referred to the problem of restrictive practices and all agreed that something must be done. Mr Churchill, in his broadcast speech on August 16th, said:—

Instead of attacking capital we will attack monopoly. Instead of imposing restrictions and controls we will attack restrictive practices of all kinds.

Mr. Fothergill, more recently, made the abolition of restrictive practices one of the main points of Liberal policy. Mr Bevin, in one of the more obscure and inconsequent parts of his speech at Southport, said that the Labour Government had come completely into the open and said, "We cannot play down to your foibles and petty restrictions. We must ask the executive to remove them all in order that the battle of production may be won, once and for all." He also invited every trade unionist to get a copy of the White Paper on Employment Policy. If they do they will see that paragraph 54 of that paper calls on both workers and employers to abandon all sorts of restrictive devices and concludes:—

The Government will therefore seek power to inform themselves of the extent and effect of restrictive agreements, and of the activities of combines; and to take appropriate action to check practices which may bring advantages to sectional producing interests but work to the detriment of the country as a whole.

That statement was made two and a-half years ago, but nothing has been done. At Manchester on Tuesday Sir Stafford Cripps mentioned a scheme for improving production which, merely by a rearrangement of men and machines, had increased output by 67 per cent. But because five men became redundant the scheme was successfully resisted by the operatives. In his previous speech on Friday Sir Stafford was forthright, but gave no indication that the Government yet realised the limitations of appeals to goodwill:—

These restrictions were an essential protection in the days of unemployment, but now that we can only save ourselves and our country by greater production, restrictive practices of any kind are anti-social and a grave danger to the country. Anything which restricts our capacity to produce must be got rid of with all speed.

Mere exhortation, however, are insufficient, and restrictive practices, on the part of both employers and labour, will continue until some Government introduces a Bill to stop them. The conditions of the present moment, when there is an overriding need to increase output from the existing labour force, and when the fear of large-scale unemployment is absent, provide the best possible opportunity for suitable legislation. Will the Government have the courage to take this first step to remedy the inadequacies of the legal framework for the economic system? The statements from Mr Churchill and Mr Fothergill show that in introducing any legislation it should be able to count on the support of the Oppositions.

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Mr Strachey and the Virtues of Competition

Street traders and the grower-to-consumer movements have found a useful ally in the Minister of Food. In the debate on food supplies at the beginning of July, Mr Strachey contrasted the refreshing winds of free competition with the sheltering hand of the Ministry of Food, so comforting to many readers. Since then, the greengrocery, fruit and vegetable, and tomato trades, the fish trade (where abuses were frequent and the removal of controls was thus strongly resisted), and the soft drinks industry have all to some extent been de-controlled and opened up to new entrants. The confectionery trade, too, may soon return to competitive enterprise.

Mr Strachey has said that he is "all for healthy competition," and within a limited sphere he clearly is. It is to be hoped that this guidance will not be lost on the inter-departmental committee of the Ministry of Food and Ministry of Agriculture on the costs of distribution, which was set up over two months ago. The chief offenders are the wholesalers, who want restriction of entry by licensing and guaranteed profit margins (always, of course, in the interests of cheaper goods to the consumer). Dr Summer-

skill's remark, however, that "I think there are too many wholesalers" has fortunately not been followed up in the recent policy of the Ministry. Meanwhile, Mr Strachey should keep to his promise that an improvement in supplies may lead to a return to a free market. Perhaps this principle might even eventually be extended to bulk purchasing?

Salaries of Social Workers

The report of a joint committee under the chairmanship of Professor Simey on "Salaries and conditions of work of social workers" ought to be read more widely than its somewhat turgid style may allow. Quite simply, the committee is concerned with what type of people is best suited for social work, what their qualifications should be, and how much they should be paid. "Social workers" is a heterogeneous term, and covers probation officers, inspectors of the N.S.P.C.C., personnel managers, women housing managers, hospital almoners, settlement workers, and many others. With so many separate agencies in the field, one would expect some discrepancies in methods of recruitment and conditions of work, but on the most important point there is distressing uniformity—salaries are all equally low. In these days of full employment and high wages, it is a particular shock to find that few, very few, social workers ever earn more than £400 per annum. Pension schemes, moreover, are often unknown or inadequate. The report therefore recommends a higher scale of salaries, together with dependants' allowances, and a general superannuation scheme. It is suggested that a permanent joint committee should be established with the object of getting these reforms adopted as general standards. Where voluntary agencies cannot afford the higher salaries, it is recommended that they should restrict their field of work.

These provisions for better remuneration are all the more important in view of some of the other recommendations of the report about educational standards. Clearly, if it is hoped to employ more workers with a university training, salaries will have to be increased considerably, and the report also calls for financial help for students during their course of training.

In general, the report reflects the change from days when the voluntary spirit, rather than the public authority, was the driving force in social work. But now the voluntary agencies have been denuded of funds and workers, by high taxation and the lack of sufficient women with leisure to enable them to offer their services for a small income. In these new conditions, the status of social workers must be improved sufficiently to attract the

professional worker if there is to remain any sort of personal contact in the social service state.

* Published by the National Council of Social Service, 2s. 6d.

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Latter-Day Suffragettes

Last week the British Housewives' League held a meeting in the Central Hall, Westminster. The meeting was attended by some 500 branch officials and members. It was described as a general meeting, and, as a result, Mrs Lovelock, the President of the League, and Miss Dorothy Crisp, the Chairman, seem to be satisfied that they have the full support of those attending. This they attained in circumstances described in various ways by the press representatives attending, one of the more sober accounts being that in the *Manchester Guardian*, which contained the following:

The shrill ululations of a hundred and fifty female voices booing in unison has no male equivalent; it is a fearsome and unpleasant sound.

But the results of the meeting, and the conduct of those attending it, still leave the outside observer in a puzzled state of mind. The deeper purposes of the League were never very clear. Its executive cannot have believed that the nation was so homeless that it knew nothing of the trials of the housewife or that politicians were so indifferent to the women's vote (if there is such a thing) when women form the majority of the electorate. The League from the start has been non-party. It claimed no political theories, it advocated no political remedies. Apparently it received some £1,750 from the Road Haulage Association towards the cost of an Albert Hall Meeting (one had no idea that such meetings were so expensive), but, after all, it is well known that most transport drivers are married men, too often cut off from the benefits of home life, to their regret. All the League seemed to want was more food—and more clothing coupons—and who could complain of that?

Perhaps now that clarity of aim and singleness of purpose have been established, the non-British Housewife (or British non-Housewife) may learn what the programme of the League really is and how the deficiencies of the Cabinet, so dreadfully male, can be put right. In the meantime, it is only fair to add, as a reassurance to those women who were not at the meeting, that the belief of the rest of the country in their sanity, and capacity for patience and hard work, while temporarily obscured, is not likely permanently to suffer.

Letters to the Editor

The British Export Drive

SIR,—After something over twenty years of selling Lancashire cotton goods in the South African market, it was indeed a pleasure to read the optimistic article on Lancashire in your issue of August 9th. The British cotton industry has been buried so often that one hopes that the coming resurrection will be permanent. May I offer a criticism which I think will help to make it so.

For the last few years every manufacturer in Lancashire has had his output limited to x square yards by the Cotton Control. There has been a strong tendency to make this square yardage account for the highest possible turnover by the manufacture of a much greater proportion of high grade, and consequently high priced, cloths than usual. Nobody in his right mind would decry the policy of "trading up" and putting all the accumulated skill of the industry into its products, but there must be a sense of proportion in this as in all things.

The wartime sellers' market undoubtedly created a false sense of security in that it was assumed the easy sale of these high grade cloths would continue indefinitely. As far as this export market is concerned the time has come to call a halt; the seller's market is over. Because of the bottled up spending power and rigid control of supplies to the home market, this may be difficult for the Lancashire manufacturer to realise when he knows that, were his home market open to him, he could sell every yard he could produce twice over for quite a long time.

During the war there were thousands of artisans earning double pay through overtime. Part of the pay of every member of the Forces came back to their wives and families, many of whom were also working on their own account. That extra income no longer

exists, returned soldiers' gratuities have been spent and we are back to what—for want of a better word—we can only call "normal" conditions. Purchases are made in the light of today's incomes, there is a definite price resistance.

Your article mentions the Ventile fabrics. I have seen and handled these, it would do the pessimists good to be told of the achievement these fabrics really are. No moribund industry could have produced them and I would pay tribute to the research and ingenuity which went into their conception, to the highly skilled work in their manufacture and not least to the lives they actually saved during the war. The experience gained in the manufacture of such cloths and the technical difficulties overcome cannot but react favourably on the industry as a whole, but to imagine that such specialised products are the answer to Lancashire's efforts to re-establish her position in the export trade is to shut one's eyes to reality.

These Ventile cloths cost not less than 10s. per yard at the mill. By the time they are shipped to this market, made into garments and put into the hands of the consumer, the value of every yard of material in the garment is well over £1. Those who can afford this figure are in the minority.

There is no shortage of dollars in South Africa. Importers are free to purchase to their hearts' content from the USA or Canada or any other market. Lancashire cottons come into the full glare of competitive trading and the light is very searching. It shows at the moment that the every day "bread and butter" lines are conspicuous by their absence. Where are the straightforward cambrics and haircords that used to cost about 9d. at the mill and are now 2s. to 2s. 6d. per yard? The public is willing and able to pay Lancashire's present price if she would only make these goods as well as the admittedly beautifully made but expensive

cloths costing twice this figure. The basic prosperity of the cotton trade must be built on the essential needs of the medium income group which forms the great bulk of the purchasing power.

Lancashire will need exports not only this and next year but in ten or twenty years' time. Now is the time to relay the foundation of prosperity by supplying what the consumer wants and can pay for—or will Japan do it again?—Yours faithfully,

P.O. Box 2184, Cape Town

T. K. BYERS

Sir,—Consideration of Sir Stafford Cripps's speech on export targets shows that the Government's planners still hope to find a way out of our difficulties by juggling with figures.

Look at one aspect only. Says Sir Stafford

some less essential articles like radio sets and motor cars have found increasing difficulties in entering markets. The tendency has been to concentrate upon capital goods for the building up of their own economy and to prohibit consumer goods other than those vitally necessary to their people.

Clearly, judging by the outstandingly large increase in the export target for machinery, Sir Stafford believes that the foreign customer is always right. Yet he makes it clear that these exports must be at the expense of home needs. Apparently, our own industries are to be starved of modern machinery. Our competitive position is to be steadily worsened. There can be no other interpretation of this latest plan.

Now listen to Sir Stafford again. "We cannot contemplate the permanent lowering of our standard." What else is this Government doing by this plan and all its plans but making certain that our standard will be permanently rather than temporarily lowered, though it may camouflage the facts to keep the people confused and quiet?

How much longer must we wait before the country is put on the only way out of its economic troubles—that is the real hard way? It is consumption that must be cut, our comforts that must be ruthlessly suppressed, including capital projects from housing to the levelling of footpaths. And there seem to be only two ways of doing this—the totalitarian method as exemplified in Russia and the free enterprise method which the United States almost alone seems to be trying to preserve. We are still in a position to make a choice but we shan't be much longer if the present dithering continues.—Yours faithfully,

G. E. ROSS
Northgate House, 20-24, Moorgate, E.C.2.

SIR,—I was sorry to find on a recent visit that the poor quality of British exports is widely discussed in Denmark—and as widely regretted.

I heard about the boy whose British bicycle came apart in a Copenhagen street. I heard about the cigarette lighters which were useless after a week, and the electrical equipment of which 60 per cent was faulty. I heard about the "pure cotton" shirts which turned out to be of Italian woodpulp fibre.

As a holiday-maker I obviously could not investigate these tales, but their prevalence among a people so clearly friendly to the British led me to feel that they might have substance.—Yours faithfully,

G. O. CANNING
Hawthorns Hotel, Woodland Road, Bristol, 8

Chocolate Circus

SIR,—May I reply to R. T. K.'s letter in your issue of August 30th? There were many more successes than failures in the prewar race, and at any rate it remains a fact that in 1939 there were operating in the industry some 600 manufacturers who were licensed under the subsequent Licensing and Control Order (190 of whom were the target firms I referred to), and many hundreds of very small units, all presumably making a living out of the manufacture of chocolate and confectionery. Let it be admitted, however, that there were many and serious casualties resulting from the competitive race; the question remains, under what system of organisation shall this industry, and many others like it, be conducted in the future? There are only, as far as I know, the three ways mentioned in my previous letter. It cannot be seriously contended that the present system, based as it is upon 1939 firms, 1939 tonnages, no competition and no new entrants, can be continued indefinitely. There are only two other ways, first, a rationalised system under some kind of government control, second, the system of effective competition (which I understand is the Government's preference), accompanied possibly by such proper measures, designed to meet or mitigate the disadvantages of the system, as industrial statesmanship can devise. Which method does R. T. K. support?

The present crisis may postpone the point at which the restora-

tion of the competitive system can conveniently be made, but it cannot do away with the inevitability of a decision on the question of principle.—Yours faithfully,

Eastcheap, E.C.3

A. W.

Indonesia—The Real Issues

SIR,—I have seen lots of nonsense written about the Netherlands East Indies lately, but that penned by Mr Neil Stewart in your issue of August 30th is a trifle sillier than most. I hold no brief for the Netherlands authorities, but I know something about the territories, based on thirty years' study and not a few years' residence.

Your correspondent naively observes that the incomes of Europeans are normally higher than those of Javanese (there is "no such thing" as an "Indonesian"). He is seemingly unaware that the incomes of Chinese (domiciled in the Indies for centuries), are far higher than those of Europeans. Perhaps the most ridiculous statement in your correspondent's letter is that the prewar death rate in the territories was double that in the Netherlands. The entire area lies in the tropics bang on the Equator. The death rate in the Netherlands East Indies before the war was the lowest in any tropical area, lower than India, lower than Malaya, lower than Burma, lower than in any of our African colonies.

So far as Mr Stewart's statements on the Dutch attitude towards native political aspirations before the war go, was it not the present Lord President of the Council who said that children cannot be entrusted with a latchkey or firearms?

The reason why native incomes are lower than those of Europeans and Chinese (even lower than those of Hindus and Arabs established in the islands), does not rest on economics at all. The Malayan peoples are not renowned for their trade-consciousness or organising abilities.—Yours faithfully,

London

H. S. ASHTON

Nationalism in the Colonies

SIR,—Your leading article published in your issue of July 16, 1946, contains two statements which should not go unchallenged. According to you, "the Ibos are, at the moment, progressing

From *The Economist* of 1847

September 18, 1847

There is no hint given in scripture that a man can justly have one measure for himself and another for other people. On the contrary, it is emphatically said, and with universal assent, that by what measure ye mete, by that shall it be measured unto you. The linen draper, silk draper, and carpet dealer, however, have formed "The Equitable Measurement Association," to induce persons to sell goods to them by one measure, which they are to dispose of by another. Nay, they go so far as to propose, by combination, to overrule the law and coerce other persons to come into their plan. That a yard shall contain "thirty-six inches, each inch to be of the length of three grains of barley," has been the law of England since the reign of Henry I. By 5 Geo. IV, cap 74, the last act, we believe, on the subject, a standard yard was described and established . . . and "the third part of the said standard yard," the act says, "shall be a foot, and the twelfth part of the said foot shall be an inch." Thus a legal standard yard, the unit of all measure of extension, contains thirty-six inches now, as in the time of Henry I, and no other yard is recognised in our courts of law . . .

. . . Notwithstanding these legal and moral difficulties . . . the committee of the Equitable Measurement Association has come to this resolution:—

That the members of this committee do hereby firmly pledge themselves to give a *decided preference*, in their purchases, to those houses which sell their goods at the rate of *thirty-seven inches to the yard*, and do hereby determine to give to such houses their cordial and united support.

The committee has issued a circular in which the secretary says in its name,—

. . . By declining to purchase of every house refusing to comply with these requests, you will materially increase the strength of the association, and greatly assist in effecting the object it has in view. . .

By something like a threat of exclusive dealing, the association proposes to coerce the wholesale dealers into setting aside the legal standard of measurement and forming contracts which would not be legal, unless they carefully specify the proportion of the drapers' yard to the standard.

well ahead of the other diverse elements that make up the Nigerian population "and" they are . . . conscious, too, of their own superiority over the Moslems of the North and the Yorubas of the South."

As your first statement stands, the only construction which can be put on it is that up to now the Ibos have made more progress than the other Nigerian peoples. That is certainly not the case at least as far as the Yorubas are concerned. The facts of the Nigerian situation as it is, in trade and commerce, in the general level of social and cultural advance, in education, in the co-operatives, in the public services, in the professions, taken as a whole, do not bear out your statement.

It would be truer to say, however, that the Ibos are making a vigorous effort to catch up with the Yorubas and that they are steadily closing the gap. The publicity given to Ibo achievements in a section of the Nigerian press may well give overseas readers and others an illusion of their being well ahead, but it remains today at least an illusion.

Your second statement gives rise to the question whether the Ibos are in fact "conscious of their own superiority over the Moslems of the North and the Yorubas of the South." If they are not, may one ask you not to make for them any extravagant claim they are too sensible to make for themselves nor to invest them with any *herrenvolk* mentality they would hesitate to assume? And if by any stretch of the imagination they are, one can only ask, superior in what?—Yours faithfully,

F. A. OGUNSHAYE

101 Jebba Street (East), Ebute Metta, Lagos

Fascist Disturbances

SIR,—I cannot let pass, without protest, one passage in your note last week on the revival of Fascist activities in which you state: "It would be surprising if the numbers involved [presumably the number of Fascists involved] ran into even three figures."

The writer has quite obviously never attended any of the regular outdoor meetings held by Fascists in East London. On a recent occasion, an orderly meeting which I was addressing in Ridley Road, Dalston, was invaded and broken up by a marching column of between two and three hundred Fascist sympathisers singing the *Horst Wessel* song and chanting the name of Mosley. In many other districts of London, Fascist organisations are recruiting misguided youths at an alarming rate. In addition, Mosley Book Clubs and discussion groups now exist in practically every British city.

Views may differ about the extent to which democracy should concern itself with this Fascist revival. But it is surely at least as dangerous to underestimate the strength of Fascism as to overestimate it.—Yours faithfully,

FREDERIC MULLALLY

Poverty in Franco's Spain

SIR,—In the first of your recent articles on Spain it is stated that "at the root of present difficulties is the decline, owing to the civil war, of Spanish agriculture." This is a misstatement which, I submit, gives a wrong picture of Spain's plight. It is my contention that the decline of the Spanish agriculture is the unavoidable result of Franco's rule and that the root of the present difficulties is the survival of a regime in which the ruling minority is deliberately bleeding white the country as a whole.

The Ministry of Agriculture receives around 1 per cent of the National Budget, that is to say less than Falange. This fact by itself already shows that the blame for the present decline of agriculture cannot be laid on what happened during the civil war which ended in 1939. The real reasons for the ruin of the Spanish countryside today have to be found elsewhere.

Franco embarked Spain on the road to industrial autarky and made the success of his plan dependent on German machinery for the big plants to be set up. An orgy of industrial plans and schemes without due regard to available resources ensued while no attention was paid to agriculture. The demands on manpower for the new industrial Spain, the big armed forces and the huge Falangist bureaucracy made it impossible to keep agriculture at its former level. Besides, it was thought that "Imperial Spain" had left behind for good the agricultural stage and that the expected share-out of the French North African territories would supply all the necessary foodstuffs.

Thus the Franco regime squandered the national resources in a clumsy attempt to bolster the establishment of new industries, and now Spanish agriculture is paying for this unbalanced distribution of outlay. But the guilt of the Franco regime does not stop there.

There is another point to which your recent articles have not paid due attention.

Fixed prices for agricultural products, out of proportion to costs and market prices, are imposed upon the peasants so that the Falangist bureaucracy may live by reselling them. The fantastic price of olive oil is an example of Falange's achievements.

Because of the arbitrary prices, the peasants do not sow crops which are badly needed. For instance, while the production of sugar is half the prewar figure, the journal *El Economista* of Madrid published on March 30, 1946, a dispatch from its correspondent at Pamplona saying that the peasants were not sowing as much sugar beet as they could have done, because they did not find the price fixed for the crop "remunerative enough." Of course, the actual price in the black market is "always remunerative enough," but the Falangists and Military are the sole sellers there.

Huge budget deficits (owing to the disproportionate allocations for the armed forces, police and Falange) financed by the printing press and coupled with a decline of production as a whole has increased the cost of living to a figure many times that of the year 1936 (at least 600 per cent), but Government policy prevents wages and fixed incomes rising in the same degree. In fact the ruling caste in Spain is living in luxury by robbing a share of the income of the vast majority of the Spanish people.

The great disproportion between the corresponding rises in the cost of living and the incomes of most people has brought about a lack of purchasing power among broad masses of the population which has created serious problems for many industries manufacturing consumer goods for which there is not enough demand—the crisis in the shoe industry is a typical instance.

The present rulers of Spain are bent upon maintaining by force the present state of affairs. Healthy financial and economic reforms, long overdue, cannot be carried out because this would mean the end of Franco's dictatorship. The drastic curtailment of the expenses for the armed forces, police and Falange, the abolition of the economic monopolies enjoyed by the Falangist Syndicates, the end of the officially sponsored profiteering and the readjustment of the purchasing power of the small rentiers and salary and wage earners would remove the very props which are holding up the Franco regime.—Yours faithfully,

SPANISH LIBERAL

The Balance of Payments

SIR,—As an exporter of British manufactured goods of many years standing, I am interested in your article of August 30th under the heading "The Terms of Trade," but frankly I am puzzled at the conclusion you come to that

there can be no doubt at all that the "favourable" trend in the terms of trade in the 1920s and 1930s was, in fact, as well as in economic jargon, very favourable to the British community.

My experience was different. The balance in purchasing power between ourselves, as exporters of manufactured goods, and our customers abroad who sent us food products and other raw materials in exchange was lost as a result of unequal fluctuations in the selling prices of the two categories of goods. You allude to this in your next paragraph when you say that Britain adopted the course of importing the same volume and having unemployment in its export trade, but you do not appear to attach great importance to the fact. You even state that the standard of living of the community as a whole benefited. I well remember, at the end of the 1920s and beginning of the 1930s, that the drop in prices of our raw material imports, in particular agricultural and pastoral imports, was so great, 50 per cent and over, that our overseas customers were unable to pay for the goods they wanted from us and the value of our exports fell by 50 per cent. As our own prices had not fallen in the same way this meant an equivalent fall in volume and the effect was shown by an increase in the number of unemployed in the country of 1,500,000. Similar loss of purchasing power by our own farmers accentuated the trouble.

Personally, I cannot see any advantage to a country in a so-called "favourable trend in terms of trade." It simply means paying an unfair price for imports, thereby upsetting the prosperity of our own customers and suffering an equivalent loss in demand for our own products. My own experience points so clearly to the fundamental need for stability in exchange values of goods flowing in trade if prosperity to each and every community engaged in trade is to be attained and maintained.—Yours faithfully,

J. E. DIXON,

Chairman, Rabone, Petersen & Co. Ltd.,
2, 3 & 4 Exeter Street,
Holloway Head, Birmingham 1

Books and Publications

Two Kinds of Liberal

"The Economic Problem in Peace and War." By Lionel Robbins. Macmillan. 86 pages. 3s. 6d.

"Economics in One Lesson." By Henry Hazlitt. Benn. 224 pages. 6s.

IF the theories of Einstein had so penetrated the public mind that to maintain the rate of acceleration of falling objects to be thirty-two feet per second per second was to court obloquy and derision, the teaching of elementary physics might get rather confused. An analogous confusion exists in economics today. Because Keynes, the Einstein of his field, went beyond the particular equilibria studied by the classics to demonstrate the possibilities of expansion and contraction in the economic universe, lesser men with minds either hopelessly confused or warped by political prejudice wave aside the whole of pre-Keynesian theory. No wage can be too high, since it has been shown that in some circumstances a lower general wage level may fail to increase the demand for labour. No capital project can be extravagant, since the rate of interest ought to tend towards zero. And how can anyone advocate free trade when exports of goods may be merely exports of unemployment? Even where the authority of the General Theory cannot, however inappositely, be directly invoked, there is always the indirect attack. According to the traditional economists, for instance, competition lowers costs of production and so raises the real income of consumers; or, price movements indicate the need for expansion or contraction in such and such an industry; or, additions to the stock of capital of an enterprise increase the productivity of its labour. Ah, no. Competition is evil, or extinct, or both; price movements indicate nothing but the need for price controls; a higher productivity of labour is merely a threat to employment. Economics teaches otherwise? What economics? Adam Smith? Marshall? Just so.

The liberal economists' defence has too often gone by default. Whatever might appear in the *Economic Journal*, their opponents have had it all their own way on the ground floor, the level of the press, the book clubs, the party meetings and the study groups. Mr Hazlitt partly accounts for this phenomenon in his first chapter; half-truths relating to immediate effects or effects on particular groups (such as the proposition that labour-saving machinery throws men out of work, or that an industry will benefit from a protective duty) are much easier to present than whole truths relating to long-run effects on the whole community. His subsequent handling of those half-truths would do one's heart good were it not that his economics is not merely pre-Keynesian, but pre-John Stuart Mill. Bastiat is his buckler, Mises his morion; the Treasury View is his gospel, and the only possible cause for depressions is "capricious Government interference with business." Liberal economics should pray to be delivered from its friends, particularly those of obviously illiberal mind.

Professor Robbins is not writing on the ground floor. "The Economic Problem in Peace and War" is a reprint of the three Marshall Lectures delivered at Cambridge this spring; an argument in the great academic tradition, formal, dignified, the work of a highly civilised man addressing a highly civilised audience. It is a re-evaluation of the main tenets of liberal economics, the economics of free enterprise and the price system, in the light of war experience; and there emerges from it a body of generalisations and of directives for future work which either Marshall or Keynes would have approved. It would be absurd, of course, to claim that this slim *pièce d'occasion* achieves the synthesis between Keynesian and neo-classical economics; it never attempts to. That may come later, if ever Professor Robbins writes his "Principles." But it does, in a very real sense, synthesise their spirits. Any intelligent Socialist who values liberty should give Professor Robbins a hearing; and how desirable—how even more desirable—it would be that the transatlantic Copernicans, large or small, should do likewise!

Belgium's Minority Problem

"Economie Wallonne." Rapport Présenté au Gouvernement Belge par le Conseil Economique Wallonne, Liège.

THE racial and linguistic problem in Belgium has recently lost much of the venom which it possessed in the earlier years of the century. This is largely due to the fact that the Flemings have

received what they long demanded, complete equality of French and Flemish as the official languages of the Central Government and the exclusive right to their language in their own provinces and their own universities. Today it is rather the Walloons who are on the defensive. They are becoming a minority in Belgium, and this minority position will become emphasised as the economic union with the Netherlands is fulfilled. This defensive attitude is apparent throughout this report on the *Economie Wallonne*, a report prepared for the Belgian Government by an economic committee invited to do this task by the Belgian Prime Minister, M. Spaak. It is a carefully compiled and detailed document which describes the economic difficulties that face the southern Walloon part of Belgium, which attempts to account for these difficulties and which then sets out a plan of remedial measures. All the facts are there: the falling population, the ageing industry—particularly serious in the case of coal mines—the inadequacy of the economic equipment. The complaints are a little less objective. There are accusations that the Central Government in Brussels has systematically neglected the Walloon country in favour of Flanders, and that all the emphasis in the development of transport and of new industry has favoured the northern region of Belgium. What the report does not bring out with sufficient candour is the fact that most of the difficulties which appear to beset Wallonia are of its own making.

A falling birthrate, a record of greater labour instability, these are phenomena which no amount of favouritism by the Central Government can be expected to remedy. Nor can the Government in Brussels rejuvenate the coal mines of Charleroi which have for some years past shown signs of reaching the end of their useful economic life. The remedy lies with the Walloons themselves. Belgium is one of the last refuges of genuine free enterprise in Europe. Given adequate vigour and a capacity for work which will match that of the Flemings there will be no lack of projects and developments that will be attracted to Wallonia, the traditional industrial base of Belgium.

Shorter Notices

"Le Gouvernement des Grandes Organisations." By H. Pasdermadjian. Presses Universitaires de France. 252 pages. 350 frs.

THIS is an ambitious survey of the principles of large-scale administration, whether of political, military or economic entities, ranging from the evaluation of the *Führerprinzip* through the discussion of devolution to estimates of the proper rank to be held, in a manufacturing company, by the head of the research department. It is backed by wide reading, observation and experience, and abounds in references. In his last chapter the author asks himself whether the power to organise has not now dangerously outstripped the development of the human qualities, moral, civic and psychological, needed by those wielding the power which organisation bestows; apart from this, his book is depressingly void of leading ideas.

"Freedom and Order." By the Rt. Hon. Anthony Eden. Faber and Faber. 436 pages. 15s.

THIS is a collection of Mr Anthony Eden's speeches from 1939 to 1946. It is in consequence a record of the public thoughts of a sane and intelligent man, but one who appears more as a commentator than as a leader. Has Mr Eden the qualities that would enable him to command events? This volume provides clues, but no firm answer.

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AMERICAN SURVEY

American Motives

(From Our US Editorial Staff)

LARGE-SCALE aid to Europe under the Marshall Plan is and has been urged, both here and abroad, on five bases. Much more will doubtless be heard of all five during coming weeks. Without suggesting the order of importance, which will be dealt with later in this discussion, these five are: to prevent an American depression (nearly half of the French population believes that Mr Marshall's proposal was so motivated, according to a Gallup poll); to provide an outlet for the investment of savings; to relieve hunger and destitution; to advance world reconstruction; and to ensure military security.

The first of the reasons, depression prevention, seems plausible in view of the large current exports and the repeated dirge of the 1930's that internal demand is unlikely to prove adequate to absorb production, at the level of full employment, for a significant length of time, a dirge still being intoned by some people. In truth, exports in the second quarter of 1947, at an annual rate of \$21.2 million, were enormous, and so was the net balance of payments at an annual rate of \$10 billion for the first half of this year. But these figures need to be kept in perspective. The large second quarter exports were only slightly over 9 per cent of gross national product. The net foreign investment of the first half was a little less than 4½ per cent. For factory production alone, exports accounted for about 23 points out of the 191 of the Federal Reserve index of production in May, the month of peak exports. This was about 12 per cent; the comparable figure in July would be about 10 per cent.

These figures demonstrate the overriding importance of domestic, not foreign, considerations in the maintenance of employment and output. A fluctuation of 5 per cent to 10 per cent in domestic activity is equivalent to a 100 per cent fluctuation on account of external factors. And fluctuations of 5 per cent to 10 per cent are not large in view of the historically demonstrated volatility of the American economy. Nor does history suggest any close relationship: while the gross national output fell from \$104 billion in 1929 to \$56 billion in 1933, or a fall of \$48 billion, net foreign investment fell by only a little more than half a billion. And if it be suggested that exports or foreign balances are subject to a "multiplier," so are several domestic items.

Of course exports are more important in certain specific lines. For example, during the first half of the current year, 54 per cent of freight car production was exported, 31 per cent of lubricating oil production, 21 per cent of motor trucks, buses and chassis, 106 per cent of rolled steel products. And the Department of Agriculture expects that about 8 per cent of the available food supply will be exported this year, with very much higher percentages of certain specific items. But these high percentage export items are the very ones in greatest demand for domestic purposes, so that a reduction of external demand of itself would hardly be the cause of depression in the near future. And, again, the maintenance of this high domestic demand even for these specific products, is primarily dependent upon domestic conditions.

All this is not to deny for a moment the fundamental importance of foreign trade to the United States; but the importance is of a different order from the prevention of cyclical fluctuation and will be discussed below. It is hard to see how foreign trade can, at the most, do more than cushion cyclical fluctuations—or exaggerate them, as it has sometimes done.

The second suggested motive for the Marshall Plan, to serve

as an outlet for domestic savings, is of a more technical economic nature and results from the Keynesian analysis and American applications made of it. The thesis is that the American economy will have a chronic tendency to generate more savings than can be invested domestically so that, without an outlet abroad (or large government investment, or both), underemployment will necessarily result. But the thesis is essentially of long-term application. As such it may prove to have some validity, though opinion is divided on the matter. But it has little if any relevance to the Marshall Plan, which is a matter of the short run, or to present conditions, where the actual and potential demand for capital for domestic investment is very large—given even moderately favourable internal conditions.

The third suggested basis, humanitarian considerations, has distinct force in the United States. Its motivation is not charity in any narrow, supercilious or derogatory sense, but a genuine moral attribute. But the same moral sense includes a Quaker-like concern that aid should not produce the result of habit-forming sedative.

The fourth motive, world reconstruction, encompasses wide political, philosophic and security considerations. There is a widespread desire in America to see world conditions established which would entail the most productive and efficient use of resources and lead away from nationalism (and socialism) with their inevitable economic stresses between nations producing an atmosphere of hostility and perhaps eventually of conflict. It is as an instrument of the efficient use of resources that international trade is regarded as significant, instead of as a device to regulate the trade cycle. It is trade multilateralism that permits the most efficient specialisation of production, resulting in higher standards of living instead of the waste of resources by growing bananas and olives in Alaska. And it is the concentration of the more efficient use of resources and the resulting benefits that lead away from the international stresses produced by nationalism and statism. These convictions are very deep and widespread both in popular and in official thoughts and emotions. And the achievement of these ends, even the gradual progress towards them which is as much as can be expected for the present, requires the reconstitution of economies abroad.

Professor J. B. Condliffe (now at the University of California), in a widely circulated discussion, says:

The important objective to aim at is the restoration of efficient production and economic independence in borrowing countries. Such restoration is an essential condition of political security and stability. . . . Lending is in fact not the most important factor in economic recovery. The restoration of political security, of confidence and courage, and of organising and technical skills, is more important.

The fifth of the suggested motives, military security, is in bluntest terms, a precaution against failure and it therefore counts most heavily with those who have lost hope. If world reconstitution is unattainable—and the American people are far from convinced of that—then the best preparations for chaos must be made. While there is still any uncertainty this consideration cannot be lost from sight.

All five of these bases for advocacy will be used both internally and from abroad. Support will be sought where and by whatever arguments may be most appropriate. But there can be no doubt that the fourth is by all odds the most powerful,

from top ranks of officialdom through all the segments of the American population. To the extent that conviction grows that aid will contribute to those objectives, to just that extent will Congressional action be speedy and large. But to the extent that feeling develops that other ends will be served, that nationalism will grow, that economic reconstruction will not be realised, the speed and size of aid will be lessened. This country does not wish to give something for nothing, to par-

ticipate in a useless or worse-than-useless endeavour, and is thinking deeply of the warning of Professor Condliffe that "lending which maintains living standards, prices, exchange rates, and export costs at levels that cannot be sustained when the lending stops is an evasion of the real issues." But the American people will give, and speedily, a great deal for even a very little in what they are becoming increasingly persuaded is the right direction.

The National Security Act

(From a Correspondent in Washington)

UNDER the National Security Act, passed by Congress on July 25th, the United States now has a National Military Establishment in which the armed forces will be integrated by the capable hands of Mr James Forrestal, now Secretary of Defence and formerly Secretary of the Navy. The new defence organisation came into being this week when Mr Forrestal was sworn into his new post. The Act does not in any sense "merge" the armed forces, and brings to a close the long, bitter controversy on an earlier plan by which the chiefs of the three military departments would have secured only secondary roles.

Apart from the fact of unification itself, the most important result of the new law is the emancipation of the Army Air Forces from the War Department. They are now called the United States Air Force, and General Carl Spaatz relinquishes the title of Commanding General of the AAF and becomes the Chief of Staff of the Air Force. Thus he now ranks with General Eisenhower, Chief of the Staff of the Army, and Admiral Nimitz, Chief of Naval Operations. Also established is a new Department of the Air Force, which will have a civilian secretary ranking with the Secretaries of the Army and of the Navy.

The aim of the Act is to unify the nation's entire war-making potential, industrial as well as military, in a single system. The Secretary of Defence will have decisive power, second only to the President, who will continue to exercise his prerogatives as Commander-in-Chief of the armed forces. A factor regarded as of equal importance with the integration of military effort is the co-ordination of foreign and military policy through the National Security Council.

In the new Act each department will have a full-ranking Secretary. They are deprived of Cabinet status, but they will have the privilege of making a direct appeal to the President in case of disagreements with the Secretary of Defence. And each department will have its own Chief of Staff, having a direct responsibility only to the Secretary of his own Department. Each military department is to have operational and administrative autonomy, including the right to prepare its own budget and to have that budget submitted to Congress in a manner which will show in parallel columns its own estimates and any proposed reductions by the Secretary of Defence. Witnesses from the armed forces convinced Congress that the thought of a single department for procurement of supplies for the three departments was unworkable and might prove disastrous. In consequence each department will continue to carry out its own procurement programme, but the principle of cross-servicing and cross-procurement, practised in a degree during the war, will be implemented in every possible case.

In addition to the National Security Council, other agencies provided for in the Act are the Central Intelligence Agency, the National Security Resources Board, the War Council, the Joint Chiefs of Staff, the Joint Staff, the Munitions Board, and the Research and Development Board.

The President will preside over the National Security Council, whose members are the Secretary of State, the Secretary of Defence, the Secretaries of the armed forces and the Chairman of the National Security Resources Board. The President may also appoint as additional members the Secretaries of other executive departments, and the chairman of the Munitions Board and of the Research and Development Board.

Apart from co-ordinating domestic, foreign and military policies, this all-important agency will also

... assess and appraise the objectives, commitments, and risks of the United States in relation to our actual and potential military power, in the interest of national security, for the purpose of making recommendations to the President in connection therewith. . . .

It is hoped this council will prevent future Pearl Harbours and avoid occasions, as in the past, when the State Department would talk as if it held a big stick when it really held a straw.

*

The Joint Chiefs of Staff will prepare strategic plans and provide strategic direction of the military forces; prepare joint logistic plans; establish unified commands in strategic areas, formulate policies for joint training and for educating members of the armed forces. In other words, it will effect the co-ordination of military effort which the discarded Army plan had sought to do through the single Chief of Staff. The Joint Staff will consist of 100 members drawn from the three armed forces to serve the Joint Chiefs of Staff.

In the National Security Resources Board will be co-ordinated industrial and civilian mobilisation, and the planning of natural and industrial resources for civilian as well as military needs. It would in time of war stabilise the civilian economy, unify the activities of Federal departments concerned with production, procurement and distribution of military and civilian supplies and plan the strategic relocation of industries.

The United States, which believes itself to have been unduly naive in some aspects of intelligence work in the past, is now endeavouring to build up an effective world-wide intelligence system through the Central Intelligence Agency, affiliated by the Act to the National Security Council. The War Council will advise the Secretary of Defence on matters of broad policy relating to the armed forces. It is composed of the Secretary of Defence, as chairman and with the power of decision; the Secretaries of the armed forces, the Chiefs of Staff of the Army and of the Air Force and the Chief of Naval Operations.

The Munitions Board (already established) will co-ordinate the procurement of munitions, plan the military aspects of industrial mobilisation, prepare estimates of potential production, determine relative priorities in the procurement programmes and perform many similar duties. The Research and Development Board will keep abreast of scientific developments and integrate and assign research programmes to avoid duplication of efforts.

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

American Notes

The High Cost of Prices

An American crisis of high prices is now underlining, in an untimely and sensational fashion, the most effective argument which has been advanced against the Marshall plan. The Department of Agriculture's estimate of the maize crop, made on September 1st, was reduced by only 33 million bushels (to 2,403 million bushels) from the estimates of August 15th, but the magnitude of European deficits likely to be added to American domestic demands has sent grains and all the products into which they enter—meat, eggs, butter and milk—chasing each other up the price ladder. The theme of the most influential of Mr Marshall's critics has been, from the first, the dangerously inflationary effect of Europe's scarcities upon American production; the high cost, in terms of domestic prices, rather than in dollars, of foreign aid. The Administration has, of necessity, embraced the idea that foreign aid should be extended only within "safe" limits. But this year's corn crop, America's basic grain, is now down by slightly more than the total of last year's grain exports for relief: that is, the over-all American grain surplus has been wiped out, and an early frost may make further inroads. The illusion that the granting of foreign aid could be both effective and painless has been exploded, in grain, at least; and it is bread that Europe needs this winter. If there is to be a Marshall plan, or an interim aid plan this autumn, it must be, in food grains at least, not a plan for financing surpluses, but for sharing a short harvest, and in a free economy, paying a high price for the privilege.

Mr Harriman's speech at Cleveland, with its appeals for voluntary cuts in American food consumption, conceded that, however genuine the desire to help, the mechanism for such sharing simply does not exist. This is the dilemma of 1946 again, sharpened by domestic shortage, dollar scarcity abroad, and the liquidation of controls. The Department of Agriculture has announced that, if 925 million bushels are allowed for domestic consumption and 175 million for carry-over, only a little more than 400 million bushels of wheat would be available for export this year. Included in domestic consumption is 325 million bushels for livestock feeding; however shocking this may be, it falls short of the 500 million bushels of wheat required to maintain livestock feeding at last year's rate. Even the reduced export target may be difficult to meet. November grain exports have already been cut to 35 per cent below the October figure. The powers under which the Administration in the past prohibited the use of wheat for distilling, raised the extraction rate, and forbade feeding of wheat to livestock lapsed with the Second War Powers Act. Full purses feed the demand for dollar steaks, dollar butter, dollar-a-dozen eggs; and since livestock products are providing more than half the farmer's record income this year, only the most enthusiastic adherence to meatless days will stay the farmer's ready recourse to his wheat bins. With no powers of compulsory collection, the only method of assuring wheat for export is to buy it in the open market, through the Commodity Credit Corporation, which has the funds, if the Administration will run the risk that Congressional authorisation will be forthcoming later. The Department of Agriculture is now said to be considering the partial substitution for wheat of higher-cost dried and canned fruit, sugar, and certain fats and oils. Europe may have cake, if it cannot have bread—but the price of both will be high.

For the Administration the crisis is domestic as well as foreign. A continued rise in the cost of living is squeezing the lower income groups, and will set off another round of wage demands if it is not checked, threatening the current uneasy armistice in labour relations. Just how intolerable the situation is felt to have become can be judged by the cautious edging into

public discussion of the formerly forbidden subject of price control. It is reported in several quarters that the Council of Economic Advisers, alarmed that current trends may be setting the stage for depression, rather than recession, is unhappily considering the advocacy of a revival of price controls. Senator Kilgore emphasises, on the other hand, the need of stabilising the purchasing power of any prospective foreign loans. But no revival of price controls is politically conceivable, the complexion of Congress being what it is; and without rationing, price controls would be swamped in a sea of purchasing power.

The urgency of the issues involved is shown by the fact that a report from the President's Cabinet Food Committee will probably be presented to Mr Truman soon after he returns. It may, even now, not be too late to request the restoration of controls on the use of wheat if a special session of Congress is called. But this would hardly solve the problem. Mr Harriman has already insisted publicly that it is American incomes rather than foreign exports which are responsible for rising prices and he is supported in this thesis by the report on food prices prepared by experts of the Joint Economic Report Committee. But the high cost of living is likely to be the central issue at the next election, and it will require political courage of a rare order for either Mr Truman or Republicans like Senator Vandenberg to risk the charge that by sponsoring foreign aid they are forcing up prices at home, and to face the fact that high prices, with all their injustices, are all that a free economy has to offer in place of a rationing mechanism which would share America's feast with Europe's famine.

The New Monopoly Drive

The Justice Department's new crusade against monopolists has spread rapidly. Specific charges against the steel industry, already noted, have been accompanied by a drive against the automobile tyre industry and colour film manufacturers. Unlike the procedure for the steel industry, the Department of Justice has filed with the New York Federal Court a criminal charge against the leading tyre manufacturers, and has simultaneously asked the Federal Court of Los Angeles, in a civil action, to "break the hold of Technicolor and Eastman Kodak on colour films."

The tyre industry is a persistent defendant in anti-monopoly procedure. A fairly recent Congressional report held that four major undertakings, Goodyear, Firestone, US Rubber and Goodrich took more than ninety per cent of gross sales for the industry, and held more than ninety per cent of its assets. Price reductions have been announced in tyres quite recently, with supply well in pace with demand. But the government agency claims that these reductions were only a belated response to official investigations, and it has renewed earlier charges that the industry "feather-beds" large retail organisations at the expense of independent dealers. In colour films, Technicolor does no doubt hold a very firm grip on the industry, although company officials dispute the charges of complete monopoly levelled against it by the Justice Department.

Industry is worried by the new drive more by reason of the adverse publicity thus given than by any real fear that the energy of the various Federal agencies can have permanent results. The general view seems to be that Mr Truman realises the futility of recent declarations on price-levels, and that he is determined in one way or another to shift the ground for price controversies away from Washington.

The current "hit-or-miss" methods of the Justice Department do not suggest any formidable movement against industry as a whole. For steel and cement, however, there might be more serious implications. The charges against these two industries concern the so-called "basing point" sales system whereby "all sellers at a given destination calculate delivered prices on the fiction that all are shipping from a common point," and where non-base firms collect "phantom freight." Efforts on the part of the Federal Trade Commission have in some measure broken the earlier rigidities of the "basing point" system, and its challenge to the cement industry has now reached the point where a Supreme Court decision is due in the autumn. FTC lawyers have constantly held that "basing point" and all related "price equalisation" methods are illegal under anti-trust laws, but admit also that present uncertainty means a continuing process of charges against individual industries. The FTC is now pressing for a revision of the Sherman Act which would enforce a straight f.o.b. mill pricing system. This is most unlikely, at least from the Eightieth Congress.

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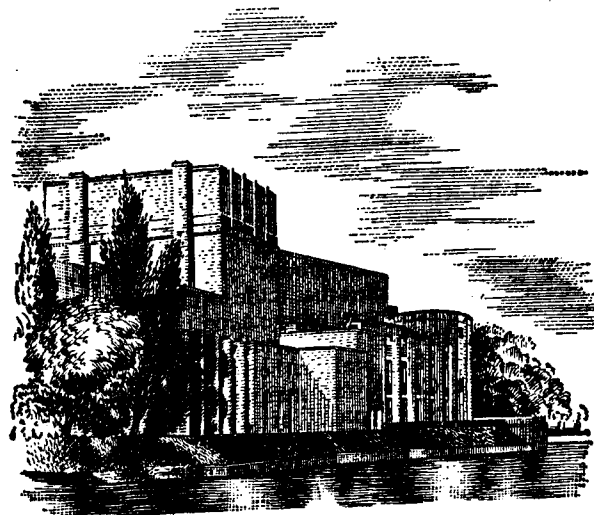
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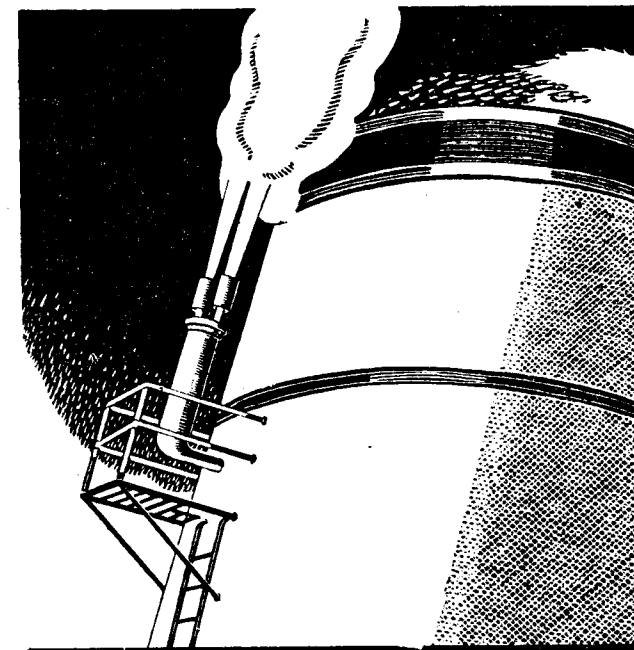
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"Goods, Not Dollars"

The announcement that the Harriman committee will not have its report on American capacity and European needs ready before October 31 may somewhat delay the calling of a special session. But there is no reason to suppose that Mr Marshall will not be successful, despite conflicting reports from the *Missouri*, in convincing the President that a start must be made toward securing the Congressional assent which Mr Marshall considers essential for interim aid. What is less certain is that it will be much easier to get consent for a stop-gap loan than for the whole Marshall plan. Alarm over rising prices may well precipitate a full-dress debate over the whole range of problems raised. In that event, the Administration might feel justified in falling back on the "free lunch counter" of the Commodity Credit Corporation or the \$800 million resources of the Export-Import Bank.

Beyond the Congressional hurdle lies the problem of allocation of aid. Much of the discussion in Washington revolves around the concept of "goods, not dollars." A return to the Lend-Lease approach has, perhaps, the advantage that it would be the American procuring agency which would first feel the brunt of high costs, and that purchases would be centralised. But it must be recognised that it opens the door to more highly detailed control of the national reconstruction policies of the receiving nations than may be altogether welcome in Europe. Even among strong advocates of the Marshall plan, the desirability of some degree of American control is recognised. Mr Harriman has lost no time in seizing the opportunity presented by Mr Bevin to press the central role of British coal in solving the dollar crisis and in speeding reconstruction. This is the opening and all-too-justifiable move. Discussions of the American administration of the Marshall plan range from the creation of a centralised agency to deal with purchases and to allocate the proceeds, to a scheme for "contracting out" by the State Department to other government agencies. But under any scheme for distributing goods rather than dollars it would be possible to earmark proportions of the aid offered for genuine rehabilitation rather than current needs: in Britain, for example, for modernisation of the coal mines.

THE WORLD OVERSEAS

Abundance in Belgium

(From a Special Correspondent)

BELGIANS have for so long been told by foreigners and by some of their own pundits that they are living in a fool's paradise, that they can be pardoned for the lighthearted incredulity with which they still accept this warning. And when they look beyond their frontiers to the south, north, east and west is it surprising that their reaction to the warning—especially when it comes from visiting Britons—should be "let us at least be thankful that it is paradise"? They still see all around them and experience the good and abundant life which has now become one of the show pieces of the European economy. The shops are filled, the trend is still towards de-rationing, and in the free or black markets that have all along been an essential part of this two-tiered economy, the abundance of goods has been such as to narrow the gap between free and fixed prices. The combined gold and foreign exchange reserve of the National Bank shows no sign of contraction, amounting at the beginning of September to 40½ milliard Belgian francs as against 36 milliard a year previously. The country appears, therefore, to be enjoying a life within its own means. The external position is, in fact, better than even these figures suggest, for during the past year Belgium has been a net lender on foreign account. It has given credit to Britain by its readiness to increase its holding of sterling balances—from about £5,000,000 to £20 million—and by lending to the Netherlands and to Luxembourg.

It cannot, however, be denied that the suspension of convertibility of sterling on August 20th caused the Belgian financial authorities grave concern. The decision to which Britain was driven on that day was as serious a single blow at Belgian

To keep the purse-strings in American hands in this fashion would go far to satisfy Congress that the Marshall plan really is self-liquidating, but the political awkwardness of an American veto over European industrial policy is equally manifest. Congress may, perhaps, be dissuaded from attaching flagrantly political conditions to foreign economic aid, but there may well be overwhelming American support for economic conditions designed to help Europe to help itself.

Pointer in Pennsylvania?

Neutral observers will feel that the Republicans, after all their discouragement over recent evidences of Mr Truman's revived popularity, are entitled to a mild jubilation over their success in the special election (by-election) to Congress in the Eighth District of Pennsylvania. But the rejoicings of Mr Carroll Reece, the chairman of the Republican National Committee, and other stalwarts, seem a little excessive. For the Eighth District embraces the stronghold of that almost legendary figure, Joseph R. Grundy, former head of the Pennsylvania Manufacturers' Association and arch-lobbyist for high tariffs. That a Republican success in Uncle Joe's backyard, won by a candidate of the Grundy machine, could be regarded as a portent, as "a wonderful encouragement" for the Republicans, shows how times have changed. The District has been Republican since 1938 (after having deviated to the New Deal in 1932, 1934, and 1936), and the winner in the recent election increased the majority of the previous incumbent by 2,676 on a total poll of 78,000.

The Democratic candidate, Mr Phil Storch, is president of the Lehigh Valley Newspaper Guild, affiliated to the Congress of Industrial Organisations, and he made repeal of the Taft-Hartley Act his chief issue. The Political Action Committee of the CIO gave him strenuous support, raising the cry of "carpet-baggers" from the Republican machine. Where Democratic strategy went astray was in accepting this race against heavy odds as a test of the popularity of the new Labour law. The political seers will have to look beyond Pennsylvania for a reliable index of the state of the parties.

external equilibrium as has been struck since the end of the war. The Belgian balance of payments may appear in fine fettle when viewed in global terms, but Belgium is very much a part of the world economy, serves a world market and long ago emancipated itself from the crude barbarism of bilateralism; and therefore that global equilibrium is the product of many debits and credits with the individual countries that trade with Belgium. For some time past Belgium, like every other nation other than the United States, has been running a substantial deficit with the dollar area. This deficit has been rather more than balanced by surpluses with the Congo, the sterling area, Europe and South America. Since the beginning of this year Belgium has, by arrangement with Britain, been numbered among the countries prepared to pay and receive sterling in respect of their mutual current transactions. Since Belgium has, by and large, been a substantial creditor with these countries, and since, at the same time, Britain has been a substantial debtor on current account to those countries, it is not surprising that Belgium should during the whole of the present year have been receiving large amounts of sterling in payment for her exports. Like Canada, Argentina and many other countries, Belgium has, therefore, been put in the position of having to offer that sterling for conversion into dollars in order to balance her payments with the United States. The decision to suspend convertibility of sterling is, therefore, a development the gravity of which needs no stressing.

The disparity between the Belgian balance of payments with the United States and that with the rest of the world has been enhanced by the fact that after the liberation nearly every import duty

was temporarily suspended. In this decision, made to help the flow of imports and the economic rehabilitation of the country, Belgium matched in its tariff policy the courage it had already shown in its monetary policy—the compulsory blocking of the greater part of the country's bank credit and monetary circulation. One of the results of the lifting of the import tariff has been to encourage a considerable volume of re-export trade. During the past three years import and export agencies have mushroomed in Belgium. Their highly profitable business has been to import textiles, cars and consumer goods of all kinds from the United States and re-export them to France and other European countries. There could be little objection to this trade as long as the buying countries met their payments to Belgium in gold. This has until now been the procedure in almost all cases, the normal pattern of Belgium's payments agreements being an arrangement to hold the currency of another country only up to a small ceiling and thereafter to insist on converting surplus balances of that currency into gold. But the prospects of getting payments in gold are rapidly deteriorating, and Belgium now faces the prospect of paying out dollars and accumulating inconvertible currencies in respect of much of this re-export trade. Steps are, therefore, being taken to check this trade and to reserve the free entry into Belgium for goods that are destined for domestic consumption and not for re-export.

Dollar Luxuries

But even the satisfactory closing of this particular gap through which dollars have been escaping will not go far to restore equilibrium in Belgium's current payments with the dollar area. The deficit with the dollar area has recently been running at the rate of about \$40 million a month. The materialisation of that deficit is there for all to see in the large number of new American cars that crowd the roads of Belgium, in the unrationed petrol, in the American nylon stockings with which the shop counters are laden, in the ample supplies of cereals. Some of the less essential of these dollar imports may well have to be sacrificed, for the convertibility of sterling no longer provides the mechanism through which the main part of the Belgian surplus with the non-dollar world was made available to cover the deficit with the United States. A Marshall plan may, of course, change all that—not by putting dollars directly at Belgium's disposal (Belgium would not be a recipient in such a plan), but by keeping alive the multilateral pattern and mechanism of trade and payments in Europe.

A widely prevalent impression obtains outside Belgium that the strength not merely of the balance of payments position but of the whole economy of the country depends upon the export of uranium from the Belgian Congo to the United States. There is no more than a grain of truth in this assertion. It is true that an important export of uranium is taking place from the Congo to the United States. These sales are being made under a two-year contract which expires soon and which yields the Congo a fair, though by no means extravagant, dollar income. But the finances of the Congo and of the mother country are wholly independent. The foreign exchange income of the Congo is held by the Banque du Congo Belge and is not pooled with that of Belgium. If, however, the Congo requires francs to meet its current payments to Belgium, whether for the excess of imports from the mother country or for other current items such as dividends on the substantial Belgian capital invested in the colony, these francs can be and are obtained by sales of dollars or sterling to the Banque Nationale de Belgique.

"Rhythm of Pick and Shovel"

The basis of Belgium's economic strength is not to be found in some unearned and adventitious income of this kind, but in far more substantial and meritorious factors. The rapidity of the liberation left the industrial equipment of the country largely untouched and undamaged. One week Belgian industry was working largely for the occupying power. The next it was working for the Allies. The subsequent "occupation" of Belgium by British and American troops left in its wake a substantial sterling and dollar income which the Belgian authorities then proceeded to spend in launching a policy of incentives—filling the shops with consumer goods, many imported, in order to give the people the spur to work and produce and earn money. Judging by results, the policy has succeeded. The people work hard and well. There is no evidence of restrictive practices. There is no organised resistance against the introduction of foreign labour. The "rhythm of the pick and shovel" which an American observer recently found so frighteningly sluggish in

Britain was, in his view, quicker and also more cheerful in Belgium than in any other country of Europe. That is the first element in Belgium's economic recovery.

Other elements are to be found in the stability of the political and monetary situations. M. Spaak has succeeded in getting a really effective coalition between the Catholics and the Socialists. The partnership is working well because Belgian Socialists are an essentially moderate Socialist party, and, as symbolised in the person of the Prime Minister, represent the solid middle-class virtues rather than any exaggerated doctrinal zeal for the Socialist creed. As for the Catholic party in Belgium, it has long ceased to represent reactionary conservatism, but stands increasingly for the familiar type of Christian democracy which, when it speaks for labour, as it does in Christian trade unions, often does so with greater effect than do the Socialist unions.

Financial orthodoxy, which was given its excellent start after the liberation through the Plan Gutt which froze the greater part of the country's currency and credit, is still in the saddle. Few prophets of financial severity receive the credit that is their due in their own country, and M. Gutt is no exception to the rule. "Il m'a volé mon argent" is still the cry that goes up from nine out of ten Belgians when the name of this very great servant of Belgium is mentioned in that country today. But a comparison of the state of Belgian finances and Belgian currency with those of neighbouring France epitomises all that Belgium gained by the courage which immediately after the liberation immobilised and neutralised all the inflationary potential that the German occupation had left in its wake. That the flag of orthodoxy is still nailed to the mast may be seen from the fact that the Banque Nationale has recently been increasing its rate of discount as a psychological astringent. The figure has now risen to 3½ per cent, which is not by any stretch of imagination a penal rate, but which bears rather better relation to economic realities than a Bank of England rate which has remained unmoved through all the events of the past two years.

Export Prices too High

Beneath this apparent solidity and prosperity there are grounds for concern and, here and there, for apprehension. The problem of the balance of payments and, particularly, that *vis-à-vis* the dollar area, has already been mentioned. Belgium's basic industries—coal, iron and steel, heavy engineering—are showing signs of shabbiness and, in some cases, decline. The incentives policy applied to workers should be extended to entrepreneurs. There is insufficient encouragement in the present fiscal mechanism for ploughing back profits and renovating plant. Above all, the lifting of controls and the policy of abundance has allowed prices and wages and costs to get somewhat out of line with world parities. As compared with 1938, Belgian wages and prices have nearly quadrupled. Allowing for the small depreciation in the currency in terms of sterling and the larger depreciation in terms of dollars that was agreed early in the 1940s, this leaves Belgian export prices rather high. The handicap has not been seriously felt in the sellers' market that has recently prevailed. The fact that Belgium has recovered quickly, has been able to export and to offer early delivery dates has more than counterbalanced the relatively high prices of such articles as Belgian steel, locomotives, cement, textiles. But the situation is already changing and a time may come when Belgium, unless "floored off" into equilibrium by a further rise in dollar and sterling prices and costs, may seriously have to consider the alternatives of a drastic bout of deflation or of a devaluation of the franc.

Switzerland Keeps Right

[FROM OUR ZURICH CORRESPONDENT]

IN the democracy of Switzerland the active collaboration of the people does not stop at electing its legislators. It really does have the last word about the laws which affect the lives and actions of individuals. A century of referenda and elections has shown that the ordinary Swiss citizen uses his judgment independently of the official and party slogans, and that he has a sure sense of what is in the long run good for his country. Moreover, when they seem justified he will accept all kinds of sacrifices. There was a time, a few years before the war, when foreigners marvelled at the sight of the Swiss agreeing in a referendum to the lengthening of

the period of military service; and they have also approved financial programmes which meant considerable sacrifices for the ordinary taxpayer.

Recently there were two referenda the results of which set the course of social reform and economic development for decades ahead. The result of one was a four to one majority in favour of old-age insurance, which means considerable annual payments by individuals until they begin to enjoy the fruits at 65. The other decided general principles about the relation between state and national economy.

The Swiss Constitution guarantees to each individual the right to work and trade freely. Hitherto, limitations of this right could be imposed only on police grounds, that is to say for the protection of health, public order or security. They could not be imposed to counteract the effects of free competition. The existence of statutes of freedom to trade and work and giving a constitutional guarantee of that freedom as a right of the individual is a peculiarity of Swiss legislation, and in the new economic articles of the constitution it is again explicitly acknowledged. But at the same time these articles empower the federal government to limit freedom of enterprise, if that should be necessary for the maintenance of a healthy peasantry and an efficient agricultural system. Likewise, other branches of economic activity and certain professions can be protected if their survival is threatened. Measures taken under these articles are, of course, to pay due regard to the general interest. The state has further received the right to take, in co-operation with private economic interests, measures to avoid crises and to combat unemployment caused by them.

Compared with the development of state planning and supervision which has been going on in Europe, to say nothing of nationalisation, the innovations in Swiss economic legislation represent a very slight increase in the influence of the state over economic life. Yet they were approved by the people with only a chance majority and only thanks to the enthusiasm aroused by a simultaneous measure for old-age insurance. And this in spite of the fact that the innovations were recommended and supported by all parties and by all leading organisations of trade, industry, labour and farmers.

Socialist Reforms Rejected

This reluctant attitude in no way sprang from a feeling that the influence of the state on economic life was not developing fast enough and that state intervention should be on a more drastic scale. On the contrary: exactly six months before this the Swiss people had rejected, by a quite decisive majority, a socialist plan of economic reform. Before that they had rejected a proposal for constitutional amendment which would have given the state legislative powers over transport. So, with the struggle between east and west going on all round them, the Swiss people in three separate referenda, deliberately decided for the free way of life in economic matters.

But it would, of course, be an error to think that there is no state economic control in Switzerland. There was an organic development of public ownership long before other countries were moving towards nationalisation. Postal, telephone and telegraph services and, since the turn of the century, most of the main-line railways, came under federal control. Some three-quarters of the people are provided with electricity from power stations in public ownership. The local authorities provide gas and water. In banking state and communal interests control 51 per cent of the funds. And in insurance, too, the state exerts great influence through its own institutions and by its supervision. But the transformation industries were not touched by this development. Made up of a large number of relatively small concerns, they were not suitable for public ownership. Likewise the variety and complications of the craft industries have kept them outside the development of public enterprise and have provided a bulwark against the interference of the state.

But even in spheres where the state did not itself become a producer and organiser it intervened from an early date. The workers' conditions of work have long been protected and at the end of last century there began a far-reaching and complicated process of protection for agriculture. The two world wars brought state controls of raw material imports, and there was considerable control of their use by the federal government. At the same time world economic crises, the complicated systems of controls on trade and industry of some nations, and the authoritarian measures of others made it necessary for Switzerland to take defensive measures. Restrictions on exports and imports, payment agreements and other measures led again and again to

interference in internal economic life, and measures have also had to be taken to protect the export industries against developments threatening the partisan middle class.

Criticism of Controls

So in the course of years there has grown up a *de facto* system of controlling economic and social conditions which was out of line with the principle of free enterprise enshrined in the constitution. The new clauses in the constitution simply recognised the principle of "freedom with order" which had long been followed in practice.

The hesitation of the Swiss people to approve the undermining of their liberty by such legislation is a warning to the authorities only to intervene in economic affairs in cases where it is indispensable to protect important national interests or where a state of emergency has to be dealt with. Today as in the past, the Swiss citizen demands that the state should leave him as free as possible in his economic affairs. For he still believes that a free economy can promote the material and moral welfare of the people better than can the state, and that freedom spurs the working man and woman to exertions and achievements which are the real source of well-being in a country so poor in raw materials.

Rumania's Part in the Molotov Plan

[BY A RUMANIAN CORRESPONDENT]

RUMANIA has joined those countries which are trying to put some order into their monetary affairs. The currency stabilisation at more or less the 1938 level which was carried through on August 15th seems technically a very satisfactory job. To prepare it, the Government took two related steps. It produced a "super-inflation by decree" by raising all the official prices to a level above that ruling in the black market. And it produced a simultaneous artificial currency and credit scarcity through the intermediary of the National Bank and of the official industrial trusts.

The actual monetary conversion did the rest. All Rumanian currency in circulation was blocked, all foreign currency, gold (excepting jewellery), and gold coins were declared Government property, and the equivalent of between two and five shillings per head, according to the social category of the individual, the peasants and workers being "favoured," was freed for use in the first week of the new currency's existence. Government commissions will decide "on the individual merits of the case" what should happen to the rest of a citizen's convertible money.

Socially, this conversion will prove a useful weapon in the hands of the Communists for the liquidation of social groups opposed to them. Its efficacy should not, however, be over-rated. Politically, it will prove a powerful weapon against the opposition, each of whose prominent members will have to pass before a partisan committee of inquiry into his private affairs.

But the monetary reform is only part of a larger pattern which is becoming known as the "Molotov Plan" for eastern Europe. Rumania's part in that plan can only be seen if the whole of its economic position is kept in mind. This is at present determined by four main factors: the payments to Russia and the other direct costs of the war, the state of the harvest, the effects of war and political changes and the political atmosphere in the country.

In 1938 the national income of Rumania was estimated at some £400 million—or about £330 million for its present-day territory. Since the rising against the Germans on August 23, 1944, it has never exceeded £200 million. Out of this income and the movable capital and consumption goods in existence in the country at the time of the rising, Rumania by July, 1946, had paid to Russia, according to the official statement made at the Paris Peace Conference by the leader of the American Economic Delegation, Mr Thorp, the equivalent of about £250 million. And at least another £150 million have been paid since. During that period a further £110 million were expended on the equipment and maintenance of the army. Between August, 1944, and August, 1947, Rumania has thus paid under the above mentioned headings about £510 million, which is probably the equivalent, or not far from it, of the total national income in that period.

Threat of Starvation

The harvest is the most important single item in Rumania's economy. Some of the "cash" items, like oil and timber and



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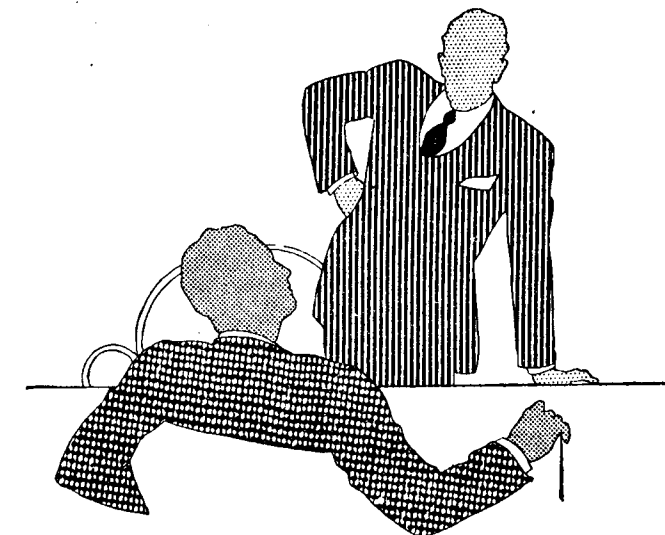
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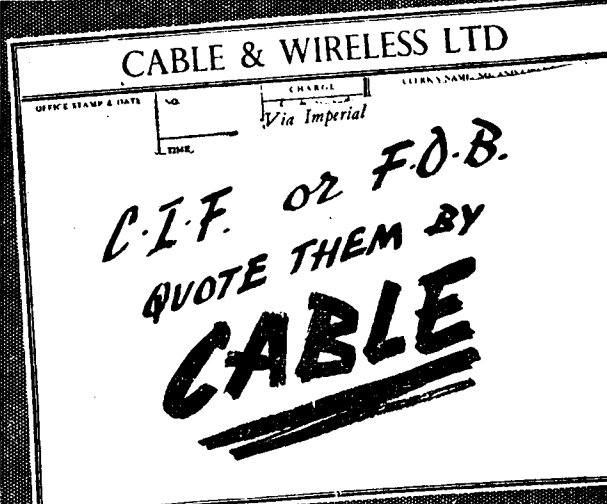


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lately certain industrial products, might take precedence in international trade, because they are the ready money for whatever Rumania has to buy from abroad. But Rumania could still live, though not prosper, without them and as a matter of fact, and because of the payments which have still to be made to Russia precisely in those products does so live at the present time. A bad harvest, on the other hand, and even more so a series of bad harvests, implies for the population the danger of direct physical extinction, if no help is available from abroad. Such a series of bad harvests has been Rumania's lot since 1944, with 1945 and 1946 as complete failures. But there is a hope that this year chiefly due to a probable bumper maize harvest, there will be no more widespread starvation.

These external factors are independent of the efforts of the population. Of those factors directly affecting the contribution of the Rumanians towards increased production and the rehabilitation of the country the war itself has pride of place. The loss of some 800,000 able-bodied men in a population estimated at 15-16 million people, the destruction already noted, the large-scale removal of factory plants and all kinds of implements by the Russians, the severe reductions in transport facilities (more than two-thirds of the rolling stock having been removed by the Soviet military authorities and almost the whole of the merchant fleet being now Soviet property by a decision of the Soviet High Command), all contributed to a widespread and severe fall in industrial and agricultural production. The estimate made in May this year by the Vice-Premier of the present communist-controlled Government is that "the general production of the country is only 48 per cent of that of 1939," and that "in 1946 it was smaller than in 1945."

Political Brakes on Recovery

But the direct impact of the war, severe as it was, does not account for the whole of this decrease. The political changes which have occurred so far and even more so the general political atmosphere add their weighty share. A few quotations from a confidential memorandum presented on May 28, 1947, by the Vice-Premier to the leaders of the coalition parties in the Government will best illustrate this:—

"The most important (of the causes which have maintained national production at this low level) after the disaster brought about by the drought, is the general lack of trust which prevents the mobilisation of all the forces of the nation in the service of production. As long as this lack of trust exists, every attempt at reconstruction will be doomed to failure and the country will continue to suffer from the bad feelings caused by a bankrupt economy."

He goes on to mention some of the reasons for this lack of trust: the "excesses concerning preventive arrests" (which have greatly increased since), the "treatment applied to the political detainees and those condemned for political offences" (there have been official British and American protests on this account), the "regime of requisitionings . . . with all its abuses and excesses." This leads, according to the memorandum, to a "state of dissatisfaction and mistrust common to all the social categories, without any exceptions."

The above-quoted memorandum, while advocating a new approach by the Government towards these problems, also emphasises the urgent and vital need for Rumania of a foreign grant of at least \$600 million. The Rumanian Government, however, has unanimously endorsed the Communists' alternative proposals and rejected the Marshall plan which had been put forward meanwhile. The Soviet Union is already well established as the major factor in the economic life of Rumania and has assimilated or taken over every major branch of Rumania's economy by means of the "SovRom" companies, in which the Soviet Union or Soviet organisation has 50 per cent of the shares, while the Rumanian state and big Rumanian companies and organisations have the other 50 per cent. These companies can be dissolved only by a majority decision of the shareholders, which implies their continued existence as long as the Soviet Union should so desire. The "SovRoms" so far constituted control Rumanian shipping, air-traffic, wood and timber production, banking (except one major bank), insurance and all the oil production not belonging to foreign interests. The machinery of the state is used to give every advantage to the "SovRoms" and squeeze out the companies not included in them.

The Communist plan for the reconstruction of Rumania as part of the larger "Molotov Plan," is now being played up as a constructive alternative to the "enslaving" proposals of the Marshall Plan. The items in the Communist plan, as first published on June 15th this year, may be roughly divided in two: those which,

under the present circumstances, could be implemented without too much difficulty and those for which extensive foreign credits or a radical change in the internal situation are needed

Penetration by Communists

Among the first are the reduction of the state apparatus, the monetary reform and the direction and regimentation of labour. The reduction of the state apparatus has a two-fold significance: it will reduce state expenditure, and it will eliminate the majority, if not all, of those civil servants who are lukewarm towards Communism. This step is the logical completion of the process begun with the flooding, during the last two years, of the administration with Communists or their sympathisers, who will now remain in sole possession of it. The Government hopes that the re-valuation of the currency will prove sufficient to ensure a stable monetary basis for future reforms. It will be backed by the Bank of Rumania's gold reserves of about 240 tons and its gold exchanges which have been considerably increased by the recent measures. The regimentation of labour, combined with a more complex system of piece-rate payments and incentives will, according to the plan, increase productivity this year up to 60 or 70 per cent of the prewar figure. To these measures must be added those initiated before the publication of this plan—such as the regimentation in state-directed trusts, of all industrial production which does not yet come under the "SovRoms."

The second category of the proposals implies a definite, and in certain cases a large, contribution, from external sources. They deal with the re-equipment of agriculture, the extension and modernisation of the railways, a large increase in the production of the extractive and manufacturing industries, and the creation of stocks. The only item in this category which could be immediately implemented, at least within certain limits, is the compulsory delivery of agricultural products by the peasants (greatly helped by the severe rationing of money by the new reform) to serve as an incentive for increased industrial production. The rest, after the rejection of the Marshall plan, could only be put into practice if large credits were forthcoming from another source. That source could only be the Soviet Union.

It is therefore interesting to try to visualise the problem from the Russian point of view, as being the determining factor. Russia is faced with the same problem now facing almost the whole world: the allocation of scarce factors of production, which for Russia are represented by machinery and tools. Would it be better economics to try to increase production in the Rumanian subsidiary or in the old firm at home? Rumania is a restive country in which a handful of Soviet agents have to keep down and perhaps try to win over the large majority of the population. Would it be good policy to try to help that population to prosperity and thus hope to win it over, or to "starve" it into submission, at least until its leaders have been eliminated? The decision to be taken is difficult, the more so as Rumania is not the only subsidiary with which Russia has to deal.

Russia Plays Safe

On the whole it appears that Russia has decided for the moment to play safe. If it can give any direct help, it will give it first to those countries which seem more actively pro-Soviet. As far as machinery and finished products are concerned Rumania cannot therefore expect much for some time. But Russia and the Soviet zone in Europe have almost overcome the shortage of raw materials prevailing in western Europe and can without much difficulty provide at least coal, cotton, iron and manganese. The pattern of Rumanian economy in the immediate future thus seems to be one of full utilisation of existing industries but of very little, if any, expansion or even rebuilding. Nor will the whole benefit of even this "full employment" accrue to Rumania, as virtually all exports will have to go to the USSR in accordance with the Moscow trade agreements, thus making it impossible to acquire in exchange the much needed industrial and agricultural machinery which the USSR cannot at present deliver.

The adoption of the Molotov plan as an alternative to the Marshall plan by the Communists in Rumania has thus at the best put back the natural development of the country's economy by at least three to four years—and this at a time when the urgency of economic recovery is paramount.

THE BUSINESS WORLD

Export Arithmetic

IT is very apparent that British industry has not yet taken the measure of the comprehensive export programme announced by Sir Stafford Cripps last week and discussed in some of its wider aspects in an earlier article. Some bewilderment at this stage is indeed inevitable. The programme extends to no less than a hundred and fifty-three items or groups of items, specifically listing such minor commodities as razor blades and combs, and fixes specific export targets for each, both for the middle and the end of next year. But, despite the minuteness of detail with which it grapples, hardly any of these targets had been discussed in any formal way with the industries concerned; they had apparently been worked out by the responsible Government departments and co-ordinated by the Board of Trade. Sir Stafford claimed that the departments had made "an extensive and careful inquiry into all the main industries of the country to see what export task we could realistically place upon them." Yet it is plain that what has emerged is primarily an arithmetical exercise, the very tidiness of which makes it the more suspect.

The adverse balance to be bridged is still estimated at £600 million for the coming year—it is admittedly a very hazy estimate—before allowing for the £228 million of import cuts already announced. In the absence, therefore, of further cuts (and none are apparently in contemplation), £372 million, or £31 million per month, has to be provided by additional exports. The official blueprint produces this total precisely, and achieves this precision despite the fact that the targets for many of its small components are expressed to three places of decimals.

The excellence of this arithmetic is indeed an apt commentary on the whole scheme. Most of the proposals are unexceptionable in theory, but gravely deficient or even patently unworkable in practice. Yet in one sense the plan as a whole gives the first clear sign, if not of realism, at least of determination on the part of the Government to take drastic measures. At last there is clear evidence of intention to concentrate productive resources upon vital needs, specifically defined. The new principle is that if a manufacturer cannot sell for export, he may not be allowed to sell at all. If his normal products cannot be marketed abroad he will be expected to switch to others which can be, and otherwise his materials and labour are to be diverted to export manufacturers in other industries. If the principles of this scheme could be put into practice by the techniques and in the detail which the Government contemplates, it would undoubtedly be one of the most far-reaching and courageous measures of economic planning ever attempted in peacetime. But, as the article on page 465 argues, it cannot thus be carried through.

Industrialists are already predicting three distinct sources of dislocation, and the Government would do well not to dismiss these fears by any airy assumption that they spring simply from the unwillingness of private enterprise to make unpalatable changes. The first fear is that, if an attempt is made to impose the plan by the technique of priorities for labour and materials, the result will be a chaos of administrative bottlenecks and insufficient co-ordination. The second fear is that unless these techniques are supported by realistic fiscal and financial measures to reduce the pressure of home demand, the black markets will

grow so large that the allocations, even if successfully made at the first stage, will later be undermined by wholesale evasion. The "spivs" will find a new vocation in "fiddling." The third fear is that even if, despite all such obstacles, the actual production for export approaches the targets, it will then be found that the rapidly changing conditions abroad have already killed the market.

It must, in fairness, be conceded that the Government foresees many of these difficulties. But its only remedy for them is more detailed planning. Thus it is said that the system must be flexible; but how can officials who are swamped with detailed work be expected quickly to revise particular firms' targets for specific goods and then speedily to withdraw or make available (through the other responsible branches of the huge administrative machine) the corresponding quotas of labour, materials and components, and to do so without getting the multiple currents grotesquely out of phase? Yet this is not the end of the tale of complexity. The Government is to attempt a flexible policy so as to take account of differences in the "conversion factor" of particular goods, to minimise the use in exports of scarce or imported supplies. Equally, it is to direct supplies to the hard currency areas and to others which can promise a return flow of the goods which Britain most needs. It hopes, finally, to vary its directional policy to meet changing conditions in markets overseas. Yet these things are to be done "by general control rather than by complex licensing," and as large a responsibility as possible is to be delegated to district organisations which "we have not yet learnt to use thoroughly."

It is small wonder that industry doubts whether the plan can work, or whether any substantial increase in exports can be achieved in the conditions of administrative crisis which are almost bound to arise in the responsible departments. Yet, given the Government's continued reluctance to relieve the pressure by what Sir Stafford Cripps calls the "old-fashioned" financial techniques, it is hard to see what more could have been expected than a programme framed on these lines. Given, too, the speed with which the departments have had to work—because of the dilatoriness of the Government in admitting, and acting upon, the extremity of Britain's need—the only possibility of preparing a programme of targets at all was for the departments to do the job themselves largely behind closed doors. But it would be wrong to suppose that this blueprint is valueless. It is better to have a *pro forma* programme than none at all, first because it brings home to each of the many industrial groups the broad extent of its task, and, secondly, because it is a foundation from which more realistic targets can be worked out. But it is already plain that, within the global totals, large revisions will be necessary.

British industry as a whole is expected to raise its exports from a monthly rate of £89 million in the last quarter of 1946 to a rate of £114 million by the middle, and £132 million by the end of next year—assuming no further worsening of the terms of trade. These are the totals, in terms of end-1946 prices, which are needed to achieve the global target rates already announced in terms of volume. If the objectives now more specifically defined were achieved, the volume index, in the absence of any change in prices, would be raised from 111

per cent in the last quarter of 1946, and from approximately 108 per cent now, to 164 per cent by end-1948. The crucial intermediate target, equivalent to an export volume of 43 per cent above that of 1938, is that required to close the estimated

EXPORT TARGETS FOR 1948
(Monthly Rates)

	4th Qtr. 1946		Target Mid-1948		Target End-1948	
	£ Mn.	% of 1938	£ Mn.	% of 1938	£ Mn.	% of 1938
Food, drink and tobacco.....	4.7	79	6.95	117	7.75	130
Raw materials.....	3.0	30	4.15	41	5.0	50
Of which:—						
Coal.....	0.55	9	1.75	28	2.50	40
Other raw materials.....	2.45	...	2.40	...	2.50	...
Iron and steel manufactures....	6.6	105	6.55	104	7.0	111
Of which:—						
Iron and steel exports.....	3.7	...	3.4	...	3.6	...
Non-ferrous metals.....	3.22	196	3.2	196	3.2	196
Implements and instruments....	2.82	190	2.99	202	3.09	212
Electrical goods and apparatus..	3.82	191	4.2	210	4.3	215
Machinery.....	12.87	147	19.43	224	22.03	254
Of which:—						
Agricultural.....	0.72	...	4.0	...	4.5	...
Electrical.....	1.62	...	1.92	...	2.09	...
Textile.....	1.5	...	1.8	...	2.25	...
Vehicles.....	12.55	177	18.33	258	22.4	316
Of which:—						
Private cars.....	2.6	...	5.0	...	6.4	...
Commercial vehicles.....	2.15	...	3.13	...	4.0	...
Textiles and clothing.....	17.95	...	22.9	...	28.1	...
Of which:—						
Cotton textiles.....	5.7	43	7.5	56	9.1	69
Woolens and worsteds.....	4.25	89	7.0	146	8.7	182
Rayon and silk.....	2.33	150	2.8	180	3.8	245
Chemicals, etc.....	5.85	161	6.85	188	7.5	206
Oils, fats, etc.....	0.52	64	0.78	96	0.80	98
Pottery, glass, abrasives.....	2.61	159	3.20	194	3.67	223
Paper and paper manufactures..	1.45	116	1.45	116	1.75	140
Leather and leather goods.....	0.63	79	1.0	125	1.1	138
Miscellaneous manufactures.....	5.93	121	7.47	152	8.47	173
Total exports.....	88.74	111	114.35	143	131.65	164

N.B.—In order to express the changes in volume, it is necessary to adopt constant prices. The price-level selected is that for the fourth quarter of 1946.

over-all gap after allowing for the cuts in imports. It represents an expansion of the total of British exports in terms of money values by almost one third from its present level.

If the gap is to be closed before Britain's remaining exchange resources fall to their minimum working level, this formidable increase must be achieved in not more than nine months from now. This effort, it should be emphasised, is required to save the economy from complete breakdown. It postulates, not any relief from present austerities, but, on the contrary, a sharp accentuation of them, as the home shortages of goods now to be diverted to export are added to those which emerge as the import cuts take effect. The higher target which is planned

for the end of 1948 is, therefore, intended partly to provide some slight elbow room for an increase in imports for home needs, but also to pay for the additional imported materials which will be required for the export drive itself—on the assumption that the total volume of production will by then be rising.

Of the total additional £43 million, in terms of monthly rates, which is projected for end-1948 by comparison with end-1946, nearly three quarters is expected to be provided by three main industrial groups. These are machinery, vehicles and textiles, which divide a target expansion of roughly £30 million almost equally between them. The importance of machinery in the programme shows how heavy the impact is likely to be upon home capital programmes. Sir Stafford Cripps estimates, indeed, that between £50 and £60 million of the additional exports will be in the form of capital goods, because the war-shattered economies abroad, now that their dollars are running out, are at last putting first things first and thus offer diminishing opportunities to British exporters of the less essential consumer goods. Whatever doubts there may be about the wisdom of exporting capital goods which are needed here, Sir Stafford Cripps is certainly right when he says that the bilateral bargaining upon which Britain is to embark will break down unless some proportion of such goods can be offered in almost every case.

*

The targets which have been set for vehicles—that for private cars is 150 per cent above the end-1946 rate—seem hardly consistent with this line of argument. They are the more surprising in view of the publicity which has been given to the fact that more than twenty countries have just imposed import restrictions of varying severity upon imports of British vehicles. It may indeed be true that general dollar shortage and sterling's non-convertibility may lead some countries to switch their purchases from America to Britain (though Sir Stafford admitted that policies of general import curtailment are equally probable in some cases), but it is surely futile to expect British exports of private cars to benefit significantly from such a switch at this stage. If this is so, the position of the motor car industry will provide a critical example of the difficulties which will arise in switching production to other exportable manufactures, such as commercial vehicles or tractors or agricultural machinery—switches which would raise at once the intractable problem of ensuring a balanced flow of components. This problem is, indeed, crucial to the whole programme. Given the speed with which it has been compiled, it would not be surprising to find that some of the targets are, in fact, mutually exclusive, not because of shortage of labour or basic materials (for, in theory, these can be secured by switching), but because of insufficiency of supplies of specialised constituents and even of capacity to

produce them. In the textile field, however, some attention has evidently been paid to this problem. The effort there is to be concentrated upon export of end-products rather than of yarn, though it is admitted that supplies of certain fine quality yarns will present difficulties, principally for currency reasons.

While the three main groups must provide the actual bulk of the expansion, even larger percentage increases are expected of many less important industries, including some which in the past have not been generally regarded as significant exporters at all. In the classification by groups, the targets for the following twelve categories show the largest percentage changes:—

	VOLUME INCREASES (1938 = 100)		Col. 2 as % of Col. 1
	4th Qtr. 1946	Export Target End-1948	
Rubber manufactures....	222	425	91
Vehicles.....	177	316	78
Footwear.....	183	295	61
Machinery.....	147	254	73
Rayon.....	150	245	63
Woolens and worsteds....	89	182	104
Pottery and glass.....	159	223	40
Leather.....	79	138	75
Miscellaneous.....	121	173	43
Chemicals.....	161	206	28
Coal.....	9	40	344
Cotton.....	43	69	60

It is too early yet to guess the extent of the drain upon home supplies which would be required to achieve the targets, but it will certainly be felt over a very wide range, and in some instances the domestic shortage is bound to be severe. Vehicles are a case in point. In December last, when their export value was 177 per cent above the 1938 level, 50 per cent of the total production was going for export. Hence the target level of 316 per cent, could it be achieved, would leave only a trickle of supplies for the home market. At the other end of the scale, the projected increase of 344 per cent in coal

Payment by Results

THERE is still no sign that the Government is prepared to sponsor a wages policy designed to avoid the wastages inherent in the rising inflationary pressures. But there is a vital aspect of the wages problem which presents no such political difficulties. Everyone now agrees upon the need to ensure that wages—and especially wage-increases—as linked as closely as practicable with productivity. Both sides of the industry represented on the Minister of Labour's National Joint Advisory Council have agreed on the need to extend systems of payment by results, wherever possible, as an incentive to greater output, and individual industries have been urged to examine the possibility of introducing or extending such systems. Even the TUC, while adhering to its traditional attitude that this is a matter which must be left to its affiliated unions to determine, has given its general blessing to the idea, which at one time it tended to discourage. So far, however, no very clear ideas have been forthcoming, either from the employers or the unions, about the scope for extending the existing systems, or about the new industries to which they could be applied.

The reason for this is, no doubt, that, except in building, where the concept of nation-wide payment by results is revolutionary by comparison with the limited and local schemes which existed before the war, the bulk of industries are already operating some system of output incentives, and for these it is a question of extending its application, rather than breaking fresh ground. There are some industries and occupations where payment by results obviously cannot apply. Road and rail transport are examples of natural time-rate industries, though even here

is equivalent to about 1,200,000 tons a month—one sixteenth of the conceivable, if optimistic output rate of 4,800,000 tons per week which might be attained by end-1948, given increased labour and further mechanisation in the mines. In steel, an additional 250,000 tons a quarter is expected to be required for work on exports, a demand which will make heavy inroads into home supplies.

This particular burden, however, will be eased, so far as the home consumer is concerned, by the cuts which are contemplated in the capital programmes—and especially in building—to the extent of perhaps £200 million. In textiles, on the other hand, Sir Stafford has said plainly that very drastic cuts in home supplies are inevitable unless production is increased. In this instance, an expansion of total production by 10 per cent would suffice to meet the immediate export need.

More production is, indeed, the only solution to the whole problem. If the Government will not stimulate effort by creating financial stringency, the prospect of increasing austerity ought, perhaps, to be welcomed. It may bring home to individuals the truth, which the size of their incomes seems to deny, that only by making more can they avoid consuming less of the things they need. That is the approach to the problem by way of the consumer. The approach via the producer is, perhaps, even more important. The more production can be raised, and the greater the voluntary co-operation from industry, the less the need for the frightening apparatus of control which is threatened. Sir Stafford declares that the responsibility is upon industry to win this battle of the Balance of Payments. It is, indeed; for industry is, in effect, being asked to do not only its own job, but the Government's as well—to achieve this task though all the pressures of the domestic market, pressures which the Government does nothing to relieve, pull in the opposite direction.

bonuses for prompt running might be regarded as a limited form of payment by results. In dock work, where time wages might on general grounds be thought to be the appropriate basis, payment by results is extensively applied and now governs the pay of about 90 per cent of the workers. The schedules are extremely complicated, and rates vary according to the cargo handled, conditions at the port, the provision of mechanical gear, type of ship, and other factors. The smoothness with which payment by results operates in this complicated situation depends, in large degree, upon the efficiency of the local negotiating machinery, since rates frequently have to be agreed on the spot and many difficulties of interpretation may arise for immediate settlement. But, in general, it might be said that if payment by results can operate successfully in dockland, it could be applied almost anywhere. There is no doubt that if the system were to be abandoned, the tempo of the work and the turn-round of ships would at once be slowed down.

Piece-rate working is normal practice among underground miners, and it is doubtful if it could be usefully extended beyond the existing pieceworkers, who now represent about 40 per cent of the labour force. It might, however, be possible to operate some form of collective bonus, on the basis of a seam or colliery, which would give day-workers a more direct interest in the output of their pit. There would seem to be comparatively little room for the extension of payment by results in the cotton textiles and boot and shoe industries, where output is fairly easily measured in physical units, and where both sides have long experience of negotiating the price lists.

Greater scope may exist for extending piecework operation

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in the engineering industry, and this is now being considered. An agreement was recently reached to cover the payment of pattern makers, and negotiations for its introduction into foundries are proceeding. Most of the larger firms already operate payment by results but there are some smaller firms which adhere to the time basis where piece rates might with advantage be introduced. That, however, calls for negotiations in the workshop rather than on the national level. There has in the past been bitter resistance from the unions to certain forms of piecework which were associated in their minds, not with increased earnings, but rather with unpopular methods of speed-up and price cutting. This opposition was frequently expressed by strike action, in spite of the national agreement of June, 1931, which was directly intended to safeguard employees against rate cutting and to protect the good employer. It provided that no piecework price, bonus or basic times, once established, could be altered except, first, where there had been a mistake in calculation; secondly, where material, means or method of production or the quantities had changed; or, thirdly, by mutual arrangement between the two sides. As might be expected, it was the second of these three escape clauses which gave rise to disputes.

The opposition to piecework was largely eliminated during the war, when "the sky" was virtually the limit on piecework rates. Indeed, Government policy, as defined by Mr Bevin, who was then Minister of Labour, was to encourage high rates. Mr Bevin declared in Parliament in July, 1941, that he "did not mind what was earned on payment by results so long as it represented production." It was not unusual to find men in the engineering industries earning piecework bonuses equivalent to 100 or 200 per cent of their ordinary time rates, as a result of the combination of piece rates and overtime working. Since the end of the war the inflated piecework earnings have naturally dropped, but the practice of payment by results has not appreciably diminished. It is estimated that about 50 per cent of all the workers in the industry are on piece rates, the proportion in the case of fitters, turners and other machine workers being about 75 per cent. The same proportion is found among railway shopmen.

Piecework systems vary considerably, and they add further complications to the already highly complicated structure of engineering wages. The simplest method is straight piece rates, where the worker is paid a rate of so much per piece, which provides a direct incentive to increase output. Because of its simplicity, that is the most popular method among the men, who do not feel they are being "cheated" of any earnings. The wage award of the National Arbitration Tribunal in May, 1944, provided that piecework prices should be such as to enable a "workman of average ability" to earn at least 27½ per cent above the basic time rate. This award took into account the restoration of the 2½ per cent cut imposed in June, 1931. Engineering employers contend that in practice piece-rate earnings average about 50 per cent above time rates. The unions regard this estimate as unduly high, and for this reason, among others, they have pressed for higher basic rates.

Systems of premium bonuses differ from straight piece rates. Instead of being calculated in terms of money rates per piece produced, they are based on a standard time for a given job, with a bonus for time saved, which is credited to the worker. The two systems mainly operated in this country are the Rowan system, first introduced in Glasgow in 1898, and the Halsey system, which originated in the United States. The Rowan system provides a greater incentive at the early stages, but is regarded as being less favourable to the slow worker than the Halsey system. There are also the methods of collective bonuses, related not to individual performance, but to that of a group of workers whose output cannot be assessed individually—such, for example, as workers on an assembly line.

The experience of the engineering industry in operating schemes of payment by results is no doubt being carefully examined by the building industry, in which at long last, a scheme for the operation of incentive payments may be introduced, if the ballot now being taken among building workers is favourable. No indication has yet been given of the methods which may be applied, beyond the likelihood that the scheme will enable a bonus of 20 per cent on the time rate to be earned. The building industry does not lend itself so easily as engineering or cotton to straight piecework rates. Quite apart from the varied nature of building crafts and operations and the difficulty of measuring the different processes which go into the making up of the final product, the multiplicity of small firms in the industry (to many of whom the idea of scientific progressing and costing of jobs is quite unfamiliar) makes it difficult to apply a universally acceptable scheme.

Various schemes have been propounded in the past for payment by results in building. One, put forward by a group of larger builders, attracted considerable attention in the *Builder* last year, and this might at least provide a starting point. The essence of this scheme is that it is a collective, and not an individual, bonus, and that it is based on the time saved on each job. A standard time would be set, based on the time taken on the job before the war, but including a percentage addition to conform with current circumstances; thus a kind of national schedule of man-hours for different processes would be drawn up and checked by an independent authority—for example, a committee representing the two sides of the industry and the quantity surveyors under an independent chairman. This would protect both employees and good employers against unscrupulous practices. In order to provide incentives for efficiency under this scheme to the operative and also to the contractor and the client, it is suggested that all three should share in the proceeds. This suggestion is rather debatable, for if the benefits of a reduction of man-hours compared with the target are shared, the operative will obviously have less inducement to increase his individual effort. Two points require emphasis. First, the operatives should fully understand the basis on which any bonus scheme is operated, and their full agreement will have to be obtained. Secondly, it will, in the first instance at any rate, be easier to secure such agreement in each locality rather than through national negotiation. Indeed, local differences of building methods make such local agreements almost inevitable, whatever may be said for a national agreement in principle. Whatever method is finally adopted, speed in reaching agreement is urgent. Productivity in building is now estimated to be about 40 per cent of the prewar level and far too much time has already been lost, primarily as a result of the opposition of the union leaders, to the acceptance of incentive payments to raise output. And the fact that the building programme must be cut to provide room for exports makes higher productivity more than ever important, for the building work which is undertaken in the next year or so will inevitably be of the highest priority.

Payment by results is not the universal panacea that it is sometimes made out to be, for building or for any other industry. It is only one aspect of industrial efficiency, which includes good management, good industrial relations and welfare provision, the smooth flow of raw materials and components, an adequate fuel supply, and the quality and quantity of plant and machinery. But payment by results can play an important part in increasing output, where the other conditions are favourable. Providing that the rate-fixing machinery works quickly and efficiently, and that an increased money income is an incentive, it can be most valuable. But if the rates are unduly favourable, or if workers use the system merely to enable them to earn the same money income in a shorter time, its benefits, in terms of increased output, will be negligible.

Business Notes

Markets and the Export Plan

Rather unexpectedly, there has been no clearly marked response in markets to the announcement of the export plan. In the few industrial groups where the link with the Government's proposals is both direct and readily apparent, some response has, of course, been discernible. The rise in textile shares is the outstanding instance, but other examples are to be found in the easing of prices in building shares and in those relating to domestic retailing. But such changes have been of moderate extent, and mainly reflect the marking up or down of quotations rather than any speculative business. Indeed, the most striking feature of the equity markets has been the further decline in the volume of business, which on one or two days this week was at its lowest ebb for some considerable time. The level of the market as a whole has been virtually unchanged—so that the speculative gains of the previous week have been held.

This inertia is somewhat surprising, even granted that, at times of major economic change, it is always hard to discern the effect upon particular securities or even particular groups. One reason for the inactivity might be the general assumption that the Cripps scheme simply cannot work on the lines planned. Yet it might have been expected that the prospect of drastic changes in the structure of industry—changes which are likely to take place in an atmosphere of administrative friction and delay—would have been reflected in further disquiet among investors. Fortunately, this has not happened, and the most common City view seems to be that the steep decline in values which had already occurred discounts the probability of a good deal of industrial dislocation this winter, in any case. From the standpoint of the stock markets that seems to be a rather sanguine view, and it is likely to be roughly shaken if the Government decides at last to support its physical planning by budgetary action. In the meantime, these inactive markets gain something from the strengthening of the technical position which resulted from the severe shakeout of three weeks ago. The significance of the technical factor was apparent when the new account opened this week, for the firmer tone then was certainly attributable more to this influence than to any of the deeper explanations—such as the speedy window-dressing of the Paris plan to bring it into line with American requirements—which many people tried to find.

Meanwhile, the gilt-edged market seems to be reacting rather to the general influences of the economic crisis than to the monetary and technical factors which tended to dominate it in the recent past. It is true that the accentuation of the sagging trend on Tuesday was apparently due to the news of the draft on the Exchange Account's gold stocks. In its strictly technical application, this transaction meant that the authorities had correspondingly larger sterling resources available to support the market, should they choose to do so. But the City's reasoning was quite plainly on much broader lines: it argued simply that, the smaller the gold reserve, the greater is the danger of a general breakdown until the effectiveness of the wider corrective measures has been demonstrated.

Drawing on the Gold Reserve

Britain's need for dollars is now being satisfied by sales of gold to the United States. On Monday last the Treasury announced that the Bank of England had sold £20 million of gold to the Federal Reserve Bank of New York. The proceeds will be credited to the working balances of the Bank of England and will make resources available with which to continue purchases of sterling in New York against dollars at the official rate. The final drafts on the American loan had, it was thought, provided for a fair amount of dollar expenditure, but it is probable that these anticipated requirements were for account of others rather than Britain, so that the rapidity with which drafts on the gold reserve have had to be started is not a reflection of the rate at which Britain needs dollars for her current requirements. These requirements apply not merely to the direct trade with the United States, but to the trade with a number of countries to which payments have still to be made in convertible currency or US dollars. The reserve of gold into which Britain has just begun to dip was estimated by the Chancellor of the Exchequer to be about £600 million at the beginning of August. Given the steps that

are now being taken among representatives of the Dominions—assembled in London for the Bank and Fund meetings—in order to conserve dollars and curtail imports from the United States, it is to be hoped that the further drafts on the gold reserve to meet current dollar expenditure will show a steady diminution. The gap should also be narrowed by the accelerated export drive and by increased canalisation of British exports to hard currency countries. It should also be possible before long to finance a further part of the dollar deficit by means of the final \$400 million immobilised in the US line of credit. Mr Snyder, the US Secretary to the Treasury, made it clear at a press conference this week that this \$400 million would again be available as soon as the United States was satisfied about the trend and character of the new payments agreements negotiated by Great Britain following the suspension of free convertibility of current sterling into dollars. Mr Snyder would not specify what this desired trend should be, but he made it clear that in his view the events of August 20th last should not be regarded as a fundamental departure from the provisions of the Anglo-American financial agreement. The United States authorities are evidently under the impression that the suspension of sterling convertibility is a very brief deviation from the line of conduct and policy that was marked out in that agreement. If this view does not accord with that of the British authorities it may be hoped that no opportunity was lost in the past week—and the opportunities were there for the asking—to remove any possible misunderstanding.

Recourse to the Fund

The second instalment in the search for dollars needed to tide Britain over until the measures taken to balance external accounts become fully effective has been the purchase of \$60 million from the International Monetary Fund. This operation was arranged in London during the course of the meeting of the IMF governors. The sanction of this dollar purchase is of significance in that it implies that to the Fund authorities the present balance of payments difficulties from which Britain is suffering, and in covering which the help of the IMF has been sought, may be regarded as a "temporary disequilibrium." There can be no doubt that, but for last week's export programme announcement, this requirement would not have been regarded as satisfied. But this programme, with the measures taken to reduce imports, offers some reason to hope that some time during 1948 the balance of payments will again be on an even keel. That in itself was probably sufficient to satisfy the IMF authorities about the eligibility of Britain's application for purchasing dollars from the Fund. Further strengthening of the British case must have come from the sale of \$20 million of gold to the United States, an operation which showed the United States and all concerned that Britain was dipping into her final reserves before approaching the IMF for assistance.

It may be assumed that this week's purchase of dollars by Britain will be followed by other similar operations before equilibrium in external payments is reached. The Chancellor of the Exchequer, in the economic debate in the House of Commons at the beginning of last month, had indicated that Britain's facilities with the IMF would be left in reserve, partly because of the onerous terms which apply to drawings upon the Fund. That, however, can hardly be said of the initial purchases. What is in fact taking place is the recapture by Britain from the Fund of some of the gold which it subscribed to the capital of that institution. In paying its Fund quota of \$1,300 million, Britain contributed \$210 million in gold. Under the Fund agreement a member country may purchase currency from the Fund against its own currency without interest charge until the Fund holds in that member's currency an amount equal to its quota. This means that Britain can purchase foreign currencies from the Fund up to \$210.4 million, plus whatever sterling the Fund has sold to other members (at the moment this amounts to \$6,000,000 worth sold to the Netherlands) without incurring any charge other than the "once for all" service charge of ½ per cent levied on all exchange operations by the Fund. Up to about \$217 million, therefore, Britain's recourse to the Fund would be made on extremely cheap terms.

Even thereafter the borrowing from the Fund would not be expensive by current interest rate standards.

The amount that Britain can obtain from the Fund cannot in itself be said to represent any considerable contribution to the problem of bridging the immediate gap. This first operation by Britain should, however, have greater value than its magnitude might imply. There can be no doubt that hitherto there has been considerable reluctance among members in using the facilities of the Fund. Apart from a small sale of dollars and sterling to the Netherlands, the Fund's operations have been restricted to comparatively poor "risks," namely, France and Mexico, both of which have in the course of a few months virtually exhausted their first year's facilities with the Fund. Despite Britain's extremity, the first sale of dollars to this country may be said to make recourse to the Fund "respectable," and it may be hoped that Britain's lead will soon be followed by a number of other countries suffering from the prevailing universal dollar shortage. If this occurs, the Fund may indeed become an appreciable instrument in easing the dollar strain, taking the pressure until greater help is forthcoming through a Marshall plan.

Raw Materials and Export Targets

To the extent that progress towards the export targets of the various industries is achieved simply by switching supplies from the home market, the question of availability of raw materials naturally does not arise; but where the export drive involves changes in the character or total volume of production it is evident that significant problems will have to be overcome in many instances. Unfortunately, it is not possible to evaluate the possibilities statistically owing to lack of data, but some of the broader issues are already foreseeable.

In wool, although there are ample supplies available in the world market, there is a scarcity of the better types, and the success of the export effort in this field, as Sir Stafford Cripps emphasised, may depend upon the supply of quality products. Utility worsteds may have to be accepted on the home market, but they cannot necessarily be forced on to the foreign consumer. Thus, to the extent that wool textile production will be for export rather than for the British public, the finer types of wool will be in greater demand and the inferior crossbreds will tend to weaken. In raw cotton, stocks would be adequate to cover expanded production for some months to come, but, even here, difficulties may be experienced if imports of Egyptian supplies have to be curtailed for currency reasons. Output in the Sudan has expanded almost to its limit; to replace Egyptian cotton on the British market it would have to be doubled or trebled. Even rayon depends on imported raw materials which have to be procured largely from hard currency areas. And unless the supply of wood-pulp and cotton linters increases, production cannot be expanded. But in rayon, at least, products of export quality can be made without much difficulty, and this cannot be said of either cotton or wool textiles.

Supplies of rubber in the world market are relatively plentiful, and Malaya would welcome an expansion in demand. Increased output of manufactures is likely to be restricted by other factors such as the supply of channel black for tyre manufacture. The leather position has also improved. Imports into the United Kingdom in the first seven months of this year totalled 83,600 tons (including undressed hides), compared with 59,500 tons in the corresponding period of last year and 46,200 tons in seven months of 1938. In leather goods, therefore, the limiting factor is likely to be productive capacity rather than material supplies. Of the non-ferrous metals, lead is likely to remain in short supply, but world output is expanding. Provided that supplies of copper and zinc will still be available from hard currency areas in the same quantity as last year, the export targets dependent on these metals could be attained—but only at the expense of the home market.

From the raw material standpoint, it is apparent that the textile industries are likely to have the most difficult task—not because of an inadequacy of supplies, but rather through the shortage of high quality materials which a competitive export market will demand.

Cotton Programme Elaborated

At Manchester on Tuesday, Sir Stafford Cripps elaborated the export programme set for the cotton textile industry in the main export scheme. By reducing the individual target for yarn, thread and cotton manufactures to a total yarn-equivalent basis, he was able to show that exports will have to be increased from

a weekly average rate of just under 4,000,000 lb. in the second quarter of 1947 to 5,600,000 lb. by mid-1948, and to 6,800,000 lb. by the end of 1948.

The corresponding total production which will be necessary to reach the target without reducing supplies to the domestic consumer is shown in the accompanying table. To reach this level of output involves, in effect, an increase in yarn production by 20 per cent by early next year, to provide a supply of woven cloth sufficient during the subsequent nine months to reach the end-1948 target for cotton manufactures. If there is no increase in production, yarn supplies to the home market will have to be cut by as much as 25 per cent during the next six months. As, on available evidence—especially of probable coal supplies—there is small prospect that the spinning mills could reach 120 per cent of this summer's level of output by about next March, a diversion of supplies from home to export markets is inevitable.

COTTON TEXTILE PRODUCTION: EQUIVALENT YARN BASIS
(Assuming Export Targets met out of Increased Output)
(Weekly Average Production: mn. lb.)

	Exports	Home Supplies	Total Output
Second quarter, 1947	4*	11	15
Target, mid-1948	5.6	11	16.6
Target, end-1948	6.8	11	17.8

* Slightly below this level; exact figure not available.

If production is to be raised at all, and exports are to be sold in the discriminating markets where hard currencies are earned, Lancashire must have more coal and more labour, and must reduce its production costs and make its marketing system more flexible. The spinning mills need the coal and labour immediately. On coal, Sir Stafford would say no more than that industry would have its full requirements this winter "apart from some unforeseeable eventuality" and that coal supplies in the North West would be concentrated on "vital manufactures." On labour, he was more specific, but it is clear that the now familiar measures, reliance on the Control of Engagements Order, increased recruitment of women and juveniles, more European Voluntary Workers, rearrangement of machines and labour to increase output per head, and extra hours in key sections of the industry—add up to a desperately slow solution of the problem of the shortage of labour. Action in so many of these cases is entirely dependent on prior negotiation between employers and operatives. Only six to nine months are available in which to build up output to the new high levels which are the minimum targets; but the recipe for smoothing the flow of materials and men is little changed.

Some confusion, and hence delay, may arise, too, from misunderstandings about the efforts to "redeploy" the labour force. "Redeployment" was conceived, until this week, as part of the modernisation scheme which was to be carried out in three stages. On Tuesday, however, Sir Stafford Cripps hinted that modification of existing equipment rather than re-equipment may be the best way of increasing output in the short period, so that there would be an extension of the time-limit to the Government's offer of a 25 per cent grant towards modernisation of the spinning mills. Such a change, however regrettable, may be necessary, if the cotton industry is to maximise output over the next fifteen months; but it would be fatal to hopes of increased production if decisions from the Government on this point were delayed, for that would encourage procrastination by both sides of the industry in mobilising resources for the immediate production drive.

Winter Coal Allocations

The plan for winter allocations has now been worked out. Mr Hugh Gaitskell said in Leeds this week that it will be in the hands of industrialists before November 1st, as indeed it must be if essential industries are to have time to plan their production programmes to take cognisance of higher export targets. Sir Stafford Cripps has said that, in all, industry could expect 244 million tons in the winter six months. This will, of course, be far below industrial requirements, even when eked out with stocks laid by from the summer allocations. The summer budget provided, on the basis of a consumption equal to the six summer months of 1946, for 25 million tons—and consumption is always higher in the winter, owing to the demand for coal for heating as well as for purely production purposes. Little is known about the basis on which the allocations will be made, beyond the fact that the requirements of the steel industry will be met, and that priority will be given to the industries producing for export.

From last week's provisional output figures and the details for late August and early September, it is difficult to share the optimism expressed last week by Lord Hyndley about the effects of

the five-day week and the production and manpower prospects for the rest of the year. Admittedly, the Yorkshire strike and the tail-end of the holidays cost the nation 338,500 tons last week, and, had it not been for these, the total output from deep mines and opencast workings would have been just over 3.9 million tons. It is true also that absenteeism, at 11.24 per cent from all causes, is lower than for some time past, and that the holidays and the recent tragic series of pit disasters have had a bad effect on recruitment. Yet, the number of men on colliery books last week was only 717,600, compared with 717,900 the week before, and unless the miners are prepared, in practice as well as on paper, to accept Poles and other European workers, the chances of reaching the manpower target of 730,000 by the end of the year are remote.

The export targets for industry will be reached only if increasing supplies of coal can be moved to the mills and factories between now and early next year—and, in addition, there is the target for exports of coal as such. There is no prospect of achieving these targets without hardship to "non-essential industries" and domestic consumers unless the current trend of recruitment and output in the mines is sharply reversed in the next few weeks. With every week that passes, any shortfall in output below the level of 4.1 million tons a week makes the prospects of achieving even a total production of 195 million tons of coal this year increasingly precarious—despite the bluff assurances of the Grimethorpe miners that they will make up for lost time.

—And Coal Board's Plans

This dreary trend of output lends added urgency to the Coal Board's plans for improving production by re-equipment. These schemes are of both short and long term significance. Indeed, one of the Board's difficulties has been to strike a balance between the needs of the immediate situation and the development of future plans. Neglect of capital investment in the past and the complete cessation of development work during the war have brought the industry almost to danger-point.

The Board's short-term projects include the placing of

£9,000,000 worth of orders for machinery and the development of "drift" mining from shallow seams. Some seventy drift mine schemes are projected for the next few years, which should bring a net increase in output of 3,000,000 to 4,000,000 tons a year, at a total cost of £3,500,000, and with the use of 8,000 workers. The long-term plans include the reorganisation and concentration of a number of pits. For example, in Durham, the labour of ten pits will be concentrated on four in the next five years, while, in Lancashire, three collieries' labour concentrated upon one shaft will eventually produce 2,000,000 tons a year. These concentration schemes involve difficult human problems, such as the miners' objections to being transferred; they will have to be handled with the utmost tact. A number of new sinkings are planned, and work at Rothas (Fife) and Calverton (Nottinghamshire) has actually started. At least one major reconstruction plan for each of the Board's forty-nine areas will be prepared by the end of this year. Twenty of these are expected to be started in 1948. Each will cost up to £3,000,000 and will take up to six years to complete.

Sterling Discussions

The discussions between the British financial authorities and foreign countries for renegotiating payments agreements following the suspension of convertibility have not been interrupted by the Bank and Fund meetings. At least half a dozen negotiations are in train in London and the time-table of the authorities at the Treasury and the Bank of England appears to be fully booked up until almost the end of the year. Apart from the agreement with Belgium, the only definite announcement has been that referring to Finland, with which an arrangement has been made "which is as satisfactory to both sides as present circumstances permit." This official definition bears all the evidence of the compromise between conflicting views which has had to be reached in this agreement, and which will no doubt re-appear in those that have yet to be negotiated. All the countries with which Britain is negotiating demand the fullest possible resumption of convertibility for their sterling at the earliest possible moment. The most important of these negotiations from the supply point of view will be that with Argentina. There are no signs as yet of initiative on Britain's part to get the talks under way, and un-

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mistakable evidence of impatience on the part of Argentina may be read in reports from Buenos Aires that exports of canned meat to Britain have been stopped. These are obvious preliminary war cries before the battle is joined. Meanwhile shipments of carcase meat from Argentina are unaffected.

During the coming week the principal interest will be focused on the Dominion talks in London on financial policy. The presence here of the highest financial authorities in the Dominions, attracted by the Bank and Fund meetings, provides an opportunity to discuss problems of common interest, and in particular the policy to be followed, in concert if possible, to meet the dollar shortage and to adjust the sterling area dollar pool mechanism to the new situation. News has already come from Australia and New Zealand of measures to cut imports from the United States. Australia is reducing the tax on gold mining so as to encourage production of the easiest and most automatic material for producing dollars. It is to be hoped that other gold producers may also make their contribution, even at the cost of increasing their sterling balances, in building up the central gold reserve. Eire will be represented at the discussions, at which she must play an important part, given the size of her London funds.

Canada's Problem

Many countries have been "put on the spot" by the temporary suspension of convertibility of sterling, but none is in a more difficult spot than Canada. During the first half of this year Canada's merchandise deficit with the United States amounted to \$488 million, while there were substantial surpluses on other trading, especially with Britain. Hence Canada's dependence upon convertibility, a dependence heightened by the fact that Canada works on comparatively small gold and dollar reserves, the figure at the end of 1946 being \$1,245 million, or not much more than a single year's net dollar requirements at the rate at which that deficit has recently been running. For the time being, however, Canada still has the benefit of convertibility for the whole of the net surplus with the UK which is not covered by drawings on the Canadian line of credit. The present arrangements are that one half of that net deficit due by Britain to Canada is met by drafts on the credit (which on this basis is likely to last another fourteen months) and the other half in "cash or convertible currency," i.e. in US dollars. The resultant situation is one which places considerable strain both on Canadian and British reserves. The most hopeful way of easing that strain would be to reduce the "triangularity" of Canada's payments by diverting part of Canada's present imports from the United States to British goods. There are important lines of goods, ranging from cotton textiles to paper-mill machinery, where Canada's present dependence on the United States is of quite recent origin and replaces trade which was formerly done by Britain. The Canadian authorities and trading community ask nothing better than to restore such trade to its traditional British channels. The issue reduces the sterling problem to its familiar essentials: the question of British production, of acceleration of the right types of exports and their canalisation into the required directions.

Bank and Fund Meetings

The meetings of governors of the International Monetary Fund and the International Bank have run their course smoothly and expeditiously. The Chancellor of the Exchequer has proved an admirable chairman. The chairman for the ensuing year will be Mr O. K. Yui, Governor of the Central Bank of China, but it has already been decided that the next annual meeting will be held in Washington and not in Chungking. The rule will be to hold meetings at the headquarters of the institutions in alternate years and in the intervening years only in capitals of the other member countries. As regards formal business, the concluding meeting of governors last Wednesday passed seven resolutions relating to the admission of Finland to membership increases, the quotas of Iran and Egypt, a new liaison agreement between the United Nations and the Bank and Fund, the election of an additional executive director to the Fund, and silver. The last of these merely calls upon member countries to submit data relating to silver and its uses and calls upon the Fund to assemble and distribute these data by March 1st next. The only hint of friction at these meetings has come from the Latin-American countries, whose representatives have for some time shown resentment at the alleged favouritism which Europe has been receiving in obtaining loans from the International Bank. Their complaints were listened to politely and their suspicions so far as possible

assuaged by a promise that the Bank would give equal consideration to loans for development as to loans for reconstruction.

The real work of the meeting was, however, done outside the published agenda. It was in the lobbies, the social gatherings, to say nothing of the cocktail parties, that the opportunities created by this convening of the financial authorities of more than forty countries were capitalised. The sale of dollars to Britain, discussed above, was part, perhaps the most important part, of this informal activity. The basis was also laid for the financial discussions which will emerge from the Marshall Plan talks in Paris, and will probably be held in London during the coming week. There is increasing belief that the Bank will play a considerable part in this finance and Mr McCloy has already left London on a tour of European countries. In this tour he will look not merely for opportunities to lend, but to borrow. There are some markets in Europe whose abundance could well be skimmed by participation in Bank loans and made available for more needy countries. Among the projects which the Bank will certainly pursue is that of financing the reconstruction of the Ruhr coal industry.

Grain Prospects Worsening

The prospects of adequate grain supplies in Europe this winter are deteriorating. The United States Government has officially intimated that wheat exports this year would be cut by about 10 per cent in spite of a bumper harvest. The November grain export allocation totals only 29.5 million bushels compared with 46.7 million bushels in October, with none to the United Kingdom. This reduction reflects, of course, the shortage of dollars in the consuming countries and the effects of that shortage have been accentuated by the high American prices—prices which many European buyers can no longer afford to pay. The statistical position for wheat in the four main exporting countries is shown in the following table:—

	1946			1947*		
	Production	Domestic Consumption	Exportable Surplus	Production	Domestic Consumption†	Exportable Surplus
United States.....	1,156	913	243	1,409	1,209	200
Canada.....	421	152	269	353	153	200
Argentina.....	221	130	91	190†	130	60
Australia.....	117	78	39	200†	80	120
	1,915	1,273	642	2,152	1,572	580

§ Crop-years 1946-47 and 1947-48. * Provisional. † Forecast.

The output of these four countries is expected to show a considerable increase on last year, owing mainly to the good harvest in the United States and the bumper crop expected in Australia. In Canada production has dropped in the last twelve months, while the coming season's prospects in Argentina are poor. The acreage, it is believed, will show a 12 per cent reduction on the previous season, whilst the dry weather has made growing conditions unfavourable.

In spite of the increased output, the exportable surplus is likely to be some 10 per cent less than last season. The failure of the maize and oat crops in the United States has already made farmers turn to wheat as an alternative feeding stuff. In Argentina last season's wheat and maize crops were below expectations. The wheat outturn was first estimated to be between 240-250 million bushels, whereas the latest reports suggest as little as 221 million bushels. The third official estimate for the maize harvest gives a figure of 5,815,000 metric tons, compared with the second official estimate of 6,150,000 tons and the trade estimate of 7,000,000 tons. For Canada, Argentina and Australia, domestic consumption in the coming season has been assumed to be similar to last season's, but there are chances that it may increase.

Europe's position is even worse than Britain's. Of the Canadian exportable surplus of 200 million bushels, 160 million are already earmarked for the United Kingdom under the wheat contract, leaving only 40 million bushels for the "free" market. And again, of the 120 million bushel surplus in Australia, Britain expects to buy some 55 million bushels. Assuming that all Argentina's exports come on to the world market, "free" supplies of wheat from the four main exporting countries will total only 365 million bushels, or under 10 million tons. This year's European harvests have been bad and all grain stocks, except perhaps in Britain, are low. The main hope is that the winter will be mild; even then it is difficult to see how Europe can possibly live through the coming months without suffering

increasing hardship. And the scale of hardship will be so vast that a few emergency grain shipments from a conscience-stricken America will be of little avail.

Five-Year Plan for Electricity

The manufacture of electricity generating equipment has the highest priority in the allocation of manpower and materials for capital investment. Whatever capital projects have to be postponed to speed production for the export drive, generating equipment for the electricity undertakings is not likely to figure prominently among them. Despite this priority, the gap between the plant extension programmes and actual deliveries to domestic undertakings remains disturbingly wide.

Plans have been approved and work is in progress on 6 million kilowatts of additional plant which is scheduled to be installed by the winter of 1950. This week the Central Electricity Board has announced that programmes have been prepared for the years 1951 and 1952. The decision to plan five years ahead instead of for the customary four has been taken, says the CEB, because of the longer period required for completing and commissioning new plant. The Board has planned for an additional 3,923,500 kilowatts to be installed in the fourth and fifth years. Thus, for the whole quinquennium ending in 1952, a total extension of 10 million kilowatts is projected at a cost of about £450 million.

Such figures look astronomical beside the present rate of delivery of equipment. In the first seven months of this year, deliveries to electricity undertakings totalled only 90,000 kilowatts. It will clearly be difficult to maintain even the low level of deliveries reached in 1946, when net installations totalled 272,000 kilowatts. The delay in obtaining delivery has, of course, been partly attributable to the shortage of materials, especially steel, in the electrical equipment industry, and to the long period which must elapse between the starting of manufacture and the actual delivery of equipment. But it has also been due to an overhasty approval of orders for export, orders which must continue to occupy considerable fabricating capacity for some months yet. In the first five months of this year, of 354,000 kilowatts of delivered steam turbo-alternators of 10,000 kilowatts capacity or more, 209,000 kilowatts were for export.

The higher priority now given to orders for generating capacity for home use should ensure a substantial improvement in deliveries in 1948, but it is now obvious that those expected during the remainder of 1947 can make little or no impression upon the available power supply. Irrespective of how satisfactory coal stocks may be this winter, there will be a shortfall of 2 million kilowatts of capacity by comparison with peak demands for electricity. The gap can be closed in only two ways—by spreading the peak industrial load, or by electricity cuts.

The Invisible Stag

The long established but indefensible practice of swelling the volume of tagging of new issues on the Stock Exchange by the device of using fictitious names has at last to come to an end. An order issued by the Stock Exchange Council this week gives notice that any member of the Stock Exchange following or knowingly allowing this practice to be followed will be liable to be brought under disciplinary rules. Thus the small man's to be secured a large allotment of a promising issue by submitting a large number of separate applications is greatly narrowed, for few of the smaller fry are likely to be able to muster battalions of real persons as numerous as the unnumbered ghosts of bygone days. Not everyone is prepared merely to lend his name to an application for the benefit of the stag; and the stag himself will obviously find little point in subscribing for the benefit of real persons.

Yet this is not a *vale dicta* to the stag, who may perhaps consider himself lucky to enjoy as much scope as he does under the present regime of control. He is a timid but resourceful beast and no doubt there will be much canvassing for real names among friends and relations when next the business in new issues comes to life. It has been said, too, that the onus of preventing abuse of the ban will largely rest with the brokers, and some may find it difficult to avoid innocent connivance in the matter.

Decline in Empire Wool Stocks

The first post-war season of free wool auctions will certainly be recorded in the woolgrowers' annals. Prices for the better

qualities have been steadily rising; the increase in fine wools was as much as 75 per cent, although quotations for medium and coarse crossbreds have been only a little above their reserve prices. The Joint Organisation which is responsible for the orderly disposal of the Empire wool stocks accumulated during the war has also had a successful season. The net offtake from stocks was 1,271,000 bales; thus more than half the stockpile has been sold within two years, in contrast with the original estimate that disposal of the 10½ million bales would take thirteen years. The annual reduction in stocks is shown in the following table:—

Stock at	Australian Wool '000 bales	N.Z. Wool '000 bales	S. Africa Wool '000 bales	Total '000 bales
30 July, 1945.....	6,796	1,777	1,834	10,407
30 June, 1946.....	3,789	1,425	572	5,786
30 June, 1947.....	3,076	1,092	347	4,515

South African wool, being mostly merino, found a ready market, and existing stocks are equivalent to about half a normal season's clip. Sales of Australian wool have also been large, and the 6,800,000 bales held at the end of the war have been reduced to 3,100,000 bales, or approximately one season's production. New Zealand wool, being generally of inferior quality, has not fared so well, and the current stock is about 10 per cent more than a year's output.

Actual sales made by the Joint Organisation totalled 1,427,637 bales, while the quantity of wool bought-in amounted to 193,876 bales, consisting almost entirely of carbonising and medium crossbred wools of average to inferior style. The JO purchases of offerings which failed to reach the reserve prices comprised 108,000 bales from New Zealand, 64,000 bales from Australia and 22,000 bales from South Africa; they were confined almost entirely to the Dominion auctions where the bulk of the new clip was offered. Purchases at auctions in the United Kingdom amounted to 231 bales.

In the following table an attempt has been made to break down the current JO stocks according to counts. The delimitation of each group is not exact, but the figures give a reasonable guide to the present composition of the stockpile.

Over one-third of the total consists of merino type wool (60s and above), largely Australian, but of these 1,653,000 bales nearly a million consists of medium to heavy burry or carbonising wools. And it is these types which are not in great demand at the moment, buyers preferring wools free from burrs and fault. Inferior wools account for another 1,500,000 bales, including

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Records and Statistics

Supplement to *The Economist*

Records and Statistics is a separate, self-contained weekly publication of from 16 to 24 pages. It includes not only many statistical tables but also factual records of public affairs, including Parliamentary activities and digests of state papers, and industrial and commercial reports from home and overseas. It is believed to be the most comprehensive statistical and factual report appearing weekly anywhere in the world.

The *Records and Statistics* Supplement to *The Economist* is available by postal subscription only. The subscription, which may be sent direct to this office or through a newsagent, is 30s. per annum. For those who are already direct postal subscribers to *The Economist*, the economy of posting both publications together makes it possible to quote a combined subscription of £4. Subscribers to *The Economist* who wish to receive *Records and Statistics* should notify this office as soon as possible, but are asked not to send any money until an account is rendered. It is regretted that it is no longer possible to supply back numbers of *Records and Statistics* or to date subscriptions back.

Paper shortage also makes it impossible to supply sample copies. For a limited time, however, subscribers to *Records and Statistics* will be allowed, if they wish, to cancel any unexpired portion of a subscription.

THE ECONOMIST, BRETTENHAM HOUSE, LANCASTER PLACE, LONDON, W.C.2.

Next week's issue of *Records and Statistics* will contain the Annual Review of British Insurance.

South African natives and karakuls. Thus, out of the present existing stock of 4,500,000 bales, some 2,500,000 bales consist of wools for which there is no ready sale. More than half the stock is located in Australia and a little over 1,000,000 bales is in the United Kingdom. But it is probable that wool will be transferred from the Dominions for sale in Britain during the current season should that prove to be a more profitable method of marketing.

JOINT ORGANISATION WOOL STOCKS
June, 1947, '000 Bales

Countries of Origin	Greasy Wool			Scoured	Slipped and Carbonised	Native and Karakul	Total
	60s and Over	56s to 60s	56s and Under				
Australia	1,484	614	405	547	27*	...	3,076
New Zealand	6	22	846	60	158†	...	1,092
South Africa	163	...	...	...	...	183	347
Total	1,653	636	1,251	607	185	183	4,515
Located In:							
U.K.	297	110	38	94	11*	...	550
New Zealand	5	12	189	58	75†	...	340
South Africa	118	...	...	...	...	4	122
Total	420	122	227	152	86	4	1,012
Australia	1,187	504	367	453	16*	...	2,527
New Zealand	1	10	657	2	83†	...	752
South Africa	45	...	...	...	...	179	224
Total	1,633	636	1,251	607	185	183	4,515

N.B.—Totals are correct; discrepancies in additions due to rounding off.

* Carbonised. † Slipped.

Demand in the present season is still firm and buying is likely to remain selective. The wool textile industries in western Europe have made a remarkable recovery; the Dutch industry is operating at about 40 per cent above pre-war level and the Belgian about 10 per cent above, while the French has recently surpassed the 1938 figures. Stocks in these countries are high—about nine months' supply compared with six months' before the war. But if activity is maintained there is unlikely to be any slackening of demand for raw material.

Anglo-Argentine Tramways

Speculation about the future of British assets in Argentina shifted this week from rails to tramways and has generated quite a burst of frothy excitement in the Stock Exchange. Cabled rumour has pushed matters to the point of naming a figure of £11½ million to be paid by Argentina for the holdings of the Anglo-Argentine Tramway Company in the Buenos Aires Trans-

port Corporation, which the company acquired in 1938 in exchange for the surrender of the physical assets and operating rights. When subsequent calculations showed this to be a generous sum by comparison with the market value of the company's quoted stocks—about £4,000,000 before the report—some fertile minds in London tried to add credence to the tale by suggesting that the sum embraced also companies such as Buenos Aires Lacroze Tramway and Buenos Aires Towns and Docks. Then the future of Buenos Aires Central Railway became an obvious talking point. All this was good fuel for the bulls in stocks of the companies concerned in the railway take-over scheme proper. The issues of Anglo-Argentine Tramways rose as much as 25 per cent on Monday, although reacting later, and the whole market was afire.

Yet in fact no deal has been concluded, and the report has been denied from Argentina. Ever since last May, representatives of Anglo-Argentine Tramways have been negotiating with the Argentine Government, but no agreement has been announced so far. Now it is feared, at least from the British side, that the rumours may prejudice the outcome of the talks. It is difficult to avoid the impression that many of the reports which circulate on the subject of the payment for British assets in Argentina are specifically directed towards the stock market. Rumour, counter rumour, speculation and denial seem to follow in an inevitable sequence, and they invariably produce swings of prophetic dimensions in market prices.

Shorter Notes

An increase of 3s. 6d. per ton in all kinds of cement which will come into force on September 15th is due to the current rise in coal prices and railway rates, to both of which cement costs are particularly susceptible.

The Ministry of Transport proposes to carry out the 10 per cent cut in fuel consumption of goods vehicles on October 1st by issuing to each driver 90 per cent of the rate of the issue in the previous period, with supplementary issues in exceptional cases. Applications and vehicle records will be scrutinised. The first issues will be for four, eight or twelve weeks, but the normal rationing period will later be twelve weeks. On October 29th a new type of "X" coupon will be introduced, on which a signature will be required in exchange for petrol; the intention being to discover the identity of those who wrongfully dispose of coupons.

In announcing that 20 clothing coupons would be available for the ration period of five months which begins on October 1st, the Board of Trade adds that the continuance of the same rate for the six months following March, 1948, would depend on a 10 per cent increase in textile output.

SECURITY PRICES AND YIELDS

A fuller list containing 370 securities appears weekly in the Records and Statistics Supplement. Notes on the following company reports also appear in the Supplement: International Tea; Fairley Aviation; Staveley Coal and Iron.

Prices, Jan. 1-Sept. 17, 1947		Name of Security	Price, Sept. 10, 1947	Price, Sept. 17, 1947	Net Yield, Sept. 17, 1947 (%)	Gross Yield, Sept. 17, 1947 (%)	Prices, Jan. 1-Sept. 17, 1947		Name of Security	Price, Sept. 10, 1947	Price, Sept. 17, 1947	Yield, Sept. 17, 1947 (%)
High	Low						High	Low				
British Funds												
103½	100½	Conversion 3½ March 1, 1948-55	101	101	1 2	0 1	113½	99½	Australia 3½ 1965-69	102½	102½	3 2 3 4
103½	100½	War Bonds 2½ August 1, 1949-51	100½	100½	0 17	0 2	105½	89½	Birmingham 2½ 1966-71	92½	92½	3 0 4 8
102½	98½	Exchequer Bonds 1½ Feb. 15, 1950	100	100	0 18	7 14 11	142½	113½	Argentine 3½ 1966-71	102	102	3 9 8
104½	98½	War Bonds 2½ March 1, 1951-53	99½	99½	1 11	8 2 14 7	232½	118½	Anglo-American Corp. 10s.	130½	127½	3 18 8
105½	97½	War Bonds 2½ March 1, 1952-54	98½	98½	1 14	7 2 17 6	80½	56½	Anglo-Iranian Oil £1	167½	167½	3 11 8
108½	101½	War Loan 3½ (after Dec. 1, 1952)	102½	102½	1 12	6 3 5 8	40½	25½	Assoc. Port. Cem. Ord. Stk. £1	63½	62½	4 16 0 8
105	97½	War Bonds 2½ Aug. 15, 1954-56	98	97½	1 13	7 2 16 8	95½	42½	Austin Motor 'A' Ord. Stk. 5s.	31½	33½	6 0 9
106	99½	Funding 2½ June 15, 1952-57	100½	100	1 11	2 2 16 8	245½	167½	Barclays Bank Ord. 'B' £1	77½	76½	3 13 2
108½	99½	National Def. 3½ July 15, 1954-58	100½	100½	1 12	7 3 0 14	115½	80½	British Oxygen Ord. £1	180½	181½	2 15 2 1
109½	99½	War Loan 3½ Oct. 15, 1955-59	100½	99½	1 13	3 0 14	58½	40½	Courtaulds Ord. £1	88½	88½	4 10 2
108½	97½	Savings Bonds 3½ Aug. 15, 1955-65	99½	98½	1 14	10 3 2 3	29½	14½	Dorman Long Ord. £1	44½	45½	3 6 6
105½	95	Funding 2½ April 15, 1956-61	96½	95½	1 14	7 2 17 6	81½	57½	Dunlop Rubber Ord. £1	24½	24½	6 11 3
109½	98½	Funding 3½ April 15, 1959-69	99½	98½	1 14	2 3 1 2	53½	40½	Imp. Chem. Ind. Ord. Stk. £1	63½	66½	4 10 7
122½	109½	Funding 4½ May 1, 1960-90	111½	111½	1 16	1 3 1 2	49½	39½	Lancs. Cotton Ord. Stk. £1	41½	46½	4 6 6
110½	97½	Savings Bonds 3½ Sept. 1, 1960-70	98½	97½	1 15	6 3 2 11	57½	45½	Lever & Unilever Ord. £1	48½	50½	4 0 0
104½	92	Savings Bonds 2½ May 1, 1964-67	93½	93	1 16	8 3 0 10	77½	60½	London Brick Ord. Stk. £1	63½	62½	4 15 3
125½	109½	Victory Bonds 4½ Sept. 1, 1920-76	112½	111½	1 8	4 3 1 8	84½	73½	L.M.S. 4½ 1st Pref. Stk.	76	75½	5 6 8
111½	96½	Savings Bonds 3½ Aug. 15, 1965-75	98½	97½	1 15	2 3 2 9	36½	32½	N.Eastn. Elec. Ord. Stk. 10s.	33½	33½	4 3 7
117½	106	Consols 4½ (after Feb. 1, 1957)	107½	107	1 8	8 3 3 10	68½	47½	P'chin J'nson Ord. Stk. 10s.	54½	54½	4 11 9
115½	102½	Conversion 3½ (after Apr. 1, 1961)	103½	103½	1 13	5 3 4 3	39	29½	Prudential 'A' £1	50½	52	2 6 4
109½	80½	Treas. Stk. 2½ (after Apr. 1, 1975)	84½	83½	1 13	1 3 0 2	63½	44½	Stewarts & Lloyds Def. £1	46½	49½	5 2 0
110½	95½	Treas. Stk. 3½ (after Apr. 5, 1965)	97½	95½	1 18	5 3 6 0	108½	80½	'Shell' Transp. Ord. Stk. £1	86½	87½	1 14 3
117½	97½	Redemp. Stk. 3½ Oct. 1, 1986-96	98½	98½	1 14	2 3 1 6	147½	108½	Tube Invest. Ord. Stk. £1	117½	117½	4 8 1
99	80	Consols 2½	83½	82½	1 13	6 3 0 11	96½	68½	Turner & Newall Ord. Stk. £1	70½	70½	3 10 10
							107½	71½	Woolworth (F. W.) Ord. 5s.	82½	81½	4 5 11

Redemption yields on stocks optionally or finally redeemable within the next five years are worked out on the assumption that they will be paid at the earliest date.

Redemption yields on stocks optionally or finally redeemable within the next five years are worked out on the assumption that they will be repaid at the earliest date. Redemption yields on other dated stocks assume that stocks paying over 3 per cent will be redeemed at the earliest date (these are marked 'c'), and those paying 3 per cent or less will be repaid at the latest date (marked 'f'). (n) Net yields are calculated after allowing for tax at 5% in the U.K. (f) Flat yield. Assumed average life 17 years 6 months.

(a) Interim. (b) Final. (c) Whole year. (d) Int. paid half-yearly. (e) To earliest redemption date. (f) Also a capital bonus of 2½ per cent free of income tax. Yield worked on 15 per cent basis. (h) Fifteen months to March 31, 1947 (yield basis 1.6 per cent.) (i) To latest redemption date. † Free of tax.



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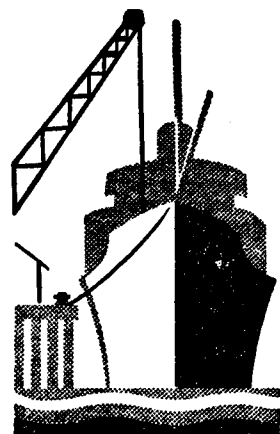
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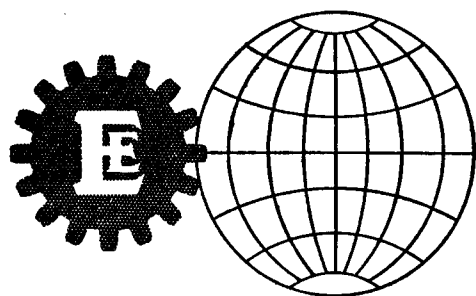
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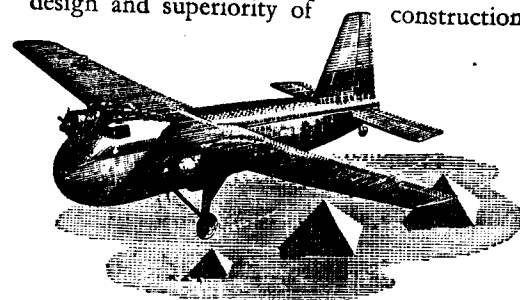
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THE BRISTOL AEROPLANE COMPANY LIMITED

COMPANY MEETINGS

THE BURMAH OIL COMPANY, LIMITED

MR ROBERT I. WATSON'S STATEMENT

The forty-fifth annual general meeting of the members of The Burmah Oil Company, Limited, was held on Friday, September 12, 1947, in the Merchants' Hall, 30, George Square, Glasgow.

Mr Robert I. Watson, chairman and managing director presided.

The following are extracts from the statement by the chairman which was circulated with the directors' report and accounts.

Rather than delay the payment of a dividend by literal adherence to the normal and correct practice, resumed only last year, of merely recommending the final dividend on the Ordinary stock, your board decided to return, at any rate for this occasion, to the war years' procedure of declaring a second interim with a recommendation to this meeting that this be the final for the year. The two interim dividends respectively of 2½ per cent. and 10 per cent. less tax thus leave the dividend for 1946 unchanged at 12½ per cent.

PROFIT AND LOSS ACCOUNT

Trading results for 1946 show a drop of £1,165,437 on those in respect of 1945. In my statement last year I indicated that with the cessation of the military demands, which reached their peak in India in 1945, and continued controlled civil demand there we must expect a considerable falling off in trading results. This, together with a smaller sum available in respect of previous years' adjustments, accounts for the fall in profits of our Indian trading subsidiary, which is the main source of our trading revenue. Our Burma trading subsidiary recommended operations in Burma on April 1, 1946, with imported oils and has made a welcome start in spite of the damaged and unsettled state of communications throughout the country and deficiencies in storage and other equipment which we would normally regard as essential for the trade.

Investment income is up by £273,904 and with a small increase in Transfer Fees credits aggregate £3,133,887. Total debits amount to £661,723, and thus the balance of profit for the year amounts to £2,472,164. Adding the amount £459,530 brought forward from last year, the disposable sum becomes £2,931,694, out of which the board has allocated £350,000 to General Reserve, bringing this reserve up to £4,350,000, and, after providing the Preference and Ordinary stock dividends, £2,017,064, and the further addition to Provident Funds of £94,345 consequent on the latter, we are left with a balance of £470,285, an increase of £10,755, which the board recommends should be carried forward.

THE BALANCE SHEET

Turning to the balance sheet the main change is a reduction of some £6,300,000 in Government Securities accounted for partly by an increase in the advances to subsidiary companies, mainly those operating in Burma, amounting to £2,100,000 and partly by some repayment of loans received from our Indian trading subsidiary, reflected under the reduction in "Amounts owing to Subsidiary Companies" on the liabilities side of the balance sheet. The reduced amount shown as accrued dividends from wholly owned subsidiary companies is of course due to the lesser amount already referred to available as trading surplus from these companies.

With the re-entry of our operating and trading companies into Burma on April 1, 1946, we have considered this a suitable time to segregate in the consolidated balance sheet the expenditure on capital assets including stocks of stores, products, etc., of

these subsidiaries as represented by the *ad hoc* book values at the time of denial in 1942 from the expenditure on similar items incurred since April 1, 1946, and thus show clearly the measure of our new investment from this date. The book value of the denied assets is £2,927,536, and as you will see this has been offset by a like amount transferred from the War Contingencies Reserve created in 1942, leaving the latter reserve at £472,464.

WAR DAMAGE AND DENIAL CLAIMS, BURMA

Official assessment of our denial claims for replacement of destroyed assets (which claims are of course in no way related to the book values referred to above) has been considerably interfered with by the unsettled conditions in Burma on which I have already commented and there is still no definite information as to when this work will be completed and settlements made to ourselves and others.

RECONSTRUCTION IN BURMA AND GEOLOGICAL AND GEOPHYSICAL SURVEYS AND FIELD DEVELOPMENTS IN INDIA AND BURMA

Despite this unsettled issue and despite the many uncertainties inherent in the constitutional and political changes in Burma and India consequent on the transfer of power from this country on the completion of its mission to lead their peoples to manage their own affairs and thus to complete independence under a democratic government, the company's subsidiary and associated companies in both countries have been steadily demonstrating their publicly expressed professions of belief and confidence in the security of, and a square deal for their continued operations under the new governments. In Burma we have not for a moment hesitated over, or delayed in any degree the measure of reconstruction of our producing and refining activities already long ago decided on. The target we have set ourselves has been determined by the best assessment we could make of what remains of the already proved resources and of the period over which we might expect to extract them consistent with sound practice. The raising of that target will depend on our success or failure in discovering new sources of production and, notwithstanding the lack of encouragement which has dogged our past efforts in that direction both in Burma and in India, we have large and costly programmes already beginning to develop in the field not only to clear geologically exposed and suitable structures still waiting for the final verdict (for the great bulk of exposed structures have already, over the years, been weighed up and found wanting) but to finish the extensive geophysical surveys of both countries which we started shortly before the war and which it interrupted. Given the official sympathy and support which our nation building activities of the past in India entitle us to expect from the new governments there, we possess both the will and the resources to make India as we made Burma independent of imports of petroleum if further petroleum is there and is physically get-at-able in such considerable quantities. Her weakness in that respect remains both our regret and our stimulus.

Reverting to the programme of reconstruction in Burma, perhaps I need not, but I am still going to remind you that the present company and its predecessor have been securing their Burma production since 1886 broadly from two areas only, that is from Yenangyaung and Chauk, the latter field being brought in by us in 1902. By American methods, of at any rate the not very remote

past, these fields would have been exhausted long ago and, although they have been carefully nursed and scientifically produced, the years of production remaining to them, to say nothing at all of profitable and economic production, are clearly numbered. The resumption of our activities in Burma in all the uncertain conditions I have touched on is therefore something more than merely an act of faith. It is a recognition of the basic origins of this great and successful company and a gesture of our goodwill to Burma and of our active help and good wishes for her successful rehabilitation. We shall make our own contribution a success if the elements of success are there, but we shall need and shall expect the wholehearted assistance of government and people in our efforts. Every economy in operation which is possible, the use of the most efficient methods of production and of refining, and outlets in the nearest markets on fiscal conditions at least not inferior to those of the past seem to be essential. We can promise the first two. As to the third, Burma will still have exportable production and, just as in the days of British Imperial Government, the new Governments in India will no doubt carefully weigh the possible strategic advantages of that surplus accessible, if need be, over a land frontier against the fiscal consideration necessary to preserve it—at any rate as long as she herself is almost entirely dependent on sea borne supplies of petroleum.

Consequent on my retirement your board has decided to appoint as from January 1, 1948, Sir Kenneth Harper to be chairman of the board and joint managing director with Mr. W. E. V. Abraham.

The report and accounts were unanimously adopted.

The second interim dividend of 10 per cent. (2s. per £1 unit) paid on June 27, 1947, was confirmed as the Final dividend on the Ordinary stock for the year 1946.

The proceedings terminated with a vote of thanks to the chairman.

METAL TRADERS, LIMITED

ALL ROUND INCREASE IN ACTIVITIES

MR FRANK BAER'S STATEMENT

The twenty-seventh ordinary general meeting of Metal Traders, Limited, will be held at the registered office of the company, 7, Gracechurch Street, London, E.C.3, on 24th instant.

The following is the statement by the chairman, Mr. Frank L. Baer, circulated with the report and accounts:—

The statement and accounts for the year ending March 31, 1947, which I have the honour to submit, covers the first full year's trading since the cessation of hostilities.

It will be observed from the accounts that there has been an all-round increase in our activities, which was indicated to the stockholders by our having declared an interim dividend in September last.

PROGRESS OF SUBSIDIARIES

Metal Traders, Inc., New York, have had another satisfactory year.

In submitting the accounts a year ago I ventured to indicate that the outlook for our two other subsidiary companies was favourable, and this is fully borne out by the balance sheets which we publish, as has been our practice now for some years.

Brookside Metal Company, Limited, have done, and continue to do, a large and profitable business.

L.P.C. Lead Pigments and Chemicals, Limited, have also had a successful year with

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a considerable expansion of their business. It will be seen from that company's balance sheet that its authorised capital has been increased to £50,000. The present subscribed capital of £2,000 is out of all relation to the company's current business, and we propose to take steps in the early future to increase the subscribed capital to £25,000. This will be done in conjunction with certain business friends who will participate, resulting in our holding 75 per cent. of the issued capital. This adjustment will appear in our balance sheet at March 31, 1948.

NO RELAXATION OF CONTROLS

The last twelve months have seen no relaxation of the control of the activities of non-ferrous metal merchants in this country. Indeed, I have watched with apprehension the deterioration of London as the centre of the metal world, and consider this to be the direct result of the new economic doctrines imposed upon this country's trade and industry.

During the cotton debate the President of the Board of Trade told the House of Commons a number of things which came as a great surprise to us and no doubt to many others engaged in trade. For instance, on the subject of the services rendered to trade by cotton merchants I learned that "a large buyer can provide those services more cheaply." And again: "A large buyer can very often buy more cheaply, especially if he can buy for a period of time." It should by now be apparent to all that this has not been borne out in the case of the bulk purchasing of non-ferrous metals by the Government.

PRICES AND BULK PURCHASING

It was argued that bulk purchasing must take the place of a free market when there is a shortage, because otherwise there would be a scramble for the short commodity with resultant high prices. For this reason the terminal market in non-ferrous metals, which was closed at the outbreak of the war, remains closed. The advocates of bulk purchasing claimed that their policy would result in more stable and less extravagant prices than would be the case in a free market. That their policy was, and is, far from sound and well-considered may be observed from a study of the increases, shown in our last report, in copper, lead and zinc prices, reaching in July, 1946, the following peaks: copper, £84; zinc, £50; lead, £55; and from the fact that these peaks have now been left far behind and at present stand at: copper, £132 after £137; zinc, £70; lead, £90.

MERCHANTS OR SPECULATORS

I still believe that a free market would not have produced more extravagance and at least would have secured a fuller measure of supply to this country.

The President of the Board of Trade, I regret to say, does not seem to hold a high opinion of the "merchant" as such. During the cotton debate, for instance, he referred to the "merchants and speculators" although no mention was made of the ratio of the one to the other.

I can assure our Stockholders that the management of this company have at all times tried to eliminate the speculative element in our business and that with the judicious use of the facilities of the London Metal Exchange when it was open, we were definitely successful in our endeavours.

The men whom I would designate "speculators" are those who are wilfully throwing away the fruits of the honest trading reputation of the City, built up over a period of years of prosperity for many, for the sake of a fanciful picture of future prosperity for all.

I would like to place on record the directors' appreciation of the loyal support throughout of the management and staff which has contributed materially to the results achieved.

INTERNATIONAL TEA COMPANY'S STORES, LIMITED

RECORD TRADING PROFIT

The annual general meeting of the stockholders of this company will be held in London on 7th proximo.

The following is an extract from the annual review by the chairman and managing director (Mr. Guy Collier), circulated with the report and accounts.

I feel that, bearing in mind all the difficulties of trading, the stockholders will consider the result satisfactory. The most important to the stockholders is the trading profit which, at £1,079,795, is a record in our long history.

SHORTAGE OF MANY COMMODITIES

During the whole of the period under review, April, 1946-April, 1947, there was a shortage of many commodities, and towards the end of the financial year we were faced with the fuel and power cuts, which affected not only our own factories, but the output of many of our suppliers, on whom we rely for a number of products which we distribute to the public.

The increase in the trading profit is due to one factor, and one factor only—namely, additional registrations. As I have said, there were shortages in supplies throughout the year, and yet it is reasonable to assume that our customers and the purchasing public in general appreciated that during and since the war we had done the best we could for them in difficult and trying circumstances. The number of customers registered with us has increased, until the latest census of registrations taken at our retail branches discloses the fact that our present figures establish another record.

I think it is necessary for someone with a knowledge of the food trade to make quite clear, both to the Press and to the public, the exacting regulations governing food distribution. Comments on the trade appear in the Press from time to time and I am afraid that they sometimes give a wrong impression.

There is a very small percentage of goods in which we trade, where the selling prices are not fixed, but it must be apparent that they could not be sold at prices in excess of those charged by our many competitors. I feel it necessary to deal especially with this subject as the public generally is apt to accept the suggestion "too high prices" without giving thought to, or having knowledge of the true position.

DISTRIBUTION OF PROFITS

The directors are recommending a final dividend of 11 per cent., making 16 per cent. for the year, which I am sure the stockholders will appreciate. In my review last year I drew attention to the fact that the Ordinary stock in this company is spread over a very wide number of investors, the average holding then being £86 5s. 9d. The position is roughly the same now. To these remarks I would add that a large number of the stockholders are either employees or customers of the International and its associated companies, who have put a part of their savings into an undertaking, of which they have, to say the least of it, some personal knowledge.

In these difficult times, in a world situation such as we have never been called upon to grapple with previously, it would require a brave man indeed to venture any prophecy as to the current year's results. I certainly am not going to be drawn in that direction. The administration of your company is second to none, and I have no hesitation in saying that, whatever the conditions, we shall present to you results which will bear comparison with those produced by any other business in our trade.

SILENTBLOC LIMITED

INCREASED PROFITS

The 12th annual general meeting of Silentbloc Limited, was held on the 17th instant, in London.

Mr. H. Vezey Strong (the chairman) said that the trading profit for the year ended May 31, 1947, having risen from £75,166 to £81,947, the net profit at £34,251 showed an increase of nearly 30 per cent. on that of the preceding year. The directors recommended the payment of a final dividend of 4d. per share, less income tax. Current assets exceeded current liabilities by £135,506, while fixed assets stood at £194,294 compared with £97,517 a year ago. Silentbloc Limited had had the good fortune to acquire a freehold property within a mile of its present location which would provide for the much needed expansion of the business and make for still greater efficiency of production. Their subsidiary, the Andre Rubber Company had also purchased from the Government all the buildings and machinery erected and installed during the war. As a result of those transactions the company was well placed to cope with the immediate requirements of the postwar period which tended to become rather overwhelming in their scope.

Their policy had always been to extend the application of their products far and wide and it was reassuring to know that they now catered for the needs of a large number of industries far beyond the automobile industry which had given them birth and with which they were still closely concerned to the extent of about 30 per cent. of the combined turnovers. The balance of business they transacted today with no less than 75 trades and industries all of which were satisfied users of Silentbloc and Andre products and, at a time like this, it was comforting to contemplate such a spread of risk, with a mounting demand from essential industries.

INTERESTING PROJECTS AFOOT

In his view and in that of his co-directors the prospects of the company were greater than at any previous time, for they had some projects afoot of more than usual interest. They had, for example, produced for use in the textile industry what were known as Condenser Rubbers. Those "Rubbers," hitherto always made in leather, were not only in extremely short supply, but had never had a sufficiently even surface to produce what the trade called "slubbing" or yarn free from "blebs." The Andre synthetic Condenser Rubbers for which patent application had been filed not only rubbed a perfectly even "slubbing," but they also rubbed it infinitely tighter than anything previously achieved in this country with any type of condenser rubber. Their subsidiary's lining and covering department, which was also one of the later developments, was becoming almost a business on its own account and in addition they had effected a promising entry into the printing industry. When he told them, therefore, that they had widened their scope, it would be appreciated what that might mean in terms of future sales and how important a part research played in their general scheme of things.

Turning to overseas activities, they were successfully nearing the end of some prolonged negotiations towards securing an interest in the U.S.A. and in Canada. They had entered into a new agreement with Mr. Leon Thiry, the Silentbloc patentee, for a long term under which they had secured certain American and Canadian rights, upon the exploitation of which they were actively embarked. The board believed that that and other agreements now in course of negotiation would prove to be a far reaching step forward in the history of the company.

The report was adopted.

GOVERNMENT RETURNS

For the week ended September 13, 1947, total ordinary revenue was £36,799,769, against ordinary expenditure of £38,284,780 and issues to sinking funds £130,000. Thus, including sinking fund allocations of £7,712,982 the surplus accrued since April 1st is £211,126,218, against a deficit of £467,241,293 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1947-48	Receipts into the Exchequer (£ thousand)			
		April 1 to Sept. 14, 1946	April 1 to Sept. 13, 1947	Week ended Sept. 14, 1946	Week ended Sept. 13, 1947
ORDINARY REVENUE					
Income Tax	107,300	388,410	354,157	5,626	3,768
Sur-tax	80,000	15,406	17,605	420	550
Estate, etc., Duties	155,000	65,915	76,829	2,515	3,450
Stamps	57,000	14,250	21,630	850	850
N.D.C.	202,000	15,000	13,870	1,241	950
E.P.T.	148,096	102,168	8,870	7,682	7,682
Other Inland Rev.	1,000	148	110	...	...
Total Inland Rev.	156,800	647,225	586,369	18,672	17,250
Customs	736,960	263,194	348,970	12,949	15,431
Excise	643,040	250,500	257,600	3,405	2,400
Total Customs & Excise	1,380,000	513,694	606,570	16,354	17,831
Motor Duties	50,000	9,590	10,343	187	128
Surplus War Stores	95,000	34,684	78,697	845	...
Surplus Receipts from Trading	55,000	...	25,000	...	...
Post Office (Net Receipts)	...	5,050	2,380	300	650
Wireless Licences	11,000	2,250	3,190	...	...
Crown Lands	1,000	450	440	...	...
Receipts from Sundry Loans	21,000	7,493	15,383	32	67
Miscell. Receipts	270,000	14,648	162,473	165	873
Total Ord. Rev.	3,451,000	1,235,084	1,490,846	36,556	36,800
SELF-BALANCING					
Post Office	144,230	52,500	61,200	1,600	1,650
Income Tax on E.P.T. Refunds	49,000	101,539	11,481	3,824	178
Total	3,644,230	1,389,123	1,563,527	41,980	38,628
Issues out of the Exchequer to meet payments (£ thousand)					
Estimate, 1947-48	April 1 to Sept. 14, 1946	April 1 to Sept. 13, 1947	Week ended Sept. 14, 1946	Week ended Sept. 13, 1947	
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	525,000	245,483	249,338	3,225	3,385
Payments to N. Ireland	23,000	7,804	9,644	...	...
Issue to Nat. Land Fund	...	50,000	...	...	...
Other Cons. Fund Services	8,000	3,500	3,318	...	...
Total	556,000	306,787	262,300	3,225	3,385
Supply Services	26,551	13,880	10,970	50,500	34,900
Total Ord. Exp.	319,114	169,481	127,006	53,725	38,285
SELF-BALANCING					
P.O. & Broadcasting	144,230	52,500	61,200	1,600	1,650
Income Tax on E.P.T. Refunds	49,000	101,539	11,481	3,824	178
Total	338,344	184,892	134,687	59,149	40,113

After increasing Exchequer balances by £11,883 to £2,991,782 the other operations for the week increased the gross National Debt by £10,258,685 to £25,601 million.

NET RECEIPTS (£ thousand)		1919 and 1921..
Land Settlement (Facilities) Acts, 1919 and 1921..	18	
NET ISSUES (£ thousand)		
P.O. and Telegraph	675	
E.P.T. Refunds	217	
Overseas Trade Guarantee Act, 1939, Sec. 4 (1)...	11	
Local Authorities Loans Act, 1945, Sec. 3 (1)...	3,500	
War Damage: War Damage Commission	1,500	
Finance Act, 1946, Sec. 26 (7), Post-war Credits	2,698	
Finance Act, 1935, Sec. 30 (1), 3 per cent. Local Loans Stock	50	
	8,651	

Statistical Summary

CHANGES IN DEBT (£ thousand)	
NET RECEIPTS	NET REPAYMENTS
Treasury Bills	National Savings
2 1/2% Def. Bonds	3% Def. Bonds
Other Debt	2 1/2% Ter. Annuities
External	Tax Reserve Certs.
	Other Debt
	Internal
	Ways & Means Advances
	Treasury Deposits
36,655	26,396

* Including £1,254,000 paid off on maturity.

FLOATING DEBT

Treasury Bills		Ways and Means Advances		Treasury Deposits by Banks		Total Floating Debt
Date	Tender	Tap	Public Depts.	Bank of England		
1946						
Sept. 14	1950-0	2508-1	439-4	1-5	1734-5	6633-5
1947						
June 7	2180-0	2584-9	341-5	5-5	1463-5	6575-4
" 14	2180-0	2592-1	347-1	10-25	1453-5	6582-9
" 21	2180-0	2614-4	341-9	10-7	1443-5	6589-8
" 28	2180-0	2537-3	369-9	...	1442-0	6529-2
July 5	2180-0	2584-9	356-7	6-25	1368-5	6496-4
" 12	2180-0	2541-0	378-6	...	1358-5	6486-0
" 19	2180-0	2503-1	328-9	...	1408-5	6420-5
" 26	2180-0	2493-4	270-9	...	1408-5	6352-8
Aug. 2	2180-0	2470-4	317-7	2-5	1400-5	6371-0
" 9	2180-0	2424-0	348-4	3-5	1400-5	6356-4
" 16	2180-0	2428-2	336-7	11-75	1380-5	6337-1
" 23	2180-0	2467-9	336-9	9-75	1350-5	6345-1
" 30	2190-0	2428-5	339-8	4-75	1332-0	6286-1
Sept. 6	2190-0	2466-4	369-6	4-75	1301-0	6334-8
" 13	2190-0	2499-9	357-1	4-25	1296-5	6347-7

TREASURY BILLS

Amount		Average Rate of Allotment		Per Cent. Allotted at Min. Rate
Date of Tender	Offered	Applied for	Allotted	
1946				
Sept. 13	150-0	299-5	50-0	10 2-06
1947				
June 13	170-0	277-7	170-0	10 1-61
" 20	170-0	282-0	170-0	10 1-65
" 27	170-0	288-1	170-0	10 1-43
July 4	170-0	292-1	170-0	10 1-51
" 11	170-0	299-8	170-0	10 1-09
" 18	170-0	294-5	170-0	10 1-39
" 25	170-0	292-4	160-0	10 1-24
Aug. 1	160-0	287-9	160-0	10 1-11
" 8	170-0	276-6	170-0	10 1-48
" 15	170-0	235-6	170-0	10 2-34
" 22	170-0	258-4	170-0	10 1-58
" 29	170-0	251-9	170-0	10 3-14
Sept. 5	170-0	276-8	170-0	10 2-54
" 12	170-0	269-7	170-0	10 2-85

On Sept. 12th applications for bills to be paid on Monday, Tuesday, Wednesday, Thursday, Friday and Saturday were accepted as to about 51 per cent. of the amount applied for at 99 1/8 d. and applications at higher prices were accepted in full. (£10 million (maximum) of Treasury Bills are being offered for Sept. 19th. For the week ended Sept. 20th the Banks will be asked for Treasury deposits to an amount of £90 million (max.).

NATIONAL SAVINGS

Week Ended		Totals	
Sept. 7, 1946	Sept. 6, 1947	Mar. 31st 1947	Sept. 6, 1947
Savings Certificates:—			
Receipts	2,250	3,000	108,100
Repayments	3,600	2,800	64,700
Net Savings	Dr. 1,350	200	43,400
Defence Bonds:—			
Receipts	1,820	800	37,700
Repayments	773	749	16,702
Net Savings	1,047	51	20,998
P.O. and Trustee Savings Banks:—			
Receipts	15,585	13,178	292,376
Repayments	10,322	10,659	296,677
Net Savings	5,263	2,519	Dr. 4,301
Total Net Savings	4,960	2,770	60,087
Interest on certificates repaid	540	504	12,639
Interest accrued on savings remaining invested	2,186	2,242	47,325

BANK OF ENGLAND RETURNS

SEPTEMBER 17, 1947

ISSUE DEPARTMENT

£		£	
Notes Issued:		Govt. Debt...	11,015,100
In Circulation	1382,760,161	Other Govt. Securities	1438,261,722
In Bank of England	67,487,672	Other Secs.	712,021
		Coin other than Gold	11,157
		Amt. of Fid. Issue	1450,000,000
		Gold Coin and Bullion (at 172s. 3d. per oz. fine)	247,833
			1450,247,833

BANKING DEPARTMENT

£		£	
Capital	14,553,000	Govt. Secs.	312,424,705
Reserves	3,951,121	Other Secs.	12,383,550
Public Depts.	9,607,090	Discounts and Advances	17,729,362
Other Depts.		Securities	30,112,912
Bankers	290,629,949	Notes	67,487,672
Other Accts.	93,644,589	Coin	2,360,460
	384,274,538		412,385,749
			412,385,749

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

COMPARATIVE ANALYSIS

£ million		1946	
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very far to ensure any integration of the metallurgical industries of Western Europe.

The real test of whether the Paris Report is more than a shopping list lies not in what it has been able to achieve for the present, but in what it promises for the future. Here again, it is necessary to remember the time-table. There is no undertaking, however qualified, to create a Customs Union. The principles to which the participants pledge themselves are very general. And even the promise to set up a permanent organ of co-operation had to be left, owing to the opposition of the "neutrals," in a rather ambiguous state. But could more have been expected in two months?

Much therefore depends on the energy and sincerity with which these fine-sounding phrases will be crystallised into actual policies in the years to come. Some European tongues no doubt were in their cheeks. But the Americans will take these statements of principle, and the continuing organisation, very seriously. They constitute the *quid pro quo* on the strength of which Congress is to be asked to vote very large sums of money. There will unquestionably be attempts in Washington to turn vague principles into precise conditions, and those conditions will be enforced. The attempt to enforce conditions might, of course, ruin the whole proceeding, if the conditions were unworkable, as those attached to the British Loan were, or if they intervened in party politics, as would a demand for a halt in nationalisation. But any European who is tempted to argue that there must be no conditions at all had better think again. There certainly will be conditions. What is to be hoped for is that Congress will choose wise conditions. And Europeans, on their side, should realise that they will never achieve unity without external pressure of some sort and that there are many forms of external pressure that would be very much worse.

But what do the Americans regard as wise conditions to impose? It is here that the ITO charter becomes relevant, for there is no doubt that a steady movement towards it will be the prime condition. Both the provisions of the Charter and American ideas about how quickly it can be introduced have been much mellowed since the days when the loan to Britain was negotiated. The crucial point, as always, is the doctrine of non-discrimination. In the Charter, it is hardly to apply at all for five years, there are exemptions for trade between a mother country and its colonies, for discriminations that are part of a plan of development, and for action taken by countries in difficulties with their balances of payments. These exemptions (which replace the provisions of the Loan Agreement) should remove most of the harms that the former rigid doctrine of non-discrimination has already begun to do.

But surely something more is required of an inspiring

doctrine of human salvation than that it should be deprived of all possibility of doing harm. What one searches the Geneva Charter for, and searches in vain, is a positive principle. It is perfectly true that no solution of the world's economic problem is thinkable without freer and more rapidly expanding trade or without fuller scope being given to the advantages that can spring from the division of labour. But it is really not possible any longer to believe that the mere removal of barriers will achieve the result that is desired. Some positive effort is required and an opportunity has been missed to say what it might be, to list not only what it is wrong for nations and their governments to do in the field of international trade but also what it is right that they should do.

Much the same can be said about the other great prescription that America is urging on Europe, that of fiscal reform and balanced budgets. It is necessary enough, in all conscience. Without confidence in the currency, all economic reconstruction is vain. But, again, is it possible to believe that fiscal reform by itself will achieve very much? What, for example, does it contribute to the great economic problem with which all Western Europe is faced—that of securing enough saving and capital creation to ensure economic progress without permitting an intolerable inequality of wealth?

So the major reflection with which the reader of these two documents is left is a melancholy one. The American intervention in Europe may, indeed, attain its primary object: Europe may be preserved from starvation, economic collapse and political insanity. And that will be much cause for gratitude. But where shall we be then? Simply back where we were before. The element in the Marshall proposal that aroused so much hope earlier in the year was the suggestion it made that Europe's present extremity could be used as a lever to create something better and stronger and firmer than existed before. But those hopes are diminished. The Western European nations find it very difficult to rise above their national preoccupations. And the price that America asks them to pay for the aid they are to receive is adherence to a set of principles which, in a European context, are almost wholly negative.

Western democracy, on both sides of the Atlantic, in short, is still trying to fight Communism with little but nostalgia to offer in its place. What Marshall-cum-Clayton offers, if all goes well is to get back to the mixture as before, and though that would be something achieved compared with the frustrate chaos of today, it is difficult to see in it anything that will create the economic or (what is perhaps even more important) the social, political and moral *élan* needed to restore real productivity and real social stability or to withstand the perpetual hammering of Communist opposition. The initiative has not yet been seized for twentieth-century liberalism.

Must Uno Split?

THE Soviet Union is still a member of the United Nations, although a week ago Mr Vishinsky treated the General Assembly to a tirade which sounded in parts like a defiant farewell. Indeed, on the main issues now before it Mr Vishinsky need hardly speak again, for that speech had everything: the main heads of indictment against the West, all the grievances, all the suspicions, everything except what everyone wants to know—the real motives of Russian policy. It was utterly unconstructive, blatantly unco-operative; its self-righteousness was frightening. It offered for the rest of the Assembly's session no prospect save that of bitter wrangling over problems which demand action, but which can be dealt with only in defiance of a Soviet delegation voting in a perpetual minority.

Nothing could seem at first sight more futile, but it is a vital Soviet interest to remain in the United Nations, to cripple

the Security Council by delaying tactics if it tries to act against Soviet or satellite policies, to widen its jurisdiction if that will embarrass the Americans or the British, to build up its prestige as a rostrum from which a nervous and irritable world can be addressed in ideological terms. At Lake Success and Flushing Meadows a picture can be built up of a world hostile to Russia which is transmitted, with every appearance of truth and completeness, to the Russian people and to Communist parties all over the world. In this political strategy the veto is of course the key weapon; and it is at the use made of it by Mr Gromyko on twenty different occasions that Mr Marshall's present operation in the "cold war" is aimed. That is why Mr Vishinsky's counter-attack was so violent, and why, in a speech lasting an hour and a quarter, less than four minutes were given to the American proposal that the Assembly

should form a standing security committee to consider disputes and dangerous situations.

Yet this American proposal was something more than a dramatic and unexpected move in the diplomatic attack that began last March with the proclamation of the Truman Doctrine. It expressed very fairly the sense of impatience and frustration among the vast majority of Uno delegations caused by the way in which their own recommendations and those of a majority of the Security Council had been flouted—not only in the case of the Greek frontier situation, but also in the cases of the atomic energy commission, of the general disarmament resolution of last December, of the recent applications for membership and of the discussions on Uno's international force. They have seen no progress in any direction, nothing but success for systematic obstruction. The equality of sovereignty promised them in the Charter—on occasions eloquently defended by Soviet spokesmen—has turned out to be no more than equality of impotence. The fact that the Soviet Government can count for certain on no more than five votes against 45 or more in a major issue and yet get its own way seems to them a travesty of Uno's function. And so it is. Are the members of the Assembly then to cross their fingers and hope that time will bring them a solution and their rights? Or are they to take sides in the American-Russian duel and try to make the international machinery work before it breaks down at the first major test?

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The answer is obvious and, whatever may be thought of the timing and manner of Mr Marshall's lead to the Assembly, he was right to give a lead. That he was acting as an American statesman first and on behalf of the General Assembly second need not affect judgment on that question, because in many important respects the interests of Uno and those of the United States are identical. All the main benefits that the organisation was intended to provide would further the permanent purposes of American policy: security through international forces, arbitration in disputes, international co-operation in commercial policies, social stability and prosperity. And it is because of Russia's manifest unwillingness to help in assuring such benefits to postwar Europe that the Americans began playing—with reluctance and foreboding—the role of a European Power. If Mr Vishinsky cannot believe this, he should ask himself what accounts for the tremendous difference between the foreign policies of the United States in 1945 and 1947, or what ideas and fears have made it possible for Mr Marshall in eight months to stride so far ahead of Mr Byrnes.

Unfortunately, it looks as if the judgment of Mr Molotov and his assistants is permanently clouded by an obsession: by the dogma that Western Europe is doomed to decrepitude within their lifetime by the diseases of the capitalist system, that its banker and patron, America, is doomed to a slump, and that both victims will grow desperate and dangerous as they feel their symptoms growing on them. Whence it follows that it is good policy to aggravate the symptoms by all possible means while taking every precaution against the reactions of the victims. Russian hostility to and fear of the West has behind it a long tradition based on some bitter experiences. How tempting it must be to believe that at last the monster is dying, that its end can be hastened without using the sword. The same ideas can be presented in Marxist terms, but it is fairer—to men as intelligent as the rulers of Russia—to believe that their hopes and fears are rooted in their national experience and not in foreign doctrine. And it is only on such an assumption that one can explain both Mr Stalin's repeated assertions that the Soviet and the capitalist systems can live side by side in peace, and also Mr Molotov's obvious belief that they cannot.

Here probably lies the root of the trouble, not only in Uno but in Europe. And it was one of the few good features of Mr Vishinsky's speech last week that it provoked Mr McNeil into

a candid and polished analysis of the trouble. Provided with very clear and firm instructions from London, Mr McNeil presented a cool, intense and elegant argument which made Mr Marshall sound a little ponderous and colossal, Mr Vishinsky more than a little vulgar and hysterical. He denounced as "nostalgic nonsense or dangerous dishonesty" the pretence that the company of nations that fought Fascism still had today the common aims it had in the war. Relations, Mr McNeil declared, could not begin to be normal until they had achieved with Germany and Japan a "real, responsible and rational settlement"; nor indeed until all nations accepted "several assumptions that are beyond dispute." Those assumptions are that no nation is omniscient or omnipotent, and that "no nation can expect to have its views accepted at all times by other nations." Here Mr McNeil put his finger on the fundamental misunderstanding; for, if the Russian analysis of Europe's sickness and of America's prospects is correct, everything that has been done in Soviet policy since the war must seem in Russian eyes not only wise but right. And, what is more important, that policy was scoring success after success until Mr Marshall called a halt. In other words, the condition of reaching understanding with the rulers of Russia is a demonstration that there will be no more successes and that their analysis is wrong. Quite clearly those are the two main objectives of American foreign policy, of the Truman Doctrine and the Marshall Plan.

It is unfortunate that public opinion in the United States has had to be aroused to support them by actions and words which have created heat where only warmth was required. Much is being said and written there which must read like "warmongering" to any Russian official who has placed on his desk a daily digest or clippings from the American press. Digests of the Russian press and radio comment give exactly the same impression, and were already doing so many months ago, when American policy was hesitant and confused and when friendliness in Britain towards Russia was widespread and politically important. Even now it is inconceivable that Moscow is not informed by its diplomatic representatives of the eagerness with which press and public seize on hopes of a trade agreement, on a report that Mr Molotov smiled at Mr Bevin, on an opportunity to entertain rare visitors from Russia.

It is the refusal to be conciliatory even for tactical purposes that is so bewildering, so impossible to explain save on the assumption that Soviet statesmen believe time is entirely on their side. The latest inexplicable achievement of this diplomacy has been to bring M. Bidault down on the western side of the fence, just at a time when he hoped to remain seated until the November conference.

In this situation it is quite clear on which side Britain must stand. Already it has been humiliated and frustrated by the Soviet use of the veto, and by "those unpredictable inconsistencies" of principle with which Mr McNeil charged Mr Vishinsky. The Corfu incident was shamefully mishandled; the Security Council has proved as impotent to deal with the Greek situation as was the League Council to resist the first Japanese aggression. The field of debate on Egypt and Palestine is already littered with irrelevancies. Mr Bevin's suggestion, made last December, that the Great Powers should agree on a code of conduct for their use of the veto has got nowhere. The men who organised the east European bloc and forced the Czechs and Poles to reject the Marshall offer now attack the Paris economic conference for its violations of national sovereignty. On this record Mr McNeill would have been entitled to bring no friendliness into his reply to Mr Vishinsky; instead he went out of his way to recognise the "legitimate aspirations" of Russia, to disavow any intention to "curb the extensions which it has legitimately sought."

It is also clear that the British Government must join in the struggle to stop the abuse of the veto, to make the machinery

of the Security Council work. Its interest in doing so is identical with that of the United States; neither nation wants to maintain large forces, to be forced to think in strategic terms, to abandon the hopes and pledges that went into the Charter of the United Nations. But, at the same time, any British Government must reserve the right to form its own estimate of the rightness and timeliness of the moves in Mr Marshall's present campaign. It must maintain a position from which it can remind the Secretary of State that British forces guard his flanks, that many vital British interests lie far ahead of the nearest American outposts. The American public, too, has to be reminded from time to time of the futility—if not of the dangers—of barking without the intention to bite—indeed, without the power to bite immediately, and in the right place. To find ways of securing even a slight change in Soviet policy may take years; the attempt may bring moments of danger and

sacrifice. At such moments Americans may falter at the prospects revealed by a check or a failure; or a run of successes in the "cold war" might make them over-confident and impatient. Both possibilities are dangerous, for in both cases the vital objective in relations with Russia, agreement on and the demarcation of vital interests, might be lost from sight. For in international affairs the policy of the United States is still not fully formed; it tends to fluctuate from one extreme to another, instead of pursuing a steady course. The British Government should not expect—it certainly cannot demand—to be consulted at every stage in Mr Marshall's diplomatic offensive. But it has the right, indeed the duty, to point out mistakes, even to avert and correct them, without incurring official and public reproach from Washington. Neutrality in the "cold war" is not possible for Britain, but an independent and persistent attempt to end it by a negotiated peace may be.

Agricultural Expansion

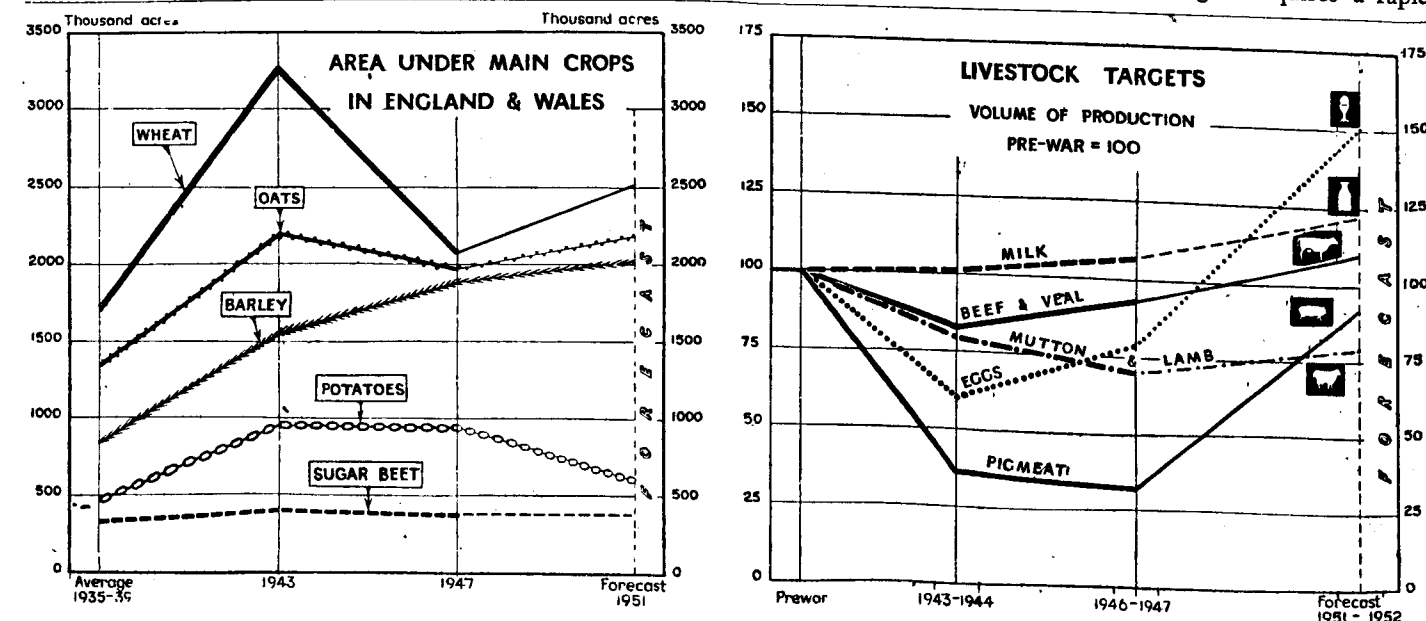
THE recent appearance of the agricultural statistics collected in June every year offers an opportunity for the re-examination of the Government's targets for agricultural expansion. If all goes according to plan, the history of agriculture over the twelve years 1940-52 will represent a remarkable picture of a see-saw climb to a record altitude of production.

There are downs as well as ups in this progress. The present year represents a trough between the peak wartime output of 1943 and the record target projected for 1951-52. It is a lower trough than was originally anticipated. Although the long spell of fine dry weather has enabled harvesting to make excellent progress, and the grain is mostly in good condition, the yield of every principal crop is likely to be below average (in the case of wheat well below average), and both the tillage acreage and the arable acreage, as revealed by the preliminary June 4 returns, show an appreciable decline on last year. The area under wheat has fallen far short of the original target and, with the exception of poultry, there is an all-round decline in numbers of livestock, which is especially serious in the case of sheep and lambs. The hay crop has been fairly good and the present abnormal shrinkage of milk production should be a temporary phenomenon. For the general melancholy picture the weather, in the shape of winter snow followed by summer drought, is of course mainly to blame. But the leeway to be made up towards the target is very great.

The goal to be reached by 1951-52 has not yet been stated with much precision in official pronouncements. Farmers have

been asked to expand net agricultural output (that is, the value of produce *ex* the farm, less the cost of imported feeding-stuffs) by 20 per cent or £100 million, half of which should come from "improvement in efficiency" at the rate of 2 per cent per annum and the other half from "additions to the resources of the industry." The statement as it stands makes little sense to an agricultural economist. But the meaning appears to be that for half the extra output, farmers are to rely on increased supply of labour and feeding-stuffs, while the other half must be brought about by their own exertions. Targets have also been set, as percentages of the prewar base, for the principal crops and livestock products. The crop targets gain more meaning (at the risk of receiving more precision than the Government intended) if translated into acreage terms as is done in the chart below. Yields per acre increased during the war, as a result of the improved application of fertiliser, and the reasonable assumption has been made that they are maintained at the 1943, rather than the prewar, level. On this basis, it emerges that the total grain acreage in 1951 in England and Wales will need to be very little less than its highest wartime peak, and ideally much the same should hold true of the total arable acreage. There will be less wheat and potatoes, but more barley, linseed, and temporary grasses.

The livestock targets, which are more important and more certainly justified, will be harder to secure. The possibility of compulsion, which could be reintroduced for cropping, hardly arises for livestock. To reach these targets requires a rapid



restoration of the decimated sheep flocks, a substantial increase in numbers of cattle, an improvement in milk yields, and something like a trebling of the pig and poultry population.

All in all, British agriculture is being asked to expand rapidly to a size which it never attained even in the prosperous seventies. It is doubtful whether the physical means of doing this will become available as quickly as the Government expects. Imported feeding-stuffs are again crucially scarce, although their supply should surely improve from next year onwards. Labour is the crux of the problem. There are still 78,000 prisoners of war working on the land who must shortly be replaced, yet the net intake of regular labour over the last year was only 10,000. There seems little immediate prospect of expanding the labour force—the immediate problem will be to keep it from declining. If Mr Bevan could bring himself to restore grants for the reconditioning of rural cottages, more labour might be quickly attracted. Something is hoped for from the recruitment of foreign labour, a great deal more from the displacement of workers in quarrying and other rural industries which are ancillary to the shelved national housing programme. But the Government has no positive plan for getting the labour which its targets presuppose.

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There are thus grave physical scarcities to be overcome before the agricultural targets can be reached. But a more fundamental question, and a more basic source of doubt, is whether the Government is setting about its programme in the right way. The official policy is delightfully simple. It is to put more money in the farmers' pockets, in the shape of much higher guaranteed prices, in the confident expectation that they will at once respond by expanding output. The hook has been nicely baited; but will the fish rise? And, still more important, will the nation be permanently able to afford the cost of such a tasty bait?

For the Government should realise that its agricultural policy ought to be a long-term one, and not merely a temporary expedient for tiding over the foreign exchange problems of the next few years. Agriculture has an important role to play in righting Britain's adverse balance of payments. But it is a permanent role, which cannot be properly performed unless ceaseless regard is had to the declared objectives of the Agricultural Act—stability and efficiency. In concrete terms this means that it would be better by far for agriculture to expand slowly on a sure basis of rising efficiency than for it to be blown up quickly in a way that makes it a drag on the whole national economy.

Yet this is the likely effect of Government policy. The price increases which have recently been authorised are very considerable, amounting to about 15 per cent in the case of wheat, barley, oats, sugar-beet, fat cattle, fat sheep and fat pigs

and 10 per cent for milk and eggs. In addition, there are new acreage payments for wheat, rye and potatoes and for ploughing-up old pastures. The Minister will not reveal his estimate of the total additional cost involved. But, on the basis of the new prices, it certainly looks as if the 20 per cent increase in output (supposing it to be obtained) will involve something like a 40 per cent increase in the total cost of home-grown food—and that means 40 per cent further increase in an item that is already a long way above the prewar level. As a business proposition, this hardly sounds attractive. There are, however, various extenuating circumstances which need examination.

In the first place, the increased prices are intended both to cover in full the recent rise in wages and other farming costs, and also to put farmers in funds for purchasing machinery and making other improvements. They are thus intended to forestall claims coming from the National Farmers' Union over the foreseeable future. The glib way in which Mr Williams has been brought to agree, in practice if not in theory, to the cost-plus method of price-fixing has been commented on too often in these columns for any repetition to be necessary. Suffice it to say that this is a dangerous and pernicious principle. But the notion of inflating farmers' incomes to the point where the less efficient farmers can afford, if they choose, to make capital improvement is a novelty. It is the opposite of Socialist theory since it involves putting windfall profits into the pockets of some farmers *pour encourager les autres*. It is far more wasteful of the taxpayers' money than the method of giving direct subsidies for approved schemes of improvement and for the purchase of fertilisers and (if necessary) machinery, which is in every respect preferable. The direct subsidy method is already in use to some extent and is to be extended by grants for the proper conservation of grassland and by a temporarily free service of artificial insemination. Perhaps, in present circumstances, further direct subsidies are not worth their administrative cost. There will in any case be no shortage of demand for such capital equipment as is available to agriculture. Why then artificially inflate this demand? And, what is more, why inflate it in the least selective and most costly way possible?

In the second place, it is urged that "high farming" means higher average costs, a concept which seems to be cheerfully accepted by the National Farmers' Union. It is probably true, for milk and cereals at any rate, that on a national scale costs tend at the moment to rise with output. But this is just the contingency which the much talked of improvement in agricultural efficiency should be adequate to offset. It is by no means inevitable that costs should rise and in the long run, given sufficient capitalisation and attention to new techniques, a rising output should be perfectly compatible with falling costs. If, however, it is seriously maintained that the 40 per cent increase in price is a necessary corollary of the 20 per cent

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increase in output, then the consumer or taxpayer (whichever is to bear the burden) may be forgiven for doubting whether even in present straits the bargain is worthwhile.

In the third place, it may be contended that higher prices must be offered now, to get expansion going, with the inner reservation that they may be brought down once it is under way. But this crude type of bribery is hardly the way to secure either stability or efficiency. Moreover, there is a residual doubt whether it will even work. The Government is going to give almost every farmer a reasonable profit on his present turnover. With the present dearth of incentives, will the farmer labour hard to expand production? Or will the law of diminishing returns begin to apply to his own efforts? In so far as the Government's programme depends upon the farming community working harder, its financial inducements are likely to have only limited effect; and in so far as it depends upon increased supplies of feeding-stuffs, machinery and labour, the difficulty is not one of finance but of availability.

Argentina's Two Faces

(By a Correspondent recently in Buenos Aires)

IN an article last week the apparent contradiction between Argentina's favourable trade balance and its rapidly deteriorating foreign exchange position was considered. Since external influences—and not least high prices for agricultural products—all favoured Argentina, the basic deterioration in the situation can only be explained by internal reasons, to which the immediate flight of capital must be attributed.

The three most important economic factors under the Perón Government have been, first, the enforcement or enactment of social and labour laws strengthening the position of the workers; second, the continued inflation; and, third, the concentration of much of the country's foreign trade in the *Instituto Argentino de Promoción del Intercambio* (IAPI).

Inflation, which produced a surplus of jobs and a consequent lack of fear of unemployment, has aggravated the effects of the labour laws. Coupled with provisions which make it extremely expensive for an employer to dismiss anyone and the feeling that, for the first time, there is in power a government which supports workers and not employers, these laws have contributed to the considerable fall in productivity, which is estimated at 30 per cent. The party appeal of President Perón—and perhaps even more of Señora Perón—has been to the underprivileged. "My dear *descamisados*" (literally "shirtless people") is the form of address to which they are accustomed. These tactics are perfectly legitimate politics. The Peróns are doing no more than any democratic politician when they make the most of what they have done for the working classes. Furthermore, most wise Argentines admit that the social legislation was overdue, and that other parties have only themselves to blame if the Peróns get the credit.

The reasons for the second important trend—inflation—are largely political. Each year the Budget contains heavy defence appropriations. If these were cut, it would be balanced. It would require a strategic expert to comment authoritatively on the need for such a vast programme of military works. To the ordinary intelligence the likelihood of an attack on Argentina by Brazil or Chile seems hardly sufficient justification; but it is certain that the support of the armed forces is normally an essential condition for the continuance in office of a Latin-American government. If a number of generals became redundant, they would become dangerous. Apart from this, a heavy expenditure on military construction allows the possibility of commission payments to buttress the loyalty of the higher officers. Finally, much of the defence expenditure is on a secret vote, so that

The state of the nation does not warrant a panicky attempt to get as much food as possible, as quickly as possible, quite irrespective of costs and consequences. It does most earnestly demand a progressive endeavour to raise by a parallel process both the output and the efficiency of British agriculture. Neither of these aims can be realised any faster than the physical shortages can be overcome, and for the present this is the problem to which the Government should direct its energies. As and when lack of finance handicaps the progress of re-equipment the remedy should be sought in a judicious use of direct subsidies. But to try and raise output by making bad farming pay is to risk creating costly inefficiencies which need never exist and whose existence will be a standing menace to the industry's stability. For if the expansion of agriculture is constructed on an unsound and costly basis, it will be dispensed with the moment circumstances permit; and if, as some say, that moment never comes, then it will be a perennial cause of national poverty.

the ultimate destination of the funds is not published and is not subject to parliamentary control. The cost of maintaining the armed forces as the second essential prop for the Peronistas is revealed in the figures of the Budget deficits:—

BUDGET DEFICITS (Million Pesos)				
1944	1945	1946	1947	1948
1,007	1,268	1,350	1,873	1,146

The estimated deficit for 1947 is equal to nearly 100 pesos, or about \$25, per head of the population. If the expenses of administration continue to rise and if, as was suggested in the previous article, there is a serious shrinkage in customs and other revenue through import prohibitions, then the deficit estimated for 1948 will be exceeded.

These continued deficits have been reflected in the supply of money, as the following table shows:—

MONEY IN CIRCULATION (Million Pesos)			
	Dec., 1944	May, 1946	May, 1947
Current Accounts	2,637	4,513	6,122
Currency in Hands of Public..	1,870	2,774	3,611
Total Amount in Circulation..	4,507	7,287	9,733

It will be seen that, in the period of two and a half years to May, 1947, the liquid money supply in the hands of the public—currency in the banks has been deducted—has more than doubled; even since May, 1946, when the flow of imports was beginning to mop up money, it has increased by 2½ billion pesos, or \$600 million, or \$32 per head of the population. The internal inflation has been such that neither the inflow of goods nor the flight of capital, which must have amounted to some 4 billion pesos, could stop the increase in purchasing power. It is small wonder that in the year ending July, 1947, the cost of living increased by roughly 40 per cent for the average person.

Actually, the knowledge that this inflationary situation existed was reflected in a distrust of the currency, which was a major cause of the flight of capital, and the distrust of bonds. The Central Bank for some time this year has had to support the Government bond market fairly extensively, and latterly, when the flight of capital and the belief in an ultimate slump in Argentina became widespread, even to support the industrial share market. Such a policy of pumping Central Bank credit into the monetary system did less than nothing to relieve the inflationary pressure, but it helped many Argentines to export their capital. The Argentine authorities were of course on the

horns of a common inflationary dilemma. Given the deficits, they ought to raise the money by long-term or medium-term borrowing from the public, and they had to support the market to be able to do so on cheap terms. Perhaps we in England had better throw no stones on this particular topic.

IAPI, the third new feature in the situation, has been in some respects the most important. As interpreted by its name, it is an institution to promote international interchange. As seen by the farmers, it is an institution for their exploitation, buying their produce at low internal prices and selling at high world prices. This has, incidentally, led to shortages of important foods, since the farmers had little incentive to produce them. As seen by the majority of export merchants, it is an institution designed to take their business from them whenever it becomes profitable. But as envisaged by the planners of the Argentine Government, it was designed to keep internal prices down and yet to sell abroad dear, taking the profit to finance the five-year plan. IAPI must have been making vast profits. Señor Miranda, who is, in effect, the country's economic dictator, recently boasted in a public speech that the Government had made a profit of 780 million pesos on the last linseed crop.

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But IAPI has also made mistakes. The internal price for maize was 10-12 pesos per 100 kilos while the external price was 30-35 pesos, and similarly on other grains. However, these profits cannot have been sterilised for future use or the inflation would hardly have continued. Like the military expenditure, moreover, IAPI accounts have never been made public, and so far as is known there has been no promise of publication. One can only speculate on what has happened to the IAPI profits. It is known that considerable purchases of equipment, sometimes not very satisfactory, have been made in the United States. It is known that recently IAPI was long of a large stock of hides on which it stood to make a loss—and a large loss—if they went bad. It was known that IAPI was so slow in payments to the meat packers that many of them were heavily in debt to their bankers. This latter fact hardly supports the view that IAPI had any surplus cash, but leaves in doubt where its profits have gone. All that seems certain is that profits were not being accumulated at a rate sufficient to finance the estimated annual cost of 1,332 million pesos for the five-year plan. Furthermore, the inflation continues and the rise in the cost of living is the most serious threat to the popularity of the Peróns.

There is, however, another facet to all these economic plans and controls. This is the increase in graft, which has been helped by the need for so many licences. All unbiased observers are unanimous in lamenting this situation. Various scandals

The Balance of Payments—IV

Buying and Selling Cheap

THE preceding articles in this series have presented an attempt to analyse the mysteries of the Terms of Trade. Britain's chances of balancing its international books within the foreseeable future—say, in the decade of the 1950s—depend absolutely on the terms on which British manufactures can be exchanged for food and raw materials from overseas. At present, the terms of trade are disastrously bad—food and raw materials are scarce and very dear. But as recently as 1932-33, the terms of trade were no less favourable; primary commodities were available in any quantity desired and at prices so low that the British people could meet their requirements and still have enough purchasing power left over to start a housing boom, which in its turn lifted the country out of the Great Depression. There cannot be any doubt that the Terms of Trade are a matter

have broken from time to time, but they do not always appear to have been deeply probed. The most noteworthy concerned the Telephone Company, which was bought from the International Telephone and Telegraph Corporation of New York in September, 1946. By June, 1947, the police accused various of the Argentine managers appointed by the Government of appropriating over 3,000,000 pesos. The charges were immediately dropped and the chief of police, who had been a staunch supporter of Perón, was dismissed. When the case was reopened later, Señor Miranda defended the position before a Senate committee, stating that the fraud was unimportant, as the total amount was only 700,000 pesos—about \$175,000.

Apart from specific incidents, it sometimes seems as if economic policies were framed with at least one eye on helping the favoured classes within the country. It is obviously more economical for the overstrained transport system to move grain to the ports nearest the grain-growing areas. Yet Rosario and La Plata have not been fully used, although Buenos Aires, which is further away, is crowded out. In order to get loading facilities or a berth it is frequently cheaper to pay bribes to officials. Certainly it is well known that priorities are granted on some system other than that of first come first served. The effects of this have been magnified by the fall in the efficiency of dock labour, which has increased cost and loading time surprisingly. A freer use of the ports available would have increased Argentine exports, particularly as there were, and are, considerable stocks of wheat lying up-country; but permits and priorities would have to be granted more freely. This system should be relaxed as far as possible if Argentina is to derive the maximum benefit from the present sellers' market, and the world from the food it can provide.

The future dangers in the situation are thus contained in continued inflation and lower labour efficiency. Although the industrial share in the national income is now higher than the agricultural, Argentina's economy remains based on agriculture. When the buyers' market returns once more, it must be able to move produce from farm to ship economically; at present Argentine costs are amongst the highest in the world. It is quite vain to hope that any miracle-working form of autarky can be created in Argentina, and the present level of warlike expenditure can only be continued if the standard of life of the people is kept down. It was this general realisation of the dangers ahead which prompted the flight of capital, since most thinking Argentines believe that present policies are not taking advantage of the present conjuncture to build up an impregnable situation for the future. On the contrary, they are believed to be steering the country towards collapse.

But this is hardly true if "the Terms of Trade" are defined, as often happens in the textbooks, as simply the ratio between one set of prices and another. Britain is vitally dependent upon the volume of trade that can be done as well as in the prices at which it is done, and it is likely to be in achieving the necessary volume that the greatest difficulties will be met. The various possibilities were set out at some length in the third article of the series. The conclusion was then reached that it will be very difficult, to the verge of impossibility, to pay for imports in the same volume as were bought in 1938. If the import target is reduced to 85 per cent of the prewar volume, then it will require exports of 120 per cent of 1938 if the terms of trade were 10 per cent more favourable to Britain than they were.

before the war, and of 150 per cent if the terms of trade remain as they were last year, 10 per cent less favourable than in 1938. At first sight, the target to aim at would obviously seem to be highly favourable terms of trade and a small increase in the British export effort. But "favourable" terms of trade are likely to mean either such a fall in the prices of primary products that a large part of the world will be impoverished or else British prices so high that British exports will be unsaleable. Whatever high hopes were entertained two years ago, it does not now seem likely that the general volume of international trade will be much higher than it was. There are few countries that can afford, or will be willing, to open their doors to a great flood of imports, in which Britain could expect to keep a fair share. In technical language, the elasticity of the world's demand for imports-in-general is not large. It follows that Britain's only chance of securing an increase in exports is to beat other countries at the competitive game, and to exploit the much larger elasticity of demand for British-imports-in-particular. But competitive prices and "favourable" terms of trade mix rarely, if at all. The British problem may, therefore, paradoxically, be easier to solve by the medium of relatively "unfavourable" than by strongly "favourable" terms of trade. The way out is by buying as cheap as possible and selling still cheaper.

How far is such a reversal of present price trends likely to occur in the next few years? The often-predicted fall in prices on the world market has not yet happened and so far at least as concerns foodstuffs, demand still seems to be greatly in excess of visible supplies. But if one thing is quite certain it is that prices will fall some day, even though nobody can predict when or how far. In the present level of world demand for foodstuffs and other commodities there is, beyond any question, a substantial inflationary element. Part of the abnormal demand is based on real needs; but part is based on monetary inflation, and unless all past economic history is a liar, the inflationary tide will some day start to ebb. Perhaps it has already turned. When the inflation of demand has disappeared, and when Europe regains its normal production, it still seems overwhelmingly probable that, as last time, the net effect of all the disturbances of the war years will be that the supply of most commodities will have been increased in greater proportion than the effective demand for them. If so, the prices of primary products will turn down and the terms of trade will move in Britain's favour.

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On the other hand, there is no reason to expect any such catastrophic fall as occurred between 1920 and 1921, when the price index of imports into Great Britain fell from 288 to 186 and the terms of trade moved in Britain's favour by nearly 15 per cent in a single year. It is not impossible (though it seems fantastic at the moment) that the supply of goods may some day be as extremely in excess of demand as in 1921; it is not for that reason that so extreme a fall in prices seems unlikely. The difference is that, in 1921, the world was still in the main a free market and supply was allowed to work its will on prices. If such a relationship were repeated now, Governments would mobilise a whole armoury of control devices to prevent it from having its full effect on prices. Price control has not prevented prices from rising during this second war, but it has succeeded in slowing down the rise. Conversely, when the world conjuncture turns to deflation, price control can be expected to cushion the fall. And just as price control on the way up achieves its results at the cost of creating a still greater scarcity, or at least a still greater excess of demand over supply, so price control on the way down tends to bank up enormous supplies of the commodities whose price is being controlled—either actual supplies, when price control takes the form of buffer stocks, or potential supplies when it takes the form of restriction schemes.

The post-war world depression, when it comes, will therefore probably not produce any such sensational reversal in prices

as it did after the first war. But it will tend to leave large stocks on the sellers' hands, and therefore leave them more than usually anxious to find a market. And since Britain is even more gravely concerned to do an adequate volume of business than to do it at favourable prices, this turn of events should be highly favourable to British interests. It suggests a policy, not of beating the foreigner's prices down to a highly "favourable" ratio, but rather of standing ready to do business in large volume on terms which he can be induced to regard as reasonable.

But it should never be forgotten that there are two sets of prices to be taken into account—the prices at which primary commodities sell in the world market and the prices put upon British exports. If the bargain is to be regarded as a reasonable one, leading to that large volume of trade which can alone release the British economy from its present strait-jacket, it will not only be necessary to refrain from driving the foreigner's prices into the pit, but also to quote him fair prices in return. Once the world is again a buyers' market, Britain, the world's greatest buyer, will be in a strong position. But that position will not be so strong that overseas countries will be willing to take British goods of inferior quality or at outrageous prices. Where bargaining strength can be very useful in securing that competitive prices secure a large volume of trade. If it is used to force goods on unwilling customers it will work, if at all, only as long as it takes the customers to escape from the necessity. Once again, the argument leads to the same conclusion—that there is much more possibility of achieving the necessary volume of exports by selling cheap than by selling dear, even though on paper selling dear would require a smaller increase in exports. The task of British commercial policy is not to make the Terms of Trade as favourable as possible, but to prevent them from becoming too favourable.

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Thus abstract argument, as so often happens, comes back to common sense—can British industry compete in the world market? And that in its turn leads to the familiar grim alternative—the British people will either have to increase their productive efficiency or else reduce their standard of living. By one means or another the prices at which British goods are quoted in the world market have got to be reduced to a level at which, quality for quality, they attract and do not repel. No one can estimate how large a reduction in costs and prices will be needed. But as a very rough guide it may be said that any cut in present British export prices of less than 30 per cent is hardly worth looking at. And if this is not to mean reductions in wages, it must mean great increases in efficiency.

This is, of course, part of a much wider argument which there is no intention of developing in this series. Some special aspects of it, directly relevant to the balance of payments, will be discussed later. But it may be worth while concluding the present article by stopping up one favourite bolt-hole for complacency. This is the widespread belief that the necessary adjustment can be easily made, when the time comes, by devaluing the pound sterling. Devaluation may indeed be necessary, and there can be little doubt that in 1931 it brought much relief. But it cannot be expected to make dear British exports cheap. A large number of the world's currencies are formally or informally tied to sterling and would fall with it. Many others would follow. And when the pound depreciated in 1931 it was followed inside eighteen months by the dollar itself. Devaluation of sterling would be of relatively minor importance to the balance of payments. It certainly does not provide an alternative to the hard way of making British goods attractive.

Some of the hard consequences of the hard way will be considered in the next article, which will be the last of the series.

NOTES OF THE WEEK

Does Coal Come First?

If Britain is to retain the leadership in European economic co-operation which the Paris conference so readily acknowledged, its people must understand at once the principal commitment accepted on their behalf in the proposals offered to Mr Marshall. It is that 250 million tons of coal will be produced in 1951, and that there will be available, for export to Europe, six million tons next year rising to 29 million tons in 1951. It is true that this commitment is expressed in the form of a hope, but the pressure that will come from Congress and other American sources to turn it into a pledge will be tremendous. And with reason. For Americans have been told recently by Mr Harriman that if British coal production could be restored to prewar level, Europe's dollar requirements would be reduced by "something in the neighbourhood of 700 to 800 million dollars a year."

Their insistence that this effort should be made may be misrepresented as interference in British internal affairs. It would be more fairly represented as part of the effort to break the vicious circle that begins in Britain, runs through Germany and ends in France. For if sufficient British coal were obtainable by the French, they might be persuaded to accept a reduction in exports from Germany, where every ton of coal that can possibly be retained will be needed to speed industrial recovery and to re-equip the transportation system and the mines themselves. With the Americans considering favourably the British suggestion that they should shoulder the whole burden of dollar expenditure in the two zones, it is reasonable to expect that they will demand a casting vote on the allocation of Ruhr coal. They will want to discourage its export to Europe and to urge the British to save the French, and the Italians and their neighbours, from the costly expedient of buying coal from the United States.

The prospects and undertakings that Sir Oliver Franks was able to contribute to the Paris report on behalf of Britain had Cabinet authority. It may therefore be assumed that the Cabinet Fuel Committee is urging on the miners' representatives the immense importance of producing coal for export. But friendly and experienced American visitors who have seen British coalfields and recognise their problems are asking why coal production is not given absolute priority in the national effort. It seems to them only common sense that extra food, consumer goods and other incentives to production should be provided for the miners out of whatever assistance Congress can be persuaded to give. When the political and social difficulties of such a policy are explained to them, the phrase "soft Socialism" comes only too readily to their lips. The prospects of the Marshall plan depend to an alarming extent on convincing Americans that planners can enforce priorities.

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Back to Eight Hours?

It looks as if the British Government has at last seen the red light. The painfully achieved compromise on mining hours between the National Union of Mineworkers and the National Coal Board has been held up because the Cabinet refuses its assent, and the report—apparently authoritative—is that the Government wants the restoration of a full eight hour day, without any payment of overtime rates for the additional hours. One element in this sudden stiffening is said to be the clearest of hints from Washington that an eight hour day in the British mines is likely to be taken in Congress as an indispensable symbol of British willingness to play its part in the reconstruction of Europe. And another element is undoubtedly a reaction against the sublime impudence of Mr Horner's latest demand for a wage increase of £2 a week.

Symbols are important and there can be no complaining if Washington and Paris combine to put pressure on London. An overwhelming majority of British opinion will rejoice that something has at last happened to stiffen the Government's spine against the miners. But it may unfortunately be true that they have run away so far that to turn at this moment may do more harm than to keep on running. The important thing, after all, is to get the maximum production of coal, not to have an eight-hour day that nobody observes. Both the union and the Coal Board are naturally incensed by the Government's last minute stand and will offer little or no co-operation. The effort to impose an eight hour day might lead to a strike, and even if it did not, would almost certainly lead to increased absenteeism. The industry should never, of course, have been allowed to get into

its present position, with the union simultaneously dominant and aggrieved. But since it has got there, no good will be done by the Cabinet's simply going into reverse.

Never before has a British Government—or rather two British Governments, for the rot started under the Coalition—made such an appalling mess of an industrial policy that it must confess itself helpless before the justified rebukes of the whole world.

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Dismantlement in the Ruhr

Nobody in Germany now denies that an intense struggle for the support of the German people will fill the weeks before the November Conference. The great asset enjoyed by the Russians is the complete subservience of the Communists in their zone and the unified control of propaganda, which makes it possible to pour out week after week an account of Allied policy in the West which may by mere repetition gain attention and belief. The account is the familiar one—the Marshall Plan as a plot on the part of American capitalism, the "exploitation" of the Ruhr for the West European countries, the stripping of German resources to make good British and French needs.

Hitherto, the most effective counter-argument of the Western Powers has been the contrast between the constructive possibilities of the Marshall Plan and the ruthless policy of exploitation and dismantling pursued by the Russians in their zone, not to mention the extent to which the remaining industry is made to work solely on Russian account. Some estimates suggest that as little as 5 to 10 per cent of the remaining industrial plants are working to satisfy German needs. Now, however, at a moment of crucial political importance it looks as though this asset may be thrown away. It has frequently been urged in *The Economist* that to begin the winter with a wholesale dismantlement of factories in the Western Zones would create so great a revulsion against Western policy that industrial unrest and direct political opposition might undermine not only the plans for running German production but even upset some of the basic calculations of the Marshall Plan. A leakage last week of the names of 900 industrial plants due for reparations has already roused indignant protests, and if the full plan is carried through—it is believed to cover some 1,800 factories—the protest may well become passive resistance. The decision can perhaps still be stayed and Sir Brian Robertson, who is to succeed Sir Sholto Douglas as Commander in Chief at this unenviable time, would be justified in using all his influence to avert a development which can undermine all the constructive results he is expected to achieve.

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An Autumn Budget?

The possibility of an autumn budget is now being actively canvassed. This is as it should be; for it is obvious that no reliance on physical controls, whether by rationing, allocation, or direction of labour, can bring anything like full results if the whole weight of fiscal policy is simultaneously bearing in precisely the opposite direction, as it is now. To leave the same amount of money in people's hands while forbidding them, with increasing severity, to spend it on any of the things they really want, whether house-room, food, clothes, coal or petrol, is to invite a further and further distortion of the economy and a more and more active black market. The more surplus income is diverted into the uncontrolled second-bests, the pools, the dogs, the fun-fairs, and all the other things on which people spend because they have not been able to spend on what they really want, the more profitable will become the supplying of that second-best, the higher its providers will be able to bid, licitly or illicitly, for labour and materials, and the harder will become the supplying and staffing of the essential industries. This is not a problem which can be solved by exemplary fines and jail sentences on the odd black-marketeers who are unlucky enough to get caught; it can only be removed by removing the conditions in which black marketeers thrive and until production has sufficiently improved for controls to be lifted that can only be done in one way—by a swingeing fiscal attack on the surplus income which makes for distortion in the first place.

It is hardly likely that the attack will be made by way of the income tax. Whatever the Chancellor's touching faith in the willingness of business and professional men to go on exerting the maximum of effort, and displaying the maximum of incentive, for a fraction of their nominal reward, the record of PAYE shows

that no similar faith can be placed in the wage earner, who has very little use for an hour's overtime on half pay. Dr Dalton might, of course, regard this as the opportunity for restoring or replacing EPT, as threatened when it was first lifted. Some political sweetener to more effective action, such as the reduction of the food subsidies or an increase in purchase tax, may be needed. But EPT, which is a tax on growth, is a thoroughly bad tax. Even an increase in the profits tax, bad though that would also be, would be preferable. Probably the inflationary situation could not, in the short run, be remedied by anything short of a "Gutt Plan" on the Belgian model—a drastic sterilisation of deposits, designed to keep accumulated purchasing power out of the consumption market; but the favourable moment for a Gutt Plan was missed long ago, and Dr Dalton is not the man to recapture it.

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Policy for the Development Areas

One of the figures recently in circulation which has now received semi-official confirmation is that £200 million is to be cut off the capital investment programme. What is presumably meant is the gross investment programme—that is, including work to be paid for out of accumulated depreciation and similar reserves. If so, the cut is one of about 15 per cent. Nothing very definite has yet emerged about the places where these cuts will fall, but the inspired guesses cast hospitals, schools and the housing programme in the role of chief victims. This will, of course, be very painful; but if the choice betokens a determination to give priority to capital projects that will directly further production for export, it cannot be criticised. A sharp eye should, nevertheless, be kept on the omissions from the list of victims. Nothing, for example, has been said about cuts in the Government's projected expenditures for its own buildings. They are no more directly productive than schools and must join equally in the cut.

In the case of expenditure in the development areas, there has been a hint that there will be no cut at all, and this also should be scrutinised very closely. It has never been possible to feel very happy about the overriding priority that the Development Area policy has been receiving. More than half of the Board of Trade's post-war factory building programme has been located in these areas, which before the war included only about one-seventh of the total population of Great Britain. To date only 11,000 jobs have yet been created, and though this is only the first instalment of an estimated ultimate total of 192,000, even that seems a very small return for such a large slice of post-war capital resources.

The White Paper on Employment Policy accepted the doctrine of "taking work to the workers," and it is a good doctrine within its limits. But to push it to the length of giving industry no alternative to the Development Areas and of progressively cutting down all capital expenditure in other parts of the country, is far too much of a good thing. Not only does such an extreme policy encourage immobility of labour at a time when the national interest requires the utmost mobility, but the present pressure on the expanding industrialist to go into the Development Areas is so strong that many of the new enterprises will inevitably be found, when competitive conditions return, to be located in the wrong places. The whole policy is based on two large assumptions, and even if the first—that private industry, in following its own interests, does not automatically best serve the national interest—can be accepted in these days, the second—that Government officials can accurately assess the national interest—becomes more doubtful with every day that passes. The Development Area policy is not wrong. But it is not so right that it deserves an overriding priority.

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Petrol and Incentives

The petrol farce goes on. The announcement that no restoration of the basic ration would be even considered before July of next year conveys to the mind, when taken in conjunction with other pronouncements, much the same effect as the slam of a door behind a disputant taking the shortest way out from a controversy in which he has had the worst of it. The calculation of £5,000,000 saved by the abolition of the basic ration was made before Mr Attlee's pronouncement, on the occasion of his refusal to see a deputation from the motoring associations, that allowances would be made for essential domestic uses as well as for business purposes. The ensuing tidal wave of applications, which swamped the local control offices, kept their staff toiling like bees over Sunday, and led to an SOS for volunteer workers, must by now have led to some depressing second thoughts on the actual net

gain, while the cost in man-hours of dealing with the flood must, on the other side of the ledger, be far more than originally estimated. It was not too late to reverse the decision and merely make a further reduction in the value of the petrol unit; but one of the least endearing traits of the Labour Government has always been its extreme reluctance to admit itself mistaken.

To this slightly ludicrous obstinacy is now added some surprising evidence of illogic. The restoration of the basic ration, motorists are told, depends on how the export drive goes. If the target of 140 per cent of the 1938 volume has been hit by next July, and that of 160 per cent is in sight, they may have their petrol back; if not, not. To whom is this supposed to be an incentive? Are the workers in the export industries going to work harder because their hearts bleed for the motorist? If every factory had, as in America, its workers' car park, they might indeed feel some force in the argument. Actually, a certain perceptible fraction of man (and woman) hours which might have been devoted directly or indirectly to the export drive will now be spent on waiting for buses, taking children to school on bicycle carriers and recuperating from the additional strenuousness of a car-less existence. If incentives are sought they must be more realistic than this, which arouses sympathy for the wail of the bad boys caught, a few days ago, after absconding from their approved school: "When you're bad you get caned or fined or put on bread and water, but when you're good you only get a good mark for your house."

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Service Cuts

It is evident that the Cabinet have determined upon an additional cut in both the size and cost of the armed Forces, and it is equally evident that no public announcement on the details of the Cabinet's plan is likely to be made before Parliament meets next month. But a third thing is equally clear. From various sources it is possible to piece together the direction that the Cabinet's cuts are taking. Manpower is to be cut by some 500,000 below the present level. Money is to be cut by some 25 per cent.

As always after a major war, there arises a classic conflict of opinion over the future of defence. The demand for security in an unsettled world is matched with the demand for men in industry for peaceful ends, the prestige of the successful war leaders clashes with the mounting power and responsibilities of the politicians. And, as always, there is a temptation to take an easy way out, to make an overall cut in men and money and leave it to the Services themselves to sort out the details.

In the present stage of information it is difficult to go beyond generalisations, but it is perhaps worth while repeating the standpoint which *The Economist* has consistently taken. That is that you must start with the foundation, which is manpower, plus the fact that a 12-months' period of compulsory military service is all that the country can afford and will tolerate. The resulting size of the armed Forces can then be worked out in five minutes on the back of an envelope. The effective ceiling is of the order of 750,000 men, and the actual figure, taking a realistic view of voluntary recruitment, is likely to be rather less. The second fundamental is that modern wars are fought not by professional soldiers but by nations in arms. It is essential, therefore, to have an organisation, installations and equipment that can be mobilised as fast as those of any other nation. The degree to which the three Services can rapidly expand in wartime is very different, being greatest for the Army and smallest for the Navy. From that it follows that it is not possible to economise in both men and money at the same time. The fewer the men the more money per head is needed, for each man, whether in uniform or in a war factory, is a cadre, not a single unit.

A final lesson from the past is the danger of adopting too rigidly any assumption, as was done after the First World War, that war is not likely within a certain time—ten years was the period chosen in the twenties. The danger is that each year the figure ten is repeated; no one ever likes to insist that next year must be D minus nine not D minus ten. Rigidity of this kind does more harm to the efficiency of the Services than almost anything else.

What this all adds up to is that no simple plan, such as an equal proportional cut in expenditure, can possibly be right. If there had been a little more realism in high places two or three years ago, a policy would by now have been worked out to combine minimum permanent forces with maximum expansibility in wartime. This is the policy that is needed, not just a cut-down version of a different policy.

De Valera in England

With the visit of Mr De Valera and some of his Ministers to London last week for conversations with the British Government, a friendlier atmosphere has crept into the relations between Britain and Eire. The old estrangement, based on political suspicion and mistrust and resuscitated in milder form under the recent wartime circumstances, is beginning to give way before the obvious advantages to both peoples of a much closer measure of economic co-operation. These advantages are greater to the smaller country, and it is a good sign that Mr De Valera has descended so far from his empyrian aloofness as to tour London and Paris, and that Mr Lemass, the Minister for Industry and Commerce, has recognised in a recent speech Eire's interest in co-operating to protect sterling and to assist European recovery.

The new friendliness, however, does not alter the fact that hard bargaining is going on behind the scenes. Eire wants dollars and Britain wants food, but neither party will receive its requirements fully or unconditionally. Eire's balance of trade has become increasingly adverse since the war ended, and in particular its exports to the dollar area are negligible in comparison with its import requirements. The dollar deficit has been met to date by drawings on the London dollar pool, but it is clear that, as a logical consequence of the suspension of convertibility, Eire could now be asked to balance its accounts with the dollar area. This extreme requirement, which might cause considerable hardship in Eire, is unlikely to be imposed, but from now on dollars will certainly become scarcer.

This situation underlines Eire's need to expand trade with the sterling area. The best, almost the only, way of doing this is a large increase in the volume of agricultural exports to Britain, which on this side are urgently wanted. The increase could not be rapid, unless the Irish Government is prepared, as it very well may be, to put firm restrictions on the mounting domestic consumption of food. But in the long run the possibility of getting much more food from Eire is undoubtedly there, so long as the British give guarantees that there will be stability of trade over a long period and the Irish give up their dream of getting United Kingdom prices for their farm products.

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Delhi and Karachi

The Governments of India and Pakistan have now issued a joint statement declaring their intention of avoiding a conflict with each other and of suppressing communal violence in their respective territories. This statement followed the journey of Liaquat Ali Khan, the Prime Minister of Pakistan, to Delhi for consultation with Mr Nehru and the threat of the Pakistan delegation to the United Nations to lay a formal complaint against India if the persecution of Moslems was not stopped. There has in fact been large-scale killing on both sides and each side is firmly convinced that the other is solely responsible; most of the outbreaks have taken the form of reprisals for atrocities committed by the opposite party elsewhere as related by refugees.

The spreading floods of refugees going in each direction—Moslems from India, Hindus and Sikhs from Pakistan—are indeed, as one correspondent has put it, the carriers of infection; their plight arouses their co-religionists to fury and the shedding of blood in places where the communities have lived together peacefully for generations. Without firm action there would be no logical limit to the vicious circle of massacre and reprisal until the entire minorities in each Dominion had been exterminated or "exchanged." But a complete exchange of populations in both territories—as distinct from the transfers within the Punjab, which have been serious enough in their effects—would be utterly catastrophic in view of the numbers involved, and an effort to prevent it is imperative for both Governments. The balance of the latter has the greater interest in halting the process and has proposed a team of United Nations observers to watch the execution of India-Pakistan agreements for preventing further slaughter.

There are many both in India and in this country who are now saying that the massacres which have taken place show that partition was a mistake and was no solution to the problem which faced the British Government a year ago. The surge of violence has, of course, astonished those who have always underestimated the strength of communalism in India and has produced in some quarters a suspicion that British imperialism has deliberately quartered a venomous serpent in the basket of independence. But what has happened in India is less disastrous than what certainly would have happened if the attempt had been made to enforce the

Change of Address

The address of *The Economist*, for all purposes, is now

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22, Ryder Street, St. James's, London, S.W.1.

Telephone: WHitehall 1511

Telegrams: ECONOMIST NEWSPAPER, LONDON.

Cables: MISTECON, LONDON.

We take this opportunity of paying public tribute to the work done by the contractors, Sir Robert McAlpine & Sons, Ltd., in preparing for occupation a building which had suffered bomb damage. The energy and resourcefulness they have shown in dealing with the exceptionally difficult conditions of all building work to-day have made it possible for us to occupy our new premises several months earlier than it would have been reasonable to expect.

* * *

The Return of Censorship

It is announced that, from October 1st, the wartime practice of opening the mails to and from overseas countries will be resumed, with the object of preventing the illegal export of currency, securities and other valuables. Only a proportion of letters will be opened, and any prohibited documents discovered will be confiscated.

This is damnable. It may be necessary, but it is none the less damnable that there should be no method of private communication left between this island and the outside world. It is true that, according to the explanations given, the new censorship will be concerned only with enclosures to letters, not with the contents of the letters themselves. But nobody will feel confident of the truth of this, and once the principle of opening letters is re-introduced, it will be an easy step, hardly deserving a public announcement, to start reading the contents and acting upon them. The general public would be horrified if they knew what use of the postal censorship was made during the war. Intercepted letters were copied out and used by Government Departments even where no question of breach of the law was involved. Sometimes the excuse was to "test morale," but sometimes it was simply that the officials found the letters interesting. On one occasion a long letter from the late Lord Keynes to a Harvard Professor had quite a wide circulation in Government Departments.

From the first opened letter to this sort of thing, the slope is, very slippery. If exchange control cannot be operated without postal censorship, it would be better to face the consequences of not having exchange control.

The Shops and the Law

Behind the scenes, argument continues on the Gower Committee's recommendation of a general closing hour for shops of 7 p.m. with a weekly extension to 8 p.m. Both employers and Union representatives, in the trade press and in a deputation to the Home Secretary, have protested against this recommendation, demanding instead a 6 p.m. closing time with a 7 p.m. extension. Their arguments, as expounded to Mr Chuter Ede by the Early Closing Association, are backed by figures showing that very little trade is now done after 5 p.m., nearly two-fifths of the total, in one sample inquiry, occurring between 1 and 2 p.m. The inference is that the miserable shopkeeper would, failing a statutory obligation to close at 6, be forced to remain open for an additional hour to no purpose; the extension would, in fact, constitute almost a flouting of the observed public desire to shop in the lunch hour. This argument has a union rider: longer shopping hours would cause workers to leave the shops, a deplorable prospect. It does not appear that any deputation waited upon the Home Secretary from that general public which struggles in the lunch-hour maelstrom or, foiled at midday, emerges from its workplace to find "Closed" signs all along the street.

These contentions are of course riddled with fallacies. The first is a minor one: that the public shops at midday by choice. The public shops at midday because it knows that the time available after its own day's work is done and before the shops shut is inadequate for anything except the odd emergency purchase. The second is that permission to open is compulsion to open. The ambitious and esurient, working till 7, would steal the trade of those shutting down at 6 or 5; therefore, all must—it seems—stay open till the legal curfew. In fact, all do not, even now; plenty close at 5 while their competitors continue for another hour in the evil courses of public service. In any case it is not clear why shops should constitute a special case. Restaurants open and close, cinemas run late houses or not, at their own sweet will. Taxis ply the streets between hours determined by their owners. Industry arranges its shifts to suit the mutual exigencies of employer and union; and the law, while protecting the interests of women and juveniles, leaves it free to do so. There is no logical reason—providing that union action, or if need be, the law, safeguards the leisure of the shop assistant—why any eccentric shopkeeper who chooses to remain open all night should not do so. Finally, there is little reason to suppose that longer hours would either increase the need for, or diminish the supply of, shop assistants. At present shops have to maintain a staff sufficient to cope with a ridiculously disproportionate midday peak; with that peak halved by the reinstatement of the evening shopping period they might well find themselves able to manage with fewer. At the same time either shift organisation or the alternation, for any shop worker, of long and short days, could maintain an average of working hours sufficiently attractive to maintain the distributive working force. Whether, on more general economic grounds, that force should not in fact be reduced, is another story.

Hungary Starts Again

With 22 per cent of the votes in the recent election behind them, the Communists of Hungary have gained most of what they wanted in the new Cabinet formed this week. They hold the key ministries of foreign affairs, the interior, communications and welfare, and Mr Rakosi, "the old fox," is one of the two Deputy-Prime Ministers. The Smallholders, now purged to a state fit for a Left coalition, provide Mr Dinnyes as Prime Minister, and are granted a voice in finance, agriculture and education as well. The Social Democrats, who reckon to have been defrauded of 200,000 votes, have secured for the nimble Mr Szakasits the other deputy-premiership and for his followers the direction of commerce, industry and justice. Such a division looks fairer than it is, and it gives no indication of the dominating voice that Mr Rakosi will continue to have.

Relations with Russia and the execution of the three-year plan come first on the new Cabinet's agenda. A mission led by State Secretary Vasarhelyi is at present in Moscow making what profit it can out of the election results and finding the Russians more reasonable than usual over reparation payments and their handling of German assets in Hungary. Not on the agenda, but at the back of many Ministers' minds, will be the question of how the three-year plan can possibly get Hungary back to the production and living standards of 1938 without aid from the West. A long time must pass before food surpluses will be sufficient to buy what is needed for the equipment of industry and agriculture. Credit must come from somewhere to tide over that time, and Hungarians will watch with anxiety how Poland fares in its relations with the World Bank.

Drang nach Westen

Refugees from the Russian Zone of Germany seeking asylum in the American Zone are becoming as distinguished as they have been numerous. Dr Paul, Prime Minister of Thuringia, who disappeared from his State ten days ago, has appeared in Hesse, and Herr Mertens, Mayor of Jena, has reached Frankfurt with his wife and five children. Dr Paul is reported to have detailed knowledge of a plan to create a Soviet Socialist Republic in eastern Germany—if the Foreign Ministers' Conference in November should fail; Herr Mertens claims that he was threatened with arrest by the Communist-controlled Socialist Unity Party of the Russian Zone.

What evidence there is points to widespread political persecution of all rivals by the Socialist Unity Party of eastern Germany, persecution to the point of deporting men and women to Russia or incarcerating them in concentration camps. Refugees from this regime are naturally making for the American, and to a lesser extent for the British, Zone, in the hope of receiving shelter as political refugees. This presents a difficult problem to the authorities of both zones. If the new exodus is encouraged, it may well become a regular traffic. If it is discouraged by the forcible return of refugees to Russian-occupied territory, there will be bitter complaints from the Social Democrats of the west.

The Minister in charge of refugee affairs in the Bavarian Government stated two months ago that roughly 50,000 persons had crossed the frontier illegally from the Russian Zone since June. Another report states there are 10,000 in Hesse alone. Reports appearing in the press of western Germany gave the daily arrival at Giessen camp as 251 during June. It is believed that there are several thousands of refugees in Bavarian camps now awaiting return on General Clay's orders.

Landräte and other officials, as well as journalists and welfare workers, have pieced together a picture of the general reasons for the movement. Most of the refugees are boys and single men; most of them left the Russian Zone to escape the call-up for compulsory labour in factories, plants or mines under Russian management. It is also known that last year specialists and skilled workers were being deported in considerable numbers eastward. It is clear that the other main reasons for the exodus are political. All refugees speak of the sense of insecurity which prevails beyond the zonal frontier. One-party rule and the fact that criticism of the Socialist Unity Party is a punishable offence have created a new class of political offenders, frequently members of the prohibited Social Democrat Party. Numbers of them are believed to be in Buchenwald and in a new concentration camp at Stern-Buchholz, near Schwerin, interned with ordinary criminals.

Add to these facts the neglect and decay of industry in the zone, its ruthless exploitation by the Russian authorities, the poor living and working conditions in the towns and mines, and it is clear that the urge to press into the already overcrowded western zones may grow overwhelming. It will be interesting to see whether General Clay is able to maintain his present policy of forcible return.

Good Fish in the Sea

The best that can be said for the North Shields drifter men who last week were refusing—some 400 of them—to put to sea so long as the minimum price for herring in Hartlepool is below 85s. rod. a cran, and threatening with violence those fishermen from other ports who are willing to take a lesser price, is that plenty of other people have set them the example. Undercutting is blacklegging. While sharp practice towards buyers, inefficiency, go-slow, sabotage and every form of dog-in-the-mangerism, whether by owners or by workers, may be theoretically condemned, this is the one really unforgivable sin. The practice of Governments, Marketing Boards, Trade Associations, business combines, professional groups and Trade Unions has for a generation or longer been based on this ethic. The notion that any man or any firm or any local group has any *prima facie* right to dispose of their produce at whatever price appears to them good enough is, both to the corporative-minded capitalist and the syndical-minded union member, a quite revolting heresy, from which North Shields could hardly be expected to be immune. There is thus some excuse for what would otherwise appear a particularly flagrant attempt by the greedier or less efficient elements in the industry to dictate the terms on which the rest should work.

The herring fisheries have, of course, a long and painful record of violent price fluctuations and of heartbreaking waste of effort

in the bringing to port of fish which turns out when landed to be of fertiliser value. The fisherman cannot plan his output, one eye on demand and the other on a reasonably foreseeable cost schedule, as do business men in general and fish-curers and distributors in particular, but must take what is sent him by the luck of the weather and the whims of the shoals. His bargaining power is thus, even in a propitious economic climate, essentially weaker than that of his customers, and the brunt of depression is concentrated upon him even more than on other primary producers. Few of the restrictive organisations spawned by the inter-war depression years could put up a stronger case for their existence and activities than the Herring Board. But when an overall decision has been reached, and the prices at the various ports have been settled, the matter should at least be allowed to rest there, without attempts by local groups to build yet another course or two of restrictive practices on to the barrier already separating the consumer from his food. The English Herring Catchers' Association, like so many of the Trade Unions proper, evidently needs to establish closer discipline in its rank and file.

* * *

Costings by Miss Nightingale

It has long been a textbook commonplace that the structure of the British Government's accounts is thoroughly unsatisfactory. In an attempt to supply Parliament with material for a detailed control of finance which it does not in fact exercise, the Treasury fails partly or wholly to satisfy any of the three functions which its accounting should perform—accounting, that is, in the narrower sense of the control of the Government's own finances, as apart from the wider function of relating these finances to the working of the economic system as a whole. First, members of the House of Commons need crisp non-technical summaries, bringing out the main trends, on which to base general discussion of policy. Secondly, the Committees of the House engaged in more detailed investigation of particular fields should be able to call, not merely for penny cash-book accounts designed simply to ensure that there is no dishonesty and that appropriations have not been exceeded, but for proper cost accounts designed to bring out the full costs and economic efficiency of particular

services. And, thirdly, the Treasury itself needs similar cost accounts to maintain a running audit of the efficiency of departments. Principles apart, manpower shortage must in any case make the general introduction of a system on these lines impossible for the moment; for the time being, penny cash-book accounts must continue. But that is no reason against developing cost accounting in special fields where the need is obvious, even outside the trading services where it is applied already; and, with the agreement of the Treasury, the Select Committee on Estimates* have now recommended that a start should be made in the form of special cost accounting appendices to next year's Estimates on housing and on research and development.

Cost accounting is by no means new in the national finances, even apart from the trading services. The War Office placed its accounts on this basis in the early twenties; but the system was expensive, and was in due course dropped because (if one reads between the lines of the Treasury's evidence) Ministers at that stage had no intention of making any practical use of the results. What did survive was a cost accounting system for the Army's medical services, on which the Select Committee comments favourably. Inquisitive members of the Committee proceeded to probe into how this system had survived so well. And there was indeed a special reason; for it was installed by Florence Nightingale. The Treasury, as the uniqueness of the example suggests, and as its own evidence confirmed, is in principle opposed to the general application of a similar system in other fields.

*

This is undoubtedly a case where national finance might learn from local finance. In cost accounting and the presentation of accounts to councillors, and the public, municipal accountants have been far and away ahead of the Treasury; and indeed in accounting practice generally. *Local Government Finance*, the official organ of the Institute of Municipal Treasurers and Accountants, is entirely right in claiming that, as the principle of public accountability is more and more carefully enforced at all levels, the experience of the Institute's members should prove of steadily increasing value.

* Fourth Report of the Select Committee on Estimates. HMSO, 1s. 6d.

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OCTOBER NUMBER PRINCIPAL CONTENTS

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Letters to the Editor

The Education of Our Masters

SIR,—I should like to reply to your comment on my letter of September 6th. To recommend unemployment as a spur to greater effort on the part of the worker is one thing; to recommend "moderate, short-term" unemployment as a corrective for the present rigidity of the labour market is another. If my argument regarding the former is accepted the problem becomes this: How can the required flexibility be restored without increasing the fear of unemployment?

The first requirement, clearly, is to keep unemployment to a minimum. Apart from such a long-term factor as the location of industry, the ability of trades to stabilise their labour requirements and the efficiency of the labour exchange machinery will largely determine whether the minimum is to be more or less than 4 per cent. The second need is to emphasize continually to the workers, by word and deed, the short-term nature of his unemployment and its purpose, and to make it, while it lasts, as little of a social calamity as possible.—Yours sincerely,

69 Exeter Road, N.W.2

R. P. LYNTON

SIR,—In connection with your note on Mr Lynton's letter of September 6th, I suggest that the figure of 5 or 6 per cent of unemployment as the minimum for efficiency was considerably on the side of pessimism. Statistics alone can show whether it is indeed the figure usually taken; Lord Beveridge, admittedly an advocate of full employment policies, suggests in his "Full Employment" that a figure of 5 per cent is not "the irreducible margin required to be standing by to make change possible." He gives your "lowest possible" figure of 3 per cent as a "conservative rather than unduly hopeful aim." And the emphasis, I would stress, in this as in other works of a similar nature is laid on the *possibility*, rather than the *desirability*, of reducing unemployment to this figure. It is regarded as the minimum possible, not the minimum desirable, figure.

It may be that a figure of 1½ per cent of unemployment is insufficient to allow for corrections in our present distorted economy. But when the necessary adjustments have been made, there is no reason to believe that a figure as high as 6 per cent of unemployment will be necessary to ensure the necessary flexibility in our industrial system. And, as Mr Lynton rightly points out, the *fear* of unemployment is a far greater deterrent to full productive effort than the lack of it.—Yours faithfully,

Oriel College, Oxford

K. A. F. SAINSBURY

Fascist Disturbances

SIR,—Frederic Mullally's letter in your issue of today's date calls for an answer, especially in view of the current trend amongst authors and correspondents to condemn everything "Fascist" while apportioning no blame, apparently, on the activities of that equally extremist body, the Communists.

It is well to remember, however undesirable the return of Fascist activities may be, that no political freedom whatsoever would be tolerated under a COMMUNIST-controlled State, any more than it would be under the Fascists. There is evidence enough these days of what would happen to all truly democratic people in this country should we ever be so unfortunate to come beneath the shadow of "A Free People's Government."

Sufficient powers, and Mr Mullally probably knows the law better than I, are already invested in the Home Secretary for him to deal with those people convicted for incitement in any form, whether racial or otherwise. Nor, under these laws, are the penalties particularly light, though it is to be admitted we have no "Corrective Camps."

It is to be sincerely hoped, however, that the Home Secretary has equally sufficient powers to deal with those persons who avowedly cry loudly and frequently for the overthrow (by revolution, too) of "reactionary" governments (i.e., all non-Communist governments). High treason seems to be a more dastardly offence than some of which the Communists have charged the Fascists.

If we are to abolish political freedom, freedom of choice, by curtailing the activities of one extremist wing, let us at least kill two birds with one stone!—Yours faithfully,

PETER M. EASTWOOD

"Rothbury," College Road, Hoddesdon, Herts.

Soviet Oil Production

SIR,—The Soviet oil production in 1946, if correctly estimated at 22.8 million tons, was nearer three-quarters of the average production (according to official Soviet figures) between 1938 and 1940, than one-quarter, as stated in the article "South of the Caucasus" in your issue of September 27th. I assume the error was a clerical one and that it was not reflected in the argument of your article. But what I take to be the general line of this would have been much less vulnerable if it were in fact possible to envisage a figure of over 90 million tons for Soviet domestic output when back to normal. It could then be maintained that consumption needs would be more than covered within the range of current planning. But, as it is, the highest figure for a year's output yet admitted, 37.8 million tons in 1941, does not look like satisfying an economy expanding at the planned rate on so vast a territory, and including an agriculture based on tractor power, not to mention large and probably well-exercised armed forces. It is less than a sixth of the United States' production and consumption in 1946.

In so far as your argument rests alternatively on a comparison of Soviet and American "proved resources," I venture to question the significance of the statistics quoted as they stand. There is not a direct correspondence between potential annual output and these reserves for the reason—fully recognised elsewhere in your article—that some deposits produce "more cheaply and easily" than others. I do not know whether there is material apart from Soviet surveys for an authoritative opinion on the relative potentialities of the North Persian fields, but there are certain grounds for supposing that the Soviet petroleum authorities should have been able to assume a better return in Persia for a given outlay in capital installations (which is assumed to be inelastic) than in existing Soviet fields.

It may be reasonable to suspect that the Soviet diplomatic offensive against Persia is timed to fit a wider political strategy, or even to reconnoitre, as you suggest, the front line of the Truman doctrine. Moreover one may not be entirely confident that the Soviet oil statistics are not misleading. But the whole problem will, I suggest, be dangerously misinterpreted if the Soviet need for more oil is underestimated.—Yours faithfully,

Trinity College, Cambridge

MICHAEL VYVYAN

[The sentence referred to should have read: "Production in the Soviet Union in 1946 was estimated at only 22.8 million tons of crude, or about a quarter less than (not 'of') the average production between 1938 and 1940."—EDITOR.]

From The Economist of 1847

September 25, 1847

The affairs of Italy increase in importance. The Duke of Lucca has abandoned his dominions, and has placed himself at Milan under the protection of Austria.

Have our readers considered the nature of the contest into which Austria is entering, a contest not only against the liberties but against the religion of the Italians? Have they noticed, that in this contest the Government of Austria will no longer be aided by the church but opposed to it? For the first time for many years the priest and the patriot are united in Italy. The spiritual influence of the Pope, man's faith in religion, which has hitherto been ranged on the side of legitimate government, is, by the attack of Austria, to be ranged on the side of its opponents. There is no longer an alliance between the Church and the State in Catholic Austria, but the two powers have entered into a conflict. There the watchword will be Pope or Emperor, not Pope and Emperor, which makes more difference between this and other contests in Italy than we can find words or space to describe. The Tyrolean troops, in an affair with the Hungarians, are said to have already struck a blow for the Pope, and Austria, therefore, is provoking a dissolution of its own power, and breaking up all legitimate government, while it is assailing the patriot Pontiff and the national guard of Italy. . . . In our view, no more important question has engaged the attention of Europe since the commencement of the first French revolution, than the combined movement of the populace, the patriots, and the priesthood of Italy.

Books and Publications

In Search of Justice

"Rediscovery of Justice." By F. R. Bienenfeld. George Allen and Unwin. 263 pages. 15s.

THERE are many roads that seem to lead to justice, although no one can feel any assurance that they reach their destination. Professor Bienenfeld chooses that marked "Law."

His book falls into five sections. The first is a short account of the age-old problem: is man naturally just and, when not so, distorted by society, or is man naturally unjust and only brought towards justice by society? The second is a most illuminating comparison between the emotions and conflicts within the family (analysed on a Freudian basis) and the related emotions and conflicts that trouble humanity in its world-wide social and economic contacts. The third section examines justice in modern society, chiefly in the field of international relationships. The fourth—and a most valuable one—discusses the evolution of the concept of Natural Law and its component parts, individualism, self-determination and social co-operation, with the added problem of authority. The final section propounds a minimum Bill of Human Rights and the prospects of justice.

Professor Bienenfeld has the mind of a Continental lawyer. That is to say, he conceives law, at its best, to be a logical framework controlling, directly or indirectly, all human activity and relationships. This frame is not rigid, but it is *ex hypothesi* comprehensive and logical. The Anglo-Saxon approach to law is somewhat different. It sees it as a body of working rules, made up to meet a case as it arises and not requiring logic as an essential component. Law is a mirror, reflecting, not the average, but something a little better than that. It does not reflect the highest aspirations of man, for to do so would conflict with the essential requirement of workability.

The differing points of view are best shown by the author's approach to the problem of a Bill of Human Rights. He sets out certain propositions for such a Bill, as part of a framework of valid and accepted international law, and then proceeds to whittle down the practical effect of each statement of principle. The English lawyer would be far more inclined to admit that he recognises that, say, piracy is in fact internationally regarded as a crime, but to draw no further deductions from such a statement. The kind of difficulties in which Professor Bienenfeld becomes involved can be illustrated by one quotation from his rules concerning uncontested "Natural Laws":

Science and its teaching are free, provided that, in the opinion of unprejudiced scientists appointed by UNO, the teaching is not, under the cloak of science, intended to assault by way of propaganda those aims which are fundamental for the well-being of humanity, according to the Charter of UNO and the Constitution of UNESCO.

How many practical questions are not begged in those few lines?

But this is a most valuable book in that it directs attention to the fundamental problems of human society, and examines them with a mind that is disciplined, sincere, experienced and lucid. The discussions that it will provoke can do nothing but good.

America—Impersonal and Personal

"The United States in World Affairs." By John C. Campbell. New York: Harper. London, Royal Institute of International Affairs. 585 pages. 25s.

FOR the United States Council on Foreign Relations the outbreak of war meant the cessation of their annual surveys of international affairs. Now, like their opposite numbers at Chatham House, they are resuming publication of their periodic surveys, while the lacuna of the war years is being filled in another form—by a special historical study under the direction of Professor Langer. This volume, which for most purposes runs from V-J Day to the proclamation of the Truman doctrine, is the first volume of the revived annual series. Readers on both sides of the Atlantic will welcome the return of its familiar contours. They will rejoice to find that in its accuracy, honesty and objectivity it matches its pre-war prototypes.

Any treatment of a theme as vast and discursive as this volume's must make a choice of evils. If it narrates chronologically, it sacrifices the logic of topic to the logic of sequence as well as complicating the lazy reader's search for threads. If it proceeds by topics, continuity and interaction are obscured. This survey

makes the second choice and pays the inevitable price. It is a high one. In no country is politics, domestic or foreign, less compartmentalised than in the USA—Palestine spills into the Loan, Parity tugs at Unrra, presidential aspirations colour occupation policies—and any treatment which neglects that necessarily robs the facts of some of their living reality. The faults which careful scrutiny can detect in this volume are such as follow naturally from this limitation—for example, a grossly inadequate treatment of American public opinion and the press (which latter is not even mentioned, individually or collectively, in the index), or the relegation to passing allusion of such hurricane incidents as the Fulton speech. The result, without the least falsification being intended, is inevitably to give to American policy an appearance of consciously sustained purpose which it sadly lacks outside the pages of the State Department's intra-office memoranda. Against such shortcomings, however, the sensible reader will set the generous frankness of the whole treatment of contentious issues, which does not shirk the allocation of blame or the exposure of inadequacy, and the generally high level of scholarship displayed throughout.

"The Roosevelt I Knew." By Frances Perkins. Hammond, Hammond. 327 pages. 18s.

THE Roosevelt Miss Perkins knew was not the international figure and war leader who stood so high in British popular esteem. He was the Governor of New York State and the crusading New Dealer. He was the legendary "that man" of irate Republicans and the party chieftain of both willing and unwilling Democrats. He was the idol of Louis Howe, the supplanter of Al Smith, the carpiece of Harry Hopkins, the sour taste in the mouths of Raymond Moley and James Farley, the victorious and patronising opponent of Landon, Willkie and Dewey, and the consistently loyal boss of his Secretary of Labour. It is a measure of the success of Miss Perkins's portrait that all these Roosevelts are recognisable in it. Even the last-named, who might have been expected to eclipse the rest, takes his place, but only his place, alongside the others.

"It is my final testimony that he *never let me down*," says Miss Perkins; yet while the tribute carries instant and complete conviction, it is set in a context which leaves it still quite comprehensible that a different verdict might fall from other lips and have a validity of its own. In fact what Miss Perkins has achieved is a blend of intimacy and objectivity which no other book on Roosevelt has approached. With a modesty that other Roosevelt memoirists might copy she disclaims any finality for her portrait, and indeed for the full understanding of his enigmatic complexity other testimony and fuller disclosures will be needed. Nevertheless her success is such that it leaves one with a deep regret that her experience went only as far as it did—that there remains one side of Roosevelt's work on which she can cast but little light, his foreign policy. Roosevelt as an international figure occupies only a small concluding fragment of her book. What she has to say here is interesting, vivid and obviously honest, and provides a valuable corrective to the post-prandial meditations of Mr Adamic and the filial romancings of Mr Elliott Roosevelt. But she was not—and does not pretend to be—pry to this side of his public life. With the passing of Harry Hopkins will the gap ever be filled?

"Woodrow Wilson and American Liberalism." By E. M. Hugh-Jones. "Teach Yourself History" Series. English Universities Press. 295 pages. 5s.

MR. ROWSE's editorial conception of history as a series of expanded obituaries has presented Mr Hugh-Jones with an almost insuperable task—to tell, within about 60,000 words, the story of American liberalism from the death of Lincoln to the collapse of Wilson as well as the narrative of America's role in the first world war and the peace settlement. Something must suffer; Mr Hugh-Jones has decided, probably wisely, that the details of Wilson's private life and a full analysis of his diplomacy, both European and Senatorial, can best be spared. He has concentrated, with considerable success, on the Wilson least known to British readers, the apostle of the New Freedom. It is a useful story to have in popular form, engagingly and fairly fully expounded; it is a pity that the demands of the series oblige it to share living space with so much that is necessarily cursory and compressed.

AMERICAN SURVEY

Prices and Politics

(From Our US Editorial Staff)

TWO types of public problem engage the politician—those that he exploits eagerly and those that he grasps because he must. The new price rises combine the features of both. Properly exploited, they may make the fortune of a Congressman. Taken timidly, they are sure to sting.

On the domestic front, public clamour and political reaction against these new rises were slow to start. The basic commodity index of the Department of Commerce (1939 = 100) has been climbing since early June (when it had slipped back to a low of 295), but it was not until September that the storm broke. On September 2nd the index registered 307; nine days later it hit 324. Wheat and rye were selling for \$3.00 a bushel. Eggs and butter commanded, at retail, a dollar a dozen or a pound. Beef moved into the same expensive circles. Milk rose. Fruits and vegetables, to be seen rotting in the country, sold in the city at price levels that would be high in January and were fantastic during the harvest season.

The cause of this new inflation is unclear, though not for lack of explanations. Familiar whipping boys have been trotted out to satisfy the public anger, and in accordance with the interests of the trotter. Labour says the cause is excess profits, and asks a return of price controls. Representative Sabath of New York, and Senator Flanders of Vermont called for an extra session of Congress to investigate price-fixing by meat packers, dairy producers, commission merchants. Meanwhile a joint Congressional sub-committee, to which the Senator belongs, is warming up by holding preliminary price hearings across the country. The Mayor of New York discussed with restaurant keepers a plan for restoring the wartime practice of serving meat only five days a week. Senator Taft's advice was "Let people eat less, and less extravagantly"—an admonition, unpopular at any time, which aroused raucous laughter when it coincided with a photograph showing the Senator cutting into a thick slice of meat at a California barbecue.

As the commotion increased, one government agency after another grasped the nettle and tried to find in it an artichoke. The Department of Justice issued subpoenas summoning eighteen of the leading meat packers to appear before a special jury and explain alleged price-fixing. Federal District Attorneys throughout the nation are directed to begin drives against "collusive" price agreements or practices which might increase costs of living in their districts. The Commodity Exchange Authority asked that the minimum cash margin for speculative dealing in grains be doubled, a request which would only bring it up to 33½ per cent as compared with the 75 per cent required on the Stock Exchange under the Securities and Exchange Act. The Secretary of Commerce stated firmly that high prices were not caused by the amount of produce going to Europe, but by high prosperity and hence expanded markets at home. President Truman's contribution took the form of a request that the nation practise voluntary rationing.

So far, there has been very little open attack on over-employment, high competitive wages, or the agricultural policies instituted by the New Deal in a very different period and still operating. These last are, of course, based on a policy of raising farm incomes by subsidy and price support; the paradox that they should continue in a period when abundance of everything is needed and prices, supported and unsupported, are reaching new peaks may be laid at the door of a democratic system in which farmers, as well as workers and business men, have votes. For different reasons, the search for a satisfactory whipping boy has not touched inflation, nor whistled at the

door of those makers of the nation's monetary policy, the Treasury and the Federal Reserve Board.

The argument can be made with some force that this new price rise shows the characteristics of a classic inflation, and is due, in large part, to the fiscal policy which, like the nation's agricultural policies, was invented to cure extreme depression and has hardly been altered since. Cheap money, expanded credit, a loose hand on the brakes, were instituted in 1933 as accompaniments of deficit spending to rouse the nation from its then state of economic paralysis. It was explained at that time that when those measures had done their work and the free enterprise system was again working freely, the stimulants would gradually be withdrawn. War, coming before the cure was complete, provided a new stimulant so powerful that controls not comprehended in the original plan had to be applied to credit and prices in order to keep the expanded machine from running so fast that it would wreck itself. With the ending of the war those latter controls were withdrawn at the insistence of men in Congress who said, and probably believed, that the economy was grown strong enough to right itself with no more restraints than those provided by supply and demand.

The days of deficit spending are over, war expansion is done, the budget is balanced. Theoretically, the price of money should be encouraged to rise. But there has piled up, as the cost of the cure, a mountain of national debt that must somehow be serviced. The citizens' interest seems to dictate that it be serviced as cheaply as possible. Caught between the need for cheap money to be used in debt-servicing, and its dangers in promoting over-spending, the Treasury and the Federal Reserve Board have so far given no sign that they are ready to move from one horn of the dilemma to the other. The techniques invented to accompany deficit spending still continue, if only as a matter of habit. Their inflationary effects multiply. To reverse the fourteen-year-old trend may take a political revolution as sharp as was that of the New Deal which was invoked to break the equally vicious effects of too much thrift.

In any event, the economic policy of the United States is at present in the hands of political appointees hardly likely to overhaul the basic philosophies which brought their party into power, or to re-install unpopular controls which might lose it votes. The Democrats, who run the executive offices, find it far easier to make political capital out of such surface phenomena as the Republicans' discarding of price controls last summer. The Republicans, who control Congress and are hoping to elect one of their number to the White House a year hence, are busy fending off criticism of what was a popular move only a year ago. They will hardly propose new controls at a moment when their most important problem is how to win friends and influence independent voters. President Truman's decision to rely on voluntary rationing induced by moral indignation, or an inadequate pocketbook, is an indication that both parties hope to ride out the storm and to turn its potential dangers to their separate advantages.

Meanwhile economists issue warnings that this may be the last flurry before recession sets in, and *Pravda* makes capital out of an unfounded rumour that the United States may stop exporting wheat to Europe. The international dangers of the situation are admittedly serious. Even Americans know that rising prices bore a large share of responsibility for the failure of the British loan to accomplish its purpose, and thoughtful men are now asking themselves what this new upward trend may do to the Marshall Plan.

PR on Trial

(From a Correspondent in Ohio)

IF, as many students of government like to think, American municipal politics follow a cycle of reform and corruption, urban America has been on a sharp upswing during the past few years. Last year 80 cities discarded more or less obsolete local governments for the approved model, which combines a small elected council with an appointed City Manager. Altogether, about 700 cities and towns now have City Managers. But some municipal reformers complain because only 12 communities, mostly small, elect their councils by proportional representation; and of this dozen, three, New York, Cincinnati and Long Beach (Long Island), will vote on the repeal of PR in November. New York and Cincinnati are the two most important PR cities in the country. The outcome of these elections will have a considerable influence upon the somewhat spotty career of PR in the United States.

Why this sudden flurry to test PR at the polls? One reason is that an election held in an off-year, when there is no complication of a Presidential contest, usually means a light vote, which offers an advantage to Republican and Democratic organisations opposed to PR. Another reason is a growing public reaction against minority bloc voting in the United States. In local or national elections, PR is the great guarantor of minorities. Of course, the manoeuvring of minorities is an old story in American municipal politics, especially in the big cities. New York's Tammany machine in its heyday never made up a slate of aldermen without including an array of Jews and Irish and Italian Catholics. The ward composition of most city councils lends itself to exploitation of neighbourhood sentiment, so often coloured by race, religion or economic status. The habit of bloc thinking has, however, been growing in recent years thanks to the national and racial sympathies—and animosities—aroused during the war. The "Negro Problem" has swelled dramatically in many sections of the country. The Roman Catholics are becoming more politically conscious as a group. Labour has arrived at a stronger sense of solidarity. In some American cities minorities have found an avenue to political power in proportional representation. Under PR, minority representatives are not chosen by party bosses thanks to the accident of birth, confirmation or economic class. They are chosen—or nominate themselves—as minority leaders, with Causes. Once elected, they tend to promote those causes by deals and log-rolling.

PR on the European continent generally follows the party-list system. American advocates of PR prefer the variant more familiar in Great Britain. This provides a single, transferable vote on a ballot listing individual preferences by number. There can be no doubt that this system guarantees representation to minorities and has helped to cripple, or at least to weaken, several political machines. A vigorous effort is now being made in Boston to smash the Curley machine with the PR weapon. In Cincinnati, where its leading defender is Mr Charles P. Taft, an eminent Republican who often disagrees with his distinguished brother, the Senator, PR is credited with having destroyed the notorious Cox-Hynicks Republican "gang" which had misruled the city for 40 years. Its advocates also thank PR for the city's reputation, since 1926, as "America's best-governed city." Evidently the voters have agreed, for PR has survived two tests at the polls, though by uncomfortably slim margins.

In New York City the PR system adopted in 1936 has likewise survived two repeal attempts. But the attack this year is being waged jointly by Tammany and the Republicans and has the support of the most influential newspapers including the *New York Times*. Up to now, five American cities, including Cleveland, have dropped PR, by popular vote or through court intervention. Hence, the November tests in New York and Cincinnati are regarded as crucial alike by the friends and by the foes of PR.

In the past, the favourite epithet hurled against PR was "un-American." This referred not to its alien origin—the Australian ballot is also in use in America—but to its alleged tendency to work against the traditional American two-party system. This year the "un-American" argument is timed to quicken the average man's apprehensions about Soviet Russia and the native Communist Party—the minority bloc which most acutely concerns Americans. Wide publicity is being given to the fact that at the Moscow conference last spring, Mr Molotov proposed that the PR system of voting be extended throughout Germany, and PR is said to have paved the way for dictators both in Germany and in Italy. To these charges the friends of PR make varying, and not always consistent, retorts. But their defence has evidently influenced the metropolitan newspapers less than the fact that in New York's election of 1945 two avowed members of the Communist Party won seats in a council of 23. Nobody believes that the New York Communists number anything like 10 per cent of the electorate, or that a pair of them could have been elected under the orthodox system.

In Cincinnati, a more homogeneous town with a large and lively reform group, a vigorous drive is under way to "get out the vote and save PR." But the opposition can point to the election of 1936, in which a radical preacher, advocate of the single tax, of the municipal ownership of utilities and of the curious notions of Father Coughlin, won the controlling seat in a council otherwise equally divided between the parties, and promptly offered to sell his vote to the highest bidder. (The offer was accepted—by the reform group). Two subsequent elections resulted in divided councils, with the decisive votes held by independents who could never have been elected under a plurality system. In Cincinnati, as in New York, some independent voters who originally favoured PR have been dismayed by the ease with which alert and energetic minorities can gain representation out of all proportion to their numerical strength in the voting body. In an editorial voicing its disappointment with PR, the *New York Times* said:

If we assume that the chief object of representative government is to represent, then the case for PR is strong, for it does represent small minorities more accurately than other systems. But if we assume that the chief object of representative government is to govern, then the case for PR is much weaker. For PR is divisive in its effect; it emphasises and aggravates differences among groups instead of helping to reconcile them. PR in New York City must be considered to be still on trial.

It is emphatically on trial this year in the two American cities where it has made its most spectacular progress. Thanks to the combined opposition of Tammany, the Republican organisation and war veterans' groups, New York seems likely to abandon the experiment. The story may well be different in Cincinnati, where PR has been attended by more than two decades of honest and efficient government and where the Negro, Jewish, Catholic and CIO-Labour minorities have been encouraged to unite in its defence.

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

American Notes

Labour and the NLRB

When, a fortnight ago, Mr William Green, President of the American Federation of Labour, gave it as his opinion that the leading officials of the AFL would sign the anti-Communist affidavits demanded by the Taft-Hartley Act, it was taken as the crumbling of the unions' united front. The greatest danger the Act has run is that both labour federations would boycott the machinery it established and reduce the law to a dead letter. But if the AFL signs, its chief rival, the Congress of Industrial Organizations can hardly afford to refuse, for by qualifying to have cases heard by the National Labour Relations Board, a marked advantage is gained in jurisdictional disputes.

At the eleventh hour, however, Mr John L. Lewis has blocked compliance with the Act by refusing to make the insulting affirmation of the very obvious fact that he is no Communist. Mr Denham, the new General Counsel of the NLRB, will hardly be thanked by the authors of the Act for giving Mr Lewis this power of veto by insisting that all the hierarchy of each labour federation must sign the affidavits if their constituent unions are to be permitted to have cases heard by the NLRB. Mr Taft himself, in the light of experience, has recommended a more lenient interpretation. But the relevant passage of the Act reads that no union shall have any standing before the NLRB unless there is on file an affidavit "by each officer of such labour organisation and the officers of any national or international labour organisation of which it is an affiliate." The language is all too specific, and it is very doubtful whether the NLRB will choose to help Mr Taft escape the consequences of his own drafting by attempting to reverse the Denham ruling.

A little time has been bought by extending the date by which affidavits must be filed to October 31st, thus putting the question squarely before the conventions of the AFL and CIO, which take place, one after the other, early in October. Majority opinion in the AFL favours compliance; that in the CIO defiance. In the AFL it is very clear that the calculated bias of the Taft-Hartley Act toward craft unionism has provided a bait almost too tempting to be resisted in the divided state of American labour. Mr Tobin of the Teamsters Union has already filed his affidavit, and is expected to lead the opposition to Mr Lewis. It is suggested that the convention, if it is not able to budge Mr Lewis, might circumvent him by declaring that the office of Vice-President, which he holds, does not make him an officer of the AFL. The unity of resentment created among the unions when the Act was passed has proved short-lived; Mr Taft and Mr Hartley may yet succeed in their strategy of divide and conquer. Mr Lewis alone in the AFL has shown a shrewd perception that something bigger than jurisdictional gains is at stake.

* * *

Taft's Trial Run

Mr Taft's premise of a livelier Western tour than that of Governor Dewey is being generously kept. The Senator has rushed in where political angels—let alone Mr Dewey—might fear to tread; and the CIO escort which has picketed him in town after town has suffered no lack of material for picket signs reading "We eat less, Mr Taft. Do you?" "What about Republican high prices?" and "Taft Helped Kill OPA." Senator Taft's trial run is designed to test sentiment for his possible Presidential candidacy, but the speeches he has been making provide an even more interesting index to the policies a Republican Congress may pursue when it reconvenes.

Travel is said to broaden the mind, and Mr Taft, while vigorously defending the Labour Act which bears his name, has found it politically comfortable to advocate a little leniency in its application. One version of the closed shop, the union hiring hall,

might, he conceded, not come under the ban, after an interview with the head of the American Federation of Labour's Sailors' Union. More important is his diagnosis of high prices and his prescription for the ailment. The responsibility for present discontents he lays at the door of the Truman-Roosevelt wages and price policy; Mr Truman, it appears, took Congress too seriously when he abolished price control and liquidated the Wyatt housing programme. A more gradual liquidation of controls would have been preferable, according to the Senator, and this should have been accompanied by more stringent control of exports, cuts in government spending, and acceptance of the tax cut. This tax cut, which the President denounced as inflationary, would, by the Senator's ingenious reasoning, have cushioned costs, and tended to prevent further wage increases.

The Senator accepts as permanent wage and price levels 50 per cent above 1939, and believes that increases in productivity and supply and decreases in abnormal consumption will bring prices back to that level. To stabilise the new level, he advocated—and this may well become the Republican programme—further reduction in government spending; the restriction of exports, particularly those in short supply; "voluntary" rationing in the United States of short commodities like meat; continued attack on excessive profits through the anti-monopoly machinery; and the discouragement of further wage increases. It is clear that the Marshall plan may suffer severe cuts both in money and in goods under the first two items of Senator Taft's new economic policy. Beyond these present negatives, however, Senator Taft holds out a vision of a "programme of progress": Republican support for health, education, and other welfare measures—once there is a Republican President in the White House, more sympathetic to Republican liberalism than Mr Truman has proved. This search for an alibi for Congress's sins of omission suggests an uneasy awareness that in the West tax cuts and restrictive labour laws do not add up to as impressive a Congressional record as they did in Washington, DC.

* * *

A Lippmann Doctrine

Mr Walter Lippmann, the dean of American columnists, and the most creative thinker on foreign policy outside the State Department, has long been critical of the Truman Doctrine as likely to dissipate American resources without substantial results. He is now publishing a lengthy dissection of the assumptions on which the State Department is acting, as they were elaborated in an article in *Foreign Affairs* under the signature "X" and generally attributed to Mr George Kennan, the chief planner and Russian expert of the Department.

Mr Lippmann argues that a number of "X's" fundamental assumptions are invalid or strain the limits of credulity. These are that the Russian system carries within it the "seeds of its own decay"; that a policy of containment and counterforce at points chosen by the Russians can speed either the mellowing or the collapse of the system; and that the United States system has sufficient reserves, resolve, flexibility and constancy to withstand Soviet pressures over a period of years. Mr Lippmann is also pessimistic about the motley crew of allies through which American policy must work as it pursues the Truman Doctrine. The "X" programme, he concludes, is a plan of "holding the line and hoping for the best," which can succeed only if each of a number of optimistic assumptions holds good.

It is all too true that the American system, which only comes to the boiling-point of action in a crisis, is not designed for a patient, expensive policy of containment, which requires not only money and men, but continuous national attention and understanding. It acts slowly at the best of times; the cry of "Wolf, Wolf" is perpetually necessary to shock a sluggish Congress into action.

It is to Mr Lippmann's credit that he has not been content to find fault. He has proposed in place of the Truman Doctrine a Lippmann Doctrine: that the Russian problem can best be solved by the speedy evacuation of Europe by the Red Army, through the early signing of the peace treaties and the withdrawal of British and American occupation forces. Were this accomplished, he is persuaded that Russian influence in Europe would wither; European countries would no longer feel themselves pawns in a cold war; and the Soviet would be restrained from violation of the treaties by the knowledge that a single aggressive step would precipitate a general war.

The critics are bound to ask, but would it? How much easier it is for Russia to seep back into Europe than for America! Assuming that the United States withdraws from Europe, would there be sufficient interest in five years' time to declare war because the Russians were once more in Bulgaria? Would this not set the scene for another and larger Munich, with all Europe in the role of Czechoslovakia? And if the United States withdraws, who would control German resurgence, the French, Belgians, Dutch and Scandinavians are certain to ask.

If "X" is optimistic about the burdens America can be asked to carry in world affairs, Mr Lippmann is too defeatist. The exposition is not yet complete, but it is not too early to point out that although Mr Lippmann is no isolationist, a justification of withdrawal, however "realistic" in motive, is dangerous doctrine at a time when the Administration is struggling to educate public opinion to America's stake in the world.

* * *

Fiorello La Guardia

It is unlikely that Mr La Guardia had any future in politics. Maverick that he was, he belonged to the Roosevelt era. He was out of place in these Truman-Marshall-Vandenberg-Taft times. Yet the regret that his death has caused is not only a tribute to the honest, if somewhat volcanic, government he gave New York during twelve memorable years. One more vivid character has gone from the stage, a character who had the power to dramatise public issues and who, by arousing strong loyalties and fierce antagonisms, imparted a constant exhilaration to politics.

In the space of three years the United States has lost four men who were masters of the art of making the democratic process interesting, exciting and very personal to millions of their fellows. The other three were Alfred E. Smith, Wendell Willkie and Franklin Roosevelt. La Guardia was not of their standard, but he was of their kind. His death accentuates America's present poverty of dynamic politicians. It is said that the Democratic Party managers are searching the hedges and high roads for a vice-presidential nominee who will bring "glamour and

magnetism" to the ticket in 1948. But it is precisely these qualities in politics which constitute the only real scarcities in America today.

Shorter Notes

Americans who have grown cynical and confused about their heritage will have an opportunity to refresh their patriotism and democratic ideals when the "Freedom Train" comes to town. This seven-car train, sponsored by the Department of Justice, is a travelling museum containing the original Bill of Rights, George Washington's copy of the Constitution and other precious historic documents. But even such national treasures are no guarantee against controversy: Republicans charge the "Freedom Train" as a Democratic campaign stunt; the Communists that it is backed by reaction; the negro poet Langston Hughes asks pertinently:

When it stops in Mississippi will it be made plain
Everybody's got a right to board the "Freedom Train"?

*

Mr Herbert Hoover, who has enjoyed a revival of prestige and authority at the hands of the Administration, recently gave friendly Democrats a rude shock by publishing a magazine article reiterating the isolationist charge that Japan was unnecessarily provoked into Pearl Harbour and that the United States might well have stayed out of the conflict, bringing its unimpaired resources to the peace table to enforce a just settlement. Mr Hoover's hindsight is as faulty as his foresight on this issue.

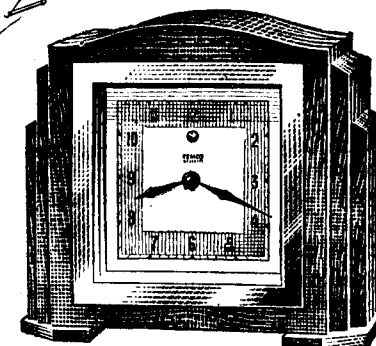
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The widely welcomed decision of the Atomic Energy Commission to release radio-active isotopes for scientific use abroad was not, it appears, unanimous. In the first split in the Commission on a major issue, Mr Lewis Strauss, the former New York banker, opposed the move on security grounds. The majority view was that "the risks were minimal and the advantages very large." Any public disagreement between members of the Commission on the security aspects of atomic energy may well be echoed later in the Joint Congressional Committee on Atomic Energy.

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THE WORLD OVERSEAS

Summary of the General Report of the Committee of European Economic Co-operation

Chapter I—Historical Introduction

THIS chapter gives a general historical background to the work of the Committee and

- (i) describes the wealth and productivity of Western Europe before the war and the dependence of this wealth upon a high degree of international trade and of internal division of labour;
- (ii) describes the shattering of this delicate mechanism by the war and by post-war shortages;
- (iii) gives an account of the remarkable degree of recovery achieved immediately after the war thanks to self help, American aid and the work of Unrra;
- (iv) explains the reasons for the setback in recovery after the hard winter and drought of 1947 which has taken the form of an exhaustion of gold and dollar reserves at a time of great dependence upon the American continent;
- (v) and outlines the various steps taken by Mr Marshall and others to bring about the Paris Conference.

Chapter II—The European Recovery Programme

The recovery programme is based upon four points:

- (i) a strong productive effort by each of the participating countries;
- (ii) the creation of internal financial stability;
- (iii) the maximum co-operation between the participating countries;
- (iv) a solution of the problem of the participating countries' trading deficit with the American continent, particularly by exports.

The scale of the productive effort required represents an expansion of output similar in general scale to that achieved by the United States in the mobilisation years 1940-44, when coal output was increased by 34 per cent, steel output by 31 per cent, electric power by 61 per cent. The corresponding figures for Europe are 33 per cent, 60 per cent and 44 per cent. Europe's resources are insufficient to supply all the materials of recovery. At the same time neither Eastern Europe nor South-East Asia can produce their prewar share of Europe's imports. This fact enhances Europe's dependence upon supplies from the American continent and hence upon dollars. Without a solution of the dollar problem, there can be no effective recovery.

Chapter III—The Production Effort

The Committee concentrated its work on the key factors—food, agriculture, fuel and power, steel, timber, transport, and related industries such as agricultural and mining machinery and the general problem of labour. These factors are all inter-dependent, and shortages in one hamper recovery in the others.

By 1951, the population of Western Europe will exceed the prewar figure by 11 per cent. Goods and services must be provided to meet this increase.

National programmes aim at attaining the following objectives:

- (i) restoration of prewar bread grain and other cereal production, with large increases above prewar in sugar and potatoes, some increases in oils and fats, and as fast an expansion in livestock products as supplies of feeding-stuffs will allow;
- (ii) increase of coal output to 584 million tons—i.e., 145 million tons above the 1947 level (an increase of one-third) and 30 million tons above the 1938 level;
- (iii) expansion of electricity output by nearly 70,000 million kwh., or 40 per cent above 1947, and a growth of generating capacity by 25 million kw., or two-thirds above prewar;

- (iv) development of oil refining capacity in terms of crude oil throughout by 17 million tons to two and a half times the prewar level;
- (v) increase of crude steel production by 80 per cent above the present level to 55 million tons, or 10 million tons (20 per cent) above 1938;
- (vi) expansion of inland transport facilities to carry a 25 per cent greater load in 1951 than in 1938;
- (vii) restoration of prewar merchant fleets of the participating countries by 1951;
- (viii) supply from European production of most of the capital equipment needed for these expansions.

Food production is the first essential. By 1951 cereal production can be restored to prewar levels—but livestock will require more than four years—and meat production will only be 90 per cent of prewar. The supply of fish is already at the prewar level and can be raised. The following table summarises food output. According to these figures, France and Italy must have restored their cereal production by 1951.

Year*	1934-8	1946-7	1947-8	1950-1
All cereals.....	64.5	55.6	48.9	55.8
Bread grains.....	34.0	28.3	21.4	34.0
Potatoes.....	57.7	50.7	61.6	68.2
Sugar.....	3.4	3.3	3.4	3.9
Meat.....	9.0	5.9	6.0	8.1
Milk.....	72.5	55.7	57.0	73.4
Oil and fats.....	2.8	2.0	2.2	2.9

* Years run from July 1 to June 30.

The export surpluses of the participating countries will form an automatic and increasing type of mutual aid. The estimated increases in export surpluses are:

	1946-7	1950-1
Butter.....	87,000	154,000
Eggs.....	52,000	223,000
Meat.....	398,000	630,000
Fruit.....	550,000	1,991,000

Soil fertility must be restored and fertilisers are essential. Their production is already above the prewar level and present production will be doubled by 1951. With adequate supplies of phosphates and potash, this amount will cover the requirements.

Special long term projects such as the production of ground nuts in Africa will help to increase fat supplies.

Fuel and power must be increased. The United States today consumes 4½ times as much per head as Western Europe. Even before the war the ratio was 2½:1. Before the war, four-fifths of the power was drawn from coal. The substitution of petroleum products and hydro-electric power is planned.

Coal production is summarised in the following table:

	1938	1947	1948	1951
United Kingdom.....	231	199	214	249
Western Germany:—				
Bi-Zone.....	206	133	149	193
Saar.....	14	10	14	17
France.....	48	51	51	65
Belgium.....	30	24	26	31
Other Countries.....	23	22	24	31
Total.....	552	439	478	584

The increase in British production will be achieved by increasing manpower, modernising machinery, and introducing capital developments, among them 20 new sinkings.

The supplies of mining machinery amounting to over \$1 billion will be almost entirely produced in the United Kingdom.

Britain hopes to begin exports in April, 1948, with a figure of 6,000,000 tons for 1948 rising to 29 million in 1951.

The output in Western Germany in 1951 will still be less than in 1938 owing to the scale of destruction.

Mining supplies were examined and it is hoped that Sweden will raise its export of pitprops to 300,000 solid cubic metres a year (50 per cent above prewar).

Consumption of electricity in 1948 may be 80 per cent above 1938. The annual increase in generating capacity must be four times that of 1937/8.

A special working party is examining a completely international and co-operative power plan which includes 6 hydro-electric plants in Italy, France and on the Austro-Italo-Swiss frontier together with 2 lignite thermal plants in Germany and one geo-thermal plant in Italy.

To meet the disturbance in normal supplies of coking coal from the Ruhr and Britain, the Committee has evolved an emergency scheme of coke economy to cover the deficit originally estimated at 20 per cent in 1948. If this plan is successful, the following steel figures should be reached:

PRODUCTION OF CRUDE STEEL
(Million tons)

	1938	Best prewar Year	1947	1948	1951
United Kingdom.....	10.6	13.2	12.7	14.0	15.0
France.....	6.2	9.7	5.8	10.4	12.7
Belgium & Luxembourg.....	3.8	7.0	4.6	7.3	7.9
Italy.....	2.3	2.3	1.6	2.5	3.0
Other participating countries.....	1.8	1.8	2.0	2.3	4.1
Bi-Zone of Germany.....	17.8	17.8	2.8	4.1	(b) 10.0
Saar and French Zone.....	3.0	3.0	0.8	1.7	2.7
	45.5	54.7	30.3	42.3	55.4

(b) This figure does not prejudice any decision which may be taken later by the Council of Foreign Ministers.

Modernisation and re-equipment of the steel industry will be more important than new plant. Only 20 per cent of the 1951 output will come from new capacity. To secure the best results from their modernisation and development schemes for the steel industry the nations have agreed to an exchange of information.

Steel increases will make possible extensions in engineering. Western Europe can provide over 90 per cent of its need for mining equipment (estimated at \$3,700 million) and also for generating plant (\$5,300 million). It will produce two-thirds of the equipment for the petroleum industry. Apart from such items as continuous wide strip mills, it will provide most of the equipment for the steel industries. It can cover its long-term needs in agriculture. Enough locomotives can be produced to provide small exports, but freight cars will remain short. Economies are being examined in the form of an international freight car pool and it is proposed to standardise the design. The war loss of 22 million gross tons of shipping will be largely made good in the European shipyards.

Participating countries are to raise the production of timber by 10 per cent and the present high rate of cutting will be maintained in Western Germany.

Every nation has a labour shortage except Italy with a surplus of 2,000,000. Recruitment may later be possible in Western Germany. The Italian surplus, suitably trained, could meet all the participating nations' needs.

Chapter IV—Internal Financial and Monetary Stability

The report analyses the forces making for inflation in Western Europe of which the chief two are inadequate food production and budgetary deficits. Lack of faith in the currency encourages hoarding—of food, goods and capital—which in turn increases the gap between expenditure and real income.

External aid alone will permit sufficient distribution of consumer goods to break the spiral. Thus the provision of dollars will not only finance the trading deficit, it is the essential first step in internal stabilisation. By 1951, it is the aim that national expenditure and national income shall balance.

Various governments, in particular France and Italy, have undertaken to take the necessary measures to balance their budgets and to balance expenditure against revenue. All the governments are pledged to achieve internal stability. But the painful process of checking inflation would be greatly assisted by the injection of external resources to raise each country's reserves of gold and dollars. A general estimate of the sum needed is in the neighbourhood of \$3,000 million.

Chapter V—Economic Co-operation

The Report analyses the normal measures of self-help traditionally practised in Western Europe by means of trade.

The Governments pledge themselves:

- (i) to abolish as soon as possible the abnormal restrictions at present hampering their mutual trade;
- (ii) to aim at a sound and balanced multilateral trading system.

Both steps depend largely on Europe's ability to sell to the American continent.

The nations will pursue the multilateral reduction of tariffs and a Customs Union, to "be achieved by progressive stages over a period of years," is under consideration. A study group has been established for this purpose.

The French Government has declared its readiness to negotiate customs unions with nations "capable of being combined with the French economy in such a way as to make a stable unit." The Italian Government has associated itself with this declaration. Greece and Turkey have also undertaken to consider a regional customs union between their two "friendly and neighbouring countries."

The principal achievements of mutual co-operation are:

- (i) Co-operative plans to expand electric power without regard to national frontiers.
- (ii) Standardisation of types of equipment such as mining machinery and freight cars.
- (iii) An international freight car pool.
- (iv) Exchange of information on national steel programmes.

Where suitable international machinery for economic co-operation exists, the participating nations intend to use it. The technical committees have suggested the submission of some production problems to the Economic Commission for Europe.

The Committee may be reconvened after consultation. The Chairman, the Rapporteur General and various delegates will hold themselves in readiness to provide the United States Government with information on the Report.

Chapter VI—The Import Requirements

In estimating the scale of imports necessary to implement the Plan, the Technical Committees have attempted to estimate the supplies available and have valued them at the prices ruling on July 1, 1947. The following table gives the general result.

£'000 MILLION AT JULY 1, 1947, PRICES

	From U.S.A.	From rest of American Continent	Total from American Continent	From other non-participating countries	Total
1948.....	6.0	3.2	9.2	4.7	13.9
1949.....	5.3	3.9	9.1	5.4	14.5
1950.....	4.8	3.8	8.6	5.9	14.5
1951.....	4.3	3.9	8.2	6.2	14.4

The volume of imports is much the same as in a normal prewar year, but whereas 40 per cent normally came from the American continent, the complete disruption of non-American sources of supply, particularly in Eastern Europe and South East Asia, has now raised the proportion to two-thirds.

The report assumes (i) "a substantial and steady resumption

of East European food and timber supplies." The flow of cereals will be at the prewar level in 1951 and timber will be 75 per cent of prewar; (ii) a steady recovery in Asiatic supplies.

IMPORT PROGRAMME FROM THE AMERICAN CONTINENT (\$'000 Million at Prices of July 1, 1947)

	1948		1951		Total 1948-1951		
	U.S.A.	Rest of America	U.S.A.	Rest of America	U.S.A.	Rest of America	Total
Food and Fertilizers	1.5	1.8	1.2	2.2	5.4	8.3	13.7
Coal	.3	...	.05	...	.7	...	.7
Petroleum Products*	5	...	.55	...	2.2	...	2.2
Iron and Steel	.4	...	.3	...	1.2	.1	1.3
Timber	.1	.2	.1	.1	.4	.6	1.0
Equipment covered by Technical Committees	1.1	...	.6	...	3.3	.1	3.4
Other Imports	2.1	1.2	1.5	1.6	7.2	5.7	12.9
Total Imports	6.0	3.2	4.3	3.9	20.4	14.8	35.2
Shipping Services	.6	...	.3	...	1.7	...	1.7

* Amounts required from dollar sources.

Many of these imports, notably of ships, coal, nitrogen and certain capital goods are essentially temporary. For example, the coal estimates

(Million tons)

	1948	1951
From U.S.A.	42	7
From Poland*	16	30

* Includes small quantities from other countries. Polish figure supplied to the European Coal Organisation.

There will be a similar decline in imports of capital equipment

IMPORTS OF EQUIPMENT FROM THE AMERICAN CONTINENT* (Millions of U.S. Dollars at Prices of July 1, 1947)

	1948	1949	1950	1951	Total 1948-51
A. Equipment to create new capacity or restore or replace damaged capacity					
(i) Goods covered by Technical Committees					
Electrical equipment	150	175	125	50	500
Petroleum equipment	50	51	52	49	202
Steel plants	100	100	100	100	400
Total	300	326	277	199	1,102
(ii) Goods not covered by Technical Committees	287	287	287	287	1,148
B. Other equipment					
(i) Goods covered by Technical Committees					
(Other than agricultural and mining machinery)					
Petroleum equipment	118	96	64	75	353
Inland Transport equipment	203	177	81	29	490
Timber equipment	10	9	7	6	32
Total	918	895	716	596	3,125
Agricultural machinery	370	313	268	237	1,188
Mining machinery	80	54	46	40	220
(ii) Goods not covered by Technical Committees	n.a.	n.a.	n.a.	n.a.	n.a.
TOTAL EQUIPMENT	1,368	1,262	1,030	873	4,533

* This table appears in Chapter VII, but for the sake of logic is included at this point.

There will be a permanent increase in imports of petroleum. The rise (from 49 million tons in 1947 to 78 million tons in 1951) assumes no petrol rationing. Consumption in 1951 per head of population will be 15 per cent of consumption in the United States.

"Other imports" are mainly raw materials normally needed in Europe's economy, such as cotton and non-ferrous metals.

Food imports are based on estimated availability rather than need.

IMPORT REQUIREMENTS OF FOOD AND FEEDING STUFFS

	1934-8	1945-7	1947-8	1950-1
Bread grains	14.0	15.3	23.7	17.9
Coarse grains	11.4	4.7	8.6	11.7
Sugar	2.7	1.7	1.7	2.3
Meat	1.7	1.6	2.1	2.5
Fats (oil equivalent)	2.6	1.1	1.7	2.3
Oilcake*	5.0	1.9	3.5	5.4

* Including the oilcake contents of imported oilseeds.

This programme should give the following consumption per head of population.

(Kg. per Head per Year)

	1934-8	1947-8	1950-1
Bread grains	192.0	159.0	179.0
Potatoes	236.0	228.0	245.0
Sugar	27.4	20.0	25.2
Meat	42.9	30.0	37.6
Fats (oil equivalent)	24.1	17.0	22.6

Definite estimates of the provenance and distribution of the cereals is difficult to make. The belief is that 20 of the annual figure of about 25 million will come from the American continent, with 8,000,000 to 9,000,000 tons from the United States.

Chapter VII.—The Problem of Payments

The account of the problem of payments "is built primarily from the experts' view of the prospective commodity supply to the participating countries as a whole, rather than from independent and unco-ordinated financial estimates from the individual countries." The analysis deals with trade with the American continent rather than with the United States, since dollars are generally necessary.

BALANCE OF PAYMENTS OF PARTICIPATING COUNTRIES AND WESTERN GERMANY IN 1948 (\$'000 Million)

	American Continent	Other Non-participating Countries
Imports	9.17	4.70
Exports	2.16	4.30
Net Surplus (+) or Deficit (—) on invisible account	0.57	0.38
Dependent Territories, net surplus (+) or deficit (—)	0.45	0.22
	8.03	0.24

The adverse balance with the American continent is not abnormal. In 1938 it was \$1,750 million dollars. What is abnormal is the loss of other assets, overseas investments, colonial sales to America and dollar earning trade with the rest of the world which used to provide the multilateral balance.

Assuming favourable external conditions and a steady fall in the price of imports from America, the following deficits are expected:

(\$'000 Million)

	1948	1949	1950	1951	Total
U.S.A.	5.64	4.27	3.23	2.62	15.81
Rest of American Continent ..	1.94	1.82	1.30	0.91	5.97
Deficit of Dependent Territories	7.58	6.09	4.58	3.53	21.78
Total	0.46	0.26	0.07	0.13	0.66
Less Possible Capital from the World Bank	8.04	6.35	4.65	3.40	22.44
Total	0.92	0.89	0.72	0.60	3.13
Total	7.12	5.46	3.93	2.80	19.31

The decline in dollar requirements is due to four factors:

- a fall in the need of American imports of certain types.
- increased production in Europe.
- more supplies available in the rest of the world.
- an export drive to the United States. The proposed export drive to the American continent is planned on the following scale:

('000 Million)

	U.S.A.	Rest of American Continent
1948	0.85	1.31
1949	1.11	1.72
1950	1.23	2.14
1951	1.48	2.46

By 1951, western Europe hopes to have a favourable balance with other non-participating countries of \$1,800 million.

These plans depend upon the American continent buying from Europe or permitting other countries to earn dollars in America.

The Trade Charter

A Summary

THE Charter of the proposed International Trade Organisation has now been published (Cmd. 7212) in the form in which it emerged from the four-month debate in the second session of the Preparatory Committee of the United Nations Conference on Trade and Employment meeting in Geneva. In its latest version the Charter cannot yet be regarded as the final product of the drawn-out discussions to which it will have been subjected. There are no less than 65 individual reservations and expressions of dissent appended to the latest text (eleven came from Chile and two from the United Kingdom) and they promise some continuation of the debate and even of the process of amendment when the Charter is submitted to the full meeting of the United Nations Conference on Trade and Employment which is to be convened in Havana, Cuba, in November. It should, however, be reasonable to assume that further amendments will be of relatively minor importance. It was in Geneva that the real debate on this document took place, as may be gauged from the extent and variety of the differences between the Geneva version and its predecessor, the Lake Success version of the Charter.

The main structure of the document remains unchanged. It contains nine chapters, of which the last three may conveniently be ignored at the moment since they deal solely with the organisation, administration and other technical matters referring to the mechanism of the proposed International Trade Organisation. Of the first six chapters some also call for fairly summary treatment.

The first is merely a statement of the purpose and objective of the proposed ITO. The second deals with employment and economic activity, and in relation to its length—a mere five short articles—caused more concentrated debate than any other section. What this chapter says may be summarised as an assertion that all members will do their best to achieve and maintain full and productive employment and that, since they accept international responsibilities for such policies, they will forswear measures that will help them in this objective merely by exporting their unemployment to others.

The third chapter on economic development has been considerably expanded and, as it now stands, provides what amounts to a virtual blanket exemption from the provisions of the Charter to countries whose resources are as yet relatively underdeveloped and which desire to diversify their economies by setting up secondary industries behind the protection of high tariff walls. There is, however, an article in this chapter which has considerable topical importance and interest in view of the Marshall Plan discussions. It is Article 15, which states that special circumstances may justify the setting up of new preferential arrangements between two or more countries, even when those countries are not contemplating a customs union, if the arrangements are part of programmes of economic development or reconstruction. This would appear to give ITO blessing to the development of preferential arrangements in Europe even if these do not ostensibly anticipate a customs union.

The fourth chapter, that dealing with commercial policy, is the crucial section of the Charter and further reference will be made to it subsequently.

Chapter five deals with restrictive business practices and has suffered little amendment in its latest phase of evolution. It still avoids the frontal attack on cartels and monopolies which earlier versions of the Charter envisaged, but rather sets up the ITO as a recipient of complaints against the abuse of restrictive practices and as the ultimate creator of a body of case law to be applied against offenders.

Finally, there is chapter six on inter-governmental commodity agreements which defines the conditions under which inter-governmental action to stabilise prices, control production and influence consumption of primary commodities would be justified. These provisions and others setting out the manner in which such commodity agreements should be operated and the objectives they should serve will no doubt acquire considerable importance in due course. But the problems of glut with which they are primarily concerned are not those that face the world in the immediate future and without in any way decrying their importance or denying the inherent necessity for including commodity agreements in the Charter of the proposed ITO, one may be excused at present for turning aside from this chapter and returning to the articles dealing with commercial policy.

It is this section of the Charter which has undergone the most significant amendment in the course of the Geneva debate. It emerges from that ordeal in a form far more realistic and appropriate to the peculiar circumstances of the times than could be claimed for any of the prior versions of this chapter. At the risk of sinning against that meticulous accuracy which can apparently only be gained within the phraseology of legal jargon, it may be helpful to give a free and very abbreviated translation of the more important articles of this chapter, which is divided into six sections and 28 articles. The first of these, Article 16, redefines our old friend, the most-favoured-nation treatment clause, and significantly asserts that this treatment is to be accorded to other members of ITO only. This opens the door to escape from the unconditional over-all application of the MFN clause, which in the past has done nearly as much harm as good, partly by visiting on the undeserving the benefits of other countries' virtues (and therefore making vice pay), partly by condemning many attempts by small groups of nations to extend among themselves the principles of freer trade.

On the relation between the reduction of tariffs and the elimination of preferences (Article 17), the new text is more elastic than the old, which demanded that every reduction in tariff rates should be automatically applied to reduce or eliminate margins of preference. Under the new text, it will be possible concurrently to negotiate reductions in tariff and in preferential rates provided that the margin between the two is not increased.

It is around Articles 20 to 23 inclusive that the main debate raged. These are the articles dealing with the application of quantitative restrictions on imports and exports. Since in the years immediately ahead the trade of the world must inevitably be powerfully influenced by balance-of-payments difficulties, recourse to quantitative restrictions is inevitable and the topicality of these articles is, therefore, self-evident. The Charter sets out as a general principle that quantitative restrictions on imports or exports should be eliminated, whether these restrictions be imposed through quotas, licensing or other measures. Apart from some specific exceptions to this rule, of which the most important refer to restrictions on agricultural or fisheries products designed to help inter-governmental control schemes, the Charter then goes on to define a wider range of exceptions intended to safeguard members who are in balance-of-payments difficulties. These may restrict imports to forestall or stop a serious decline in their monetary reserves, or, in the case of a member with low monetary reserves, to achieve a reasonable rate of increase in its reserve. Article 21, in which this general authorisation of quantitative restrictions is made, states that it is recognised that in the early years of the ITO all members will be confronted in varying degrees with problems of economic adjustment resulting from the war and that during this period the ITO

shall take full account of the difficulties of postwar adjustment and of the need which a member may have to use import restrictions as a step towards the restoration of equilibrium in its balance of payments on a sound and lasting basis.

The Charter then proceeds (Article 22) to lay down that quantitative restrictions must be administered in a non-discriminatory manner:

No prohibition or restriction shall be applied by any member on the importation of any product of any other member country or on the exportation of any product destined for any other member country unless the importation of the like product to all third countries or the exportation of the like product to all third countries is similarly prohibited or restricted.

The danger of casting the distribution of international trade into a rigid and unalterable mould which is evoked by this clause, and the suggestion that because imports have to be cut from one country, owing to balance-of-payments difficulties, they must be cut from all others, are largely removed by the next section of the Charter (Article 23), which lays down the exceptions of the rule of non-discrimination. These are so important and so relevant to present-day circumstances that they deserve rather fuller translation than has been given to preceding articles of the Charter. The Charter accepts the argument that when "substantial and widespread disequilibrium prevails in the international trade and payments" a member may be able to increase its imports from certain countries without unduly depleting its monetary reserves

if it is permitted to depart from the rule of non-discrimination. Accordingly, it provides that when such disequilibrium prevails

a member applying import restrictions under Article 21 may relax such restrictions in a manner which departs from the provisions of Article 22 to the extent necessary to obtain additional imports above the maximum total of imports which it could afford in the light of the requirements of Article 21 [allowing quantitative restrictions] if its restrictions were fully consistent with Article 22 (i.e., if those restrictions were administered in a non-discriminatory manner).

Up to March 1, 1952, members are given what is virtually a free run in availing themselves of these exceptions to the rule of non-discrimination. The Charter asks members "to recognise the need for close limitation of such departures so as not to handicap achievement of multilateral international trade"; and it also makes some provision to prevent the development of bilateral and discriminatory trading arrangements to a point at which trade in terms of convertible currencies would be seriously restricted. These, however, are mere exhortations to reasonable conduct. They are not precise instructions. Provided members keep the ITO informed about the actions they take in departing from the strict line of non-discrimination, and provided "such action does not cause unnecessary damage to the commercial or economic interests of any other member," the deviators are granted virtually complete freedom of action. Nor later than March 1, 1952, however, any member who maintains or proposes to embark upon discriminatory quantitative restrictions on trade must seek the approval of the ITO. Thereafter the initiative for such action and for judging whether prevailing circumstances justify it, will lie not with each member but with the organisation.

Beyond these blanket exceptions from the rule of non-discrimination up to March 1, 1952 (the transitional five-year period under the International Monetary Fund agreement), Article 23 of the Charter also provides three sets of specific exceptions. The first is that which allows discriminatory commercial arrangements between groups of territories having a common quota in the IMF (this would allow arrangements of this kind between Great Britain and the colonies). The second relates to measures designed to assist until the end of 1951 a country whose economy has been disrupted by war. The third is the provision by which the Charter throws the door wide open to any discriminatory measures which members may apply if Article 7 of the IMF agreement (the scarce currency article) is invoked. After all these exceptions are allowed for, there is not much that remains of the doctrine of non-discrimination, except as an objective which members of the Organisation will strive to reach by 1952 and which, even then, will be hedged by escape clauses to which appeal will be available to any member in genuine balance-of-payments difficulty.

In all these issues involving consideration of the balances of payments and the monetary reserves of members, the ITO will act in close consultation with the IMF. Article 24 of the Charter sets out the general lines of this co-operation and lays down the general principle that the two international organisations shall pursue a co-ordinated policy with regard to exchange questions.

The next five articles of the Charter (25 to 29 inclusive) deal with subsidies, with special emphasis on export subsidies, which are defined as those which result in the sale of a product for export at a price lower than the corresponding price in the home market. In general, export subsidies are only permitted to continue for two years. Thereafter export subsidies will only be permitted with the sanction of the ITO.

After this comes the section of the Charter dealing with state trading. The relevant Articles 30 and 31 apply not merely to direct state trading activities, but to those of marketing boards established by member states. The general intent of these two articles can be stated briefly: it is that state trading enterprises shall be guided by commercial considerations in making their purchases and sales. Commercial considerations are to include "prices, quality, availability, marketability, transportation and other conditions of purchase or sale"—a definition which should not be found too restrictive. The Charter also endeavours to legislate regarding the margin between the price at which a state monopoly purchases goods and that at which it sells in the home market—a margin which is tantamount to the import duty the state would levy if the goods were brought in by private traders.

The remainder of chapter four on Commercial Policy is devoted to "general commercial provisions," including the regulation of such matters as freedom of transit, anti-dumping duties, customs valuations, marks of origin, information, statistics and trade terminology.

When the full Charter was presented to the plenary meeting of the preparatory committee at Geneva last month Mr Harold Wilson, Secretary for Overseas Trade, made a speech which portrays the attitude of the British Government towards this document and to its applicability in the abnormal circumstances that prevail. The salient passages of this statement deserve quotation.

The work of the past four months has proceeded against a background of a darkening storm in international economic affairs: hence the criticism that our work here has been in vain and remote from the realities of the present situation. I want, for our part, to repudiate that suggestion. But none of us would claim that our work here can ever yield its true value unless all nations recognise that the hopes we all hold of establishing a new order in international trade are dependent for the fulfilment on the solution of the world problems which are now pressing upon us.

The Draft Charter [the committee] has drawn up, shows what is necessary to achieve a multilateral trading system based on the freest possible flow of world trade: this, we believe, is in the long run as much in our own national interests as in those of the world as a whole.

It is of the utmost importance that we should not bring discredit on the fundamental principles of non-discriminatory multilateral trading by attempting to move too far and too fast in this difficult period when many of the conditions essential for such a system have not yet been realised.

It is not for us here in Geneva to say how equilibrium can be restored... it is a problem of restoring our national production in each country, of building up again our war-shattered economies... in our own case we shall find it necessary and desirable to have even closer economic co-operation with other countries of the Commonwealth. I feel that the Governments represented at the Preparatory Committee must face the position frankly, not only that our work itself will be in vain unless all the Governments and agencies concerned can solve this overriding problem, but also that the methods we may have to use in the intervening months and years may appear to be opposed to the principles and methods of the Draft Charter. Many of us will certainly have to assist our position by agreements with particular countries.

But in these methods designed to meet short-term and urgent problems which are pressing upon us, the guiding principle must be that we do not establish permanently artificial channels of trade which will in the long run defeat the principles and methods we have been discussing here. To do so would reduce the total volume of world trade in goods and services and bring about a lower standard of living for the peoples of the world than we hope to achieve as a result of full economic co-operation on a multilateral basis.

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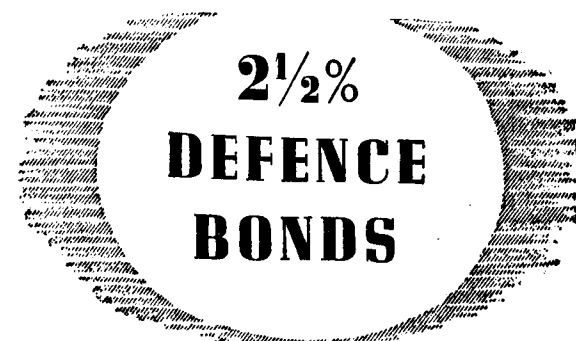
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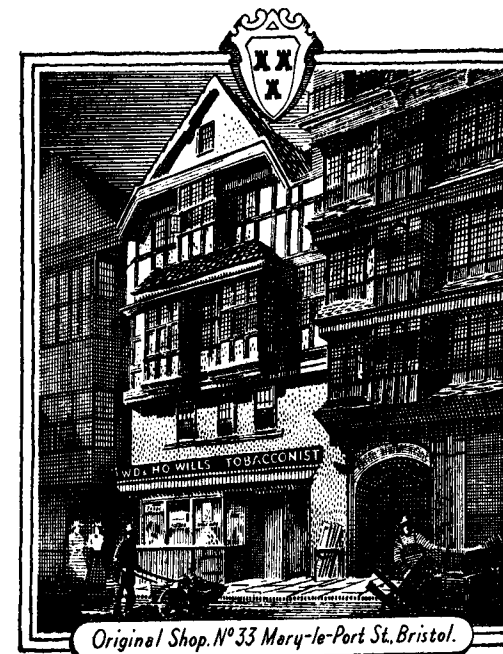
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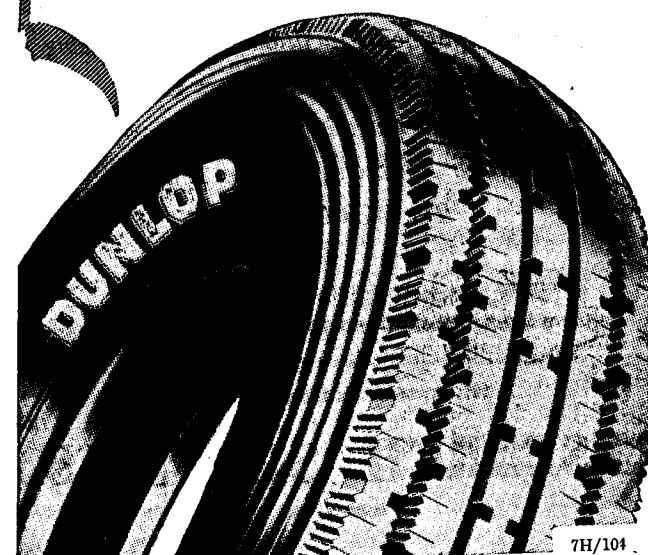
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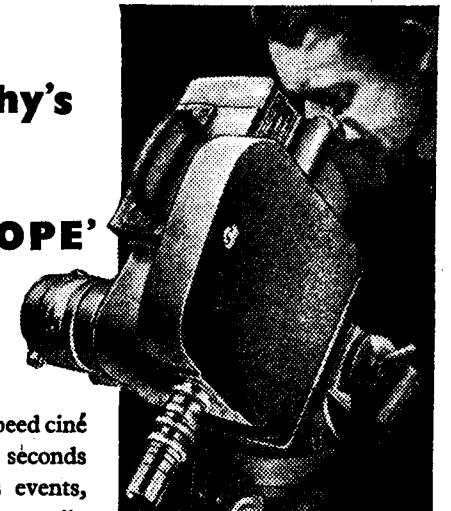
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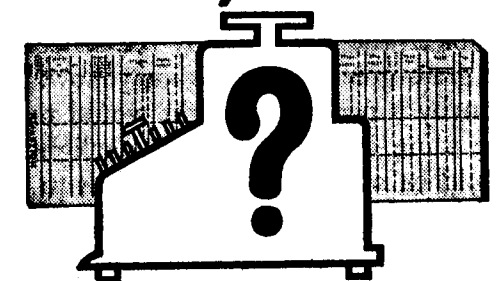
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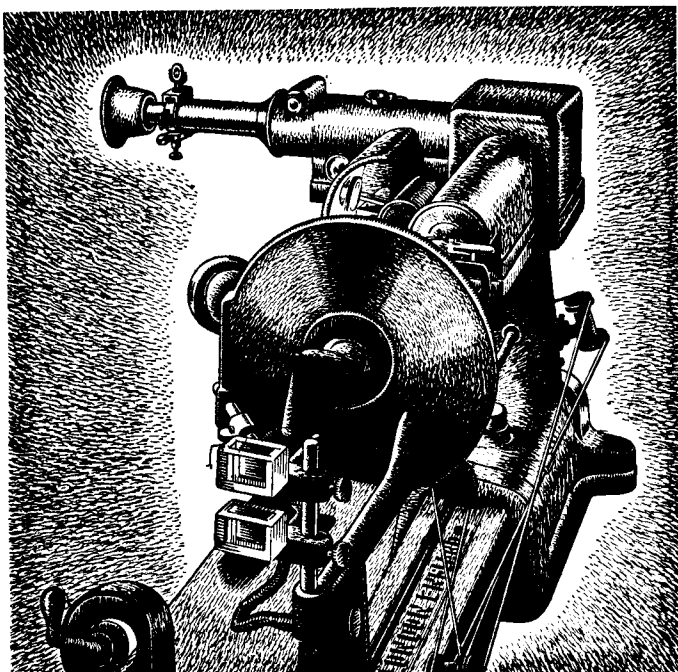
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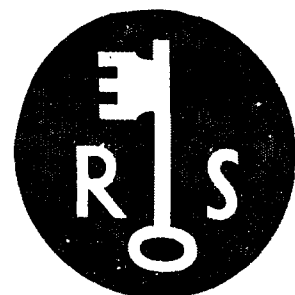
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RPL/P.32B



By Candlelight

A woman buying an evening dress prefers not to choose the shade in daytime, because she knows that it may look different by artificial light. Colour depends on the nature of the light that falls upon the pigment or dye. The white light of the sun is a mixture of many coloured lights, ranging from red to violet. When it falls upon a poppy, a substance in the petals absorbs all except the red rays. These are reflected to the eye, and give the impression of redness. Similarly, grass looks green because it reflects the green rays and absorbs the other colours. Few coloured substances, however, reflect one sort of light to the complete exclusion of all the rest. Poppy-red reflects some blue, and grass-green some blue and yellow. Hence, grass seen by a pure green light would not have quite the same appearance as in daylight, since there would be no blue or yellow for it to reflect. Facts of this kind make it imperative for the British dyestuffs chemist to know exactly what kinds of light each dye reflects. For such information he relies on the spectrophotometer. Here the coloured light from the dye is spread out by a prism or fine grating into its colour components, enabling the quantity of each component to be measured on a graduated scale. Such data are essential, for example, when blending dyestuffs for colour photography or studying the behaviour of dyes in sunlight and artificial light. The British chemical industry has available at the service of the nation much valuable information on the colour characteristics of dyestuffs and is constantly working to enlarge it.



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THE BUSINESS WORLD

Can the Empire Supply Lancashire?

THE dollar shortage and the consequent curtailment of imports from the United States has naturally caused Britain to seek alternative sources of raw materials and foodstuffs within the "sterling group," particularly the Empire. Cotton has always been an important dollar import although in recent years relatively larger quantities have been purchased from other countries. But cotton is not a homogeneous commodity; it varies by type and staple length. Broadly, there are two main classifications: American type and Egyptian type, which are differentiated by the fineness of the fibre. Egyptian-type cotton is generally used for making finer yarns (of counts above 50s), particularly tyre and hosiery yarns. American-type cotton is used predominantly for coarser yarns. These cottons, however, are by no means exclusively produced in the two countries from which they are named. American-type cotton is grown in Brazil, the Belgian Congo, and British East and West Africa. Similarly, Egyptian-type cotton is grown in the important neighbouring area of the Sudan. The differing lengths of the fibre—the staple—play an important part in cotton spinning. Generally, American-type cotton is shorter than $1\frac{1}{4}$ in., while Egyptian-type is of longer staple; but there is considerable variation within each group. A long-staple cotton is usually considered to be $1\frac{1}{4}$ in. or longer and short-staple less than $\frac{7}{8}$ in. The bulk of the American-type cotton used by Lancashire has a short-medium staple length of $\frac{11}{16}$ – $1\frac{1}{4}$ in. About 80 per cent of all American-grown cotton consumed in Britain is of this character and almost 85 per cent of all American-type cottons used. The problem of finding an alternative supply of cotton for Lancashire, from sources other than the United States, accordingly resolves itself into obtaining an additional 70,000 tons a year of short-medium staple, which was the quantity of this type of American-grown cotton consumed in the United Kingdom in 1946. Consumption last year was, of course, sub-normal, because the output of cotton yarn in Lancashire was no more than 54 per cent of the pre-war figure. Already last year some 160,000 tons of similar American-type cotton obtained from countries other than the United States were used.

The declining dependence of Lancashire on the United States can be seen from Table I, which shows the proportionate consumption of raw cotton in the spinning industry analysed according to countries of growth. In 1939, the United States supplied nearly one-half of all cotton used in the spinning industry; by 1946, this proportion had dropped to a mere one-quarter, compared with a reduction of no more than 43 per cent in total consumption. On the other hand, supplies of American-type cotton from Brazil, British East and West Africa and the Belgian Congo showed a relative increase. Consumption of Indian cotton has also declined during the war years owing to shipping difficulties and to reduced supplies available for export. Egyptian cotton maintained its relative share in total British consumption though supplies from the Sudan increased.

These changes in sources of supply of cotton have been largely conditioned by the exigencies of war, but the shortage of foreign exchange is now closing even some of those sources which were open in war time. In 1946 Empire cotton, including Indian and Sudanese, comprised only 21 per cent of British consumption; even this figure requires careful interpretation for such Indian cotton as is exported is coarse and of short staple, while high-

quality Sudan cotton is interchangeable with Egyptian. British West Africa is at the moment the only Empire source of short-medium cotton, and if the dollar cost of American-type cotton imports is to be reduced, growth of this type must be developed in Empire countries and imported in substitution for dollar supplies. It is not surprising that, at present, Empire countries find themselves unable to play more than a minor part in supplying Lancashire, for hitherto all colonial cotton schemes have expressly concentrated on longer-stapled varieties so as not to compete with American supplies.

Any estimate of a potential increase in Empire cotton production should be reviewed in the light of world output, shown in

TABLE I U.K. COTTON CONSUMPTION BY GROWTHS

	1939	1940	1941	1942	1943	1944	1945	1946**
	%	%	%	%	%	%	%	%
Cotton Spinning:—								
American Types:—								
*U.S.A.	45	49	44	41	45	40	38	25
*Brazil	9	7	8	11	4	12	13	19
*Belgian-Congo ..	...	...	...	5	5	6	5	5
*British W. Africa.	2	...	1	3	2	1	1	1
†British E. Africa..	1	...	...	1	3	2	2	3
Egyptian Types:—								
Egypt	19	19	17	16	22	21	20	20
Sudan	6	4	4	8	7	8	10	12
Others:—								
India	11	8	12	11	10	7	6	6
†Peru	6	6	3	2	2	2	3	4
	'000 Tons	'000 Tons	'000 Tons	'000 Tons	'000 Tons	'000 Tons	'000 Tons	'000 Tons
All Growths:—								
Cotton Spinning....	574	603	412	378	367	346	308	345
Other Uses	15	17	18	42	28	13	12	20
Total Consumption ...	589	620	430	420	395	359	320	365

* Mainly $\frac{11}{16}$ – $1\frac{1}{4}$ inch staple. † $1\frac{1}{4}$ – $1\frac{3}{4}$ inch staple. ‡ "Tree" cotton used largely for mixture with wool. § Mainly short staple, less than $\frac{7}{8}$ inch. ** Provisional, estimated on basis of first six months.

Table II. Output fell during the war years, for cotton acreage was reduced in order to obtain greater food production. The world cotton area in 1946-47 covered only 58 million acres compared with 95 million acres in the peak season of 1937-38. But production has not declined so precipitately as the area under cultivation, for yields have continued to increase and the proportion of longer-stapled cotton grown has risen.

The Empire accounts for between 15 and 20 per cent of world cotton output but the greater part of this is represented by output in India and the Sudan. Indian cotton was formerly largely of short staple. In 1934 three-quarters of the crop was under $\frac{7}{8}$ inch. But by 1945 the proportion of short-staple cotton was reduced to no more than one-third. The greater demand for food production during the war years caused a rather severe restriction of short-stapled cotton acreage. Indian long-stapled cottons are largely consumed domestically and the short-stapled varieties (which Lancashire requires only in limited quantities) exported. The Sudan's output is of Egyptian type, grown on a communal basis on irrigated land under European supervision. The remaining Empire production accounts for a mere 1 per cent of the world total, and although much of it consists of American-type cotton, it is largely of too long staple for Lancashire. In British East Africa it is $1\frac{1}{8}$ – $1\frac{3}{8}$ inch, while in the British West Indies only high quality Sea Island cotton is grown. Only Nigeria produces a cotton of quality and staple comparable

to the type mainly used in Lancashire but its output is still small.

There is little possibility of expanding production either in India or the Sudan to meet the particular requirements of the British cotton industry. India's cotton textile industry was greatly expanded during the war to cover service requirements, and if this expanded capacity is adequately utilised—which is likely enough while the war-shattered Japanese cotton industry is being revived—India is likely to require large quantities of imported long-staple cotton from the Sudan and Uganda to supplement its increased home production of this variety. Output in the Sudan is restricted by the permitted off-take of water from the Nile and cultivation has already been developed to the limit. In any case there is little incentive for Sudanese growers to replant to an American short-medium-staple cotton, for at the moment Britain and India purchase all available quantities of Egyptian-type cotton.

The main hope of an expansion in Empire cotton supplies lies accordingly in East and West Africa, where development can be carried out either by increasing the output of the existing cotton area, or by breaking in new lands. Informed observers believe that cotton output in these territories could be doubled—given improved husbandry, water conservation, better spacing of the cotton plants, proper weeding, closer picking of the bolls, and adequate use of fertilisers and insecticides. But the small scattered plots which make up a native farm would have to be consolidated before any real progress in improved farming methods could be made. And such a radical change would require adequate supervision, careful and sympathetic encouragement, and possibly the introduction of communal farming schemes similar to those which have been so successful in the Sudan. The opening up of new areas introduces the problem of moving native populations to them, for cotton, unlike groundnuts, cannot yet be grown under fully mechanised conditions; in particular it requires a large amount of labour for picking. Resettlement alone would

be very difficult to accomplish, even though many areas, particularly in Tanganyika, are greatly overcrowded. In any case, East African cotton is too long in staple for Lancashire and its lack of uniformity, which is attributable to bad sorting and grading—causes endless trouble to British spinning mills. East African ginning mills are operated by Indians, primarily for the Indian market, which apparently does not object to lack of

TABLE II—WORLD COTTON PRODUCTION
('000 Long Tons)

	1935-1939	1941-42	1942-43	1943-44	1944-45	1945-46	1946-47*
U.S.A.	2,702	2,293	2,735	2,438	2,610	1,924	1,844
Brazil	381	495	371	489	585	304	338
Egypt	392	370	187	158	205	226	260
Russia	660	781	517	309	463	401	556
China	618	512	223	279	354	354	357
Other Foreign	457	189	477	547	173	421	520
Total Foreign	5,210	4,640	4,510	4,220	4,380	3,630	3,875
India	984	1,094	840	939	639	614	605
Sudan	54	53	63	40	67	43	48
Uganda	58	42	20	34	49	41	49
Tanganyika	8	9	7	4	7	7	7
Kenya	3	2	1	1	1	1	1
Nigeria	8	6	6	4	1	7	8
British West Indies	1	1	1	1	1	1	1
Other Empire	24	3	2	7	3	6	6
Total Empire	1,140	1,210	940	1,030	770	720	725
Total World	6,350	5,850	5,450	5,250	5,150	4,350	4,600

Source: *International Yearbook of Agricultural Statistics*.

*Provisional.

uniformity in its raw cotton supplies. Replanting the East African cotton area to a shorter staple would present few technical difficulties to the farmer, although it might mean that the gins would require some adaptation. But while India continues to be a fruitful market for East African cotton, there seems to be little likelihood of getting the farmers and the ginners to switch to Lancashire types and conform to Lancashire's requirements of grading. In Nigeria many of these problems do

not arise; the staple length of cotton grown is within the short-medium range, and all the ginning is centralised under the control of the British Cotton Growing Association. But there is a long-established local weaving industry which, given the present shortage of imported textiles, absorbs much of the local raw cotton output, and diverts it from export channels.

The problems to be solved in any scheme for developing Empire cotton production, clearly, are not simple. Yet they are not insuperable, although many delicate political issues would need to be resolved. The decision to embark on such a policy must depend on the judgment whether the dollar shortage is to be regarded as a short or long-term phenomenon. If dollars are to remain perennially scarce, this factor, not calculations of relative economic cost, will be decisive. The problem would then be to increase the current cotton production of East Africa (less Uganda) and West Africa from the present level of about 18,000 tons to 88,000 tons—even on the hopelessly pessimistic assumption that Lancashire's yarn output is permanently depressed to last year's level and that none of the expansion which the home and export markets urgently require will be forthcoming. Even so, it is a tremendous task, and the initial costs of any such scheme would inevitably be high.

The scheme would have to be conceived as a long-term plan covering the next 10 to 15 years, during which American-grown cotton would gradually be replaced by expanding Empire supplies. The maximum possible expansion in the total crop by the end of this period has been estimated at 90,000 tons, although this may prove to be too optimistic. In the interim period, Lancashire would have to make do with inferior cotton and restricted supplies which would certainly prejudice its efforts in the world's export markets.

But what of the effects of such a scheme on American cotton prices? With a normal cotton crop in the United States of say, 6,000 million lb, the American textile industry, operating at a higher rate than at present, might consume about three-quarters, leaving one-quarter for the export market. Before the war, America exported 3,000 million lb, or twice this quantity. And given the absence of the United Kingdom from the American market, and perhaps (though more doubtfully) Japan and Germany, the export price of American cotton would almost certainly fall, perhaps to a level at which the increased output from Empire countries could not possibly be produced. The argument turns—apart from doctrinal questions of non-discrimination—on whether, when dollars are scarce, dear sterling cotton may not still be "cheap." The vital period, however, is the next five years. If increased sterling cotton supplies are to be developed within that time, schemes must be started at once. Since the war British purchases of American-grown cotton have already been restricted, and current stocks of this type—on the basis of last year's consumption—are believed to be somewhat over 6 months' supply. No doubt any Marshall aid will presuppose the maintenance of a certain level of British purchases of American cotton; to that extent the problems of the interim period would be eased. Only if, in the considered judgment of the Government, the dollar problem is likely to be an abiding one for this generation can the development of Empire cotton growing to the point of sterling self-sufficiency be justified. This is not a question open to proof; it is rather a balancing of hope against despair. If despair wins, then despite all the difficulties and costs, which will be numerous and burdensome, the large-scale expansion of Empire cotton growing may be justified by the sheer necessity of ensuring adequate raw materials for one of Britain's biggest basic industries.

Progress in Shipbuilding

IN this phase of "paper" targets and production crises it is refreshing to be able to point to one, at least, of Britain's major industries which has made fair headway against its supply difficulties. The target originally set for merchant shipbuilding output in 1947 was 1,250,000 tons gross, a level which, at the beginning of the year, the industry was confident it could attain. After the power crisis, when the Government began to revise its production targets, it estimated that about 800,000 tons gross was the most that could be expected in the new circumstances. More than half the lower figure, however, and nearly half the higher, has already been achieved; and there are some who hope that the supply position may improve, rather than deteriorate, during the remainder of the year.

One reason for this relatively good performance is that shipbuilding is more fortunate than many other industries in its location; the majority of the shipyards escaped the worst consequences of the fuel cuts, for Belfast and the Clyde were scarcely affected and the North-East Coast came off comparatively lightly. The exceptionally bad weather, however, was a great handicap, for a large amount of the work is necessarily done in the open air. The indirect effects of the fuel crisis were more serious, and were felt long after the weather improved, because work then began to be held up for lack of improved, because work then began to be held up for lack of component parts, and supplies of such materials as steel and timber caused increasing anxiety.

But in shipbuilding the Government's system of priority for steel created more alarm than it need have done—or would have done had it been more fully explained when it was imposed. The Government pronouncement, while it emphasised the determination to avoid a repetition of the power crisis next winter and therefore restricted priorities in steel allocation to

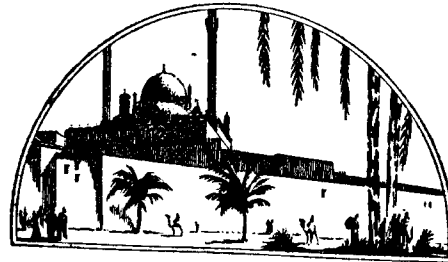
programmes directly concerned with the provision of fuel and power, had in fact few practical repercussions upon the shipbuilding industry. But as the official statement about steel allocations gave little or no sign of recognition of the importance of shipbuilding as a direct and indirect producer of foreign exchange, considerable perturbation was caused among shipbuilding employers and workers, as well as among shipowners and the shipping world generally. At one time the industry's steel allocations were only about half its normal requirements, but it now appears that the allotted figure existed only as a planner's calculation; in practice the steel supply was usually better than the paper figure suggested. In fact, it is reasonable to suppose that the planners found that changes in the planned "allocation" could not significantly alter at short notice the gearing of the steel industry—simply because of the fact that mills which had been designed to produce the qualities of steel required for shipbuilding would go on doing so as long as their supplies of coal and raw materials permitted. So long, therefore, as the output of the steel industry is maintained, it seems that the proportion produced for shipbuilding purposes will not be greatly changed by altered "allocations." Meanwhile, the paper cuts have been partly restored, and the vigorous protests from the shipyards about the effects of steel shortage have almost ceased.

The threat to steel supplies nevertheless seemed very real in the spring. But it takes a long time to build a ship, and in steel shipbuilders do not live from hand to mouth. Economies had to be practised and stocks carefully watched and distributed among the work in hand, frequently with the effect that work proceeded more slowly on individual ships—even though more ships, particularly at the fitting-out stage, were being handled at

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the same time. It is notable, for example, that the tonnage of ships completed in the month of June was more than twice the combined total of the two previous months. The launching programme, too, often had to be adapted to conform with the current availability of various materials and components, so that various ships were launched in different stages of completion, some requiring more and some less than the normal volume of work in the fitting-out berth. These expedients are evidence of efficient shipyard management the effects of which become visible only over a period, and are not necessarily reflected in immediate and short-term output figures.

It should be noted, too, that shipbuilding statistics cannot tell the whole story. For example, they do not show the extent of the work which has been done in reconverting ships from war-time to peace-time purposes. The only available statistics for this type of work are, in fact, most misleading. From the figures published in the *Monthly Digest of Statistics*, for example, it would appear that some 3,500,000 tons gross of British shipping is immobilised in the shipyards, awaiting or undergoing reconversion or repair. In fact, a large proportion of this total is routine survey and repair work which may occupy only a few days between voyages, and is often carried out while the ship is loading or discharging. Apart from the normal work of ship-repairing firms, there is also a large number of passenger liners which are being reconverted by their builders. Thus, whenever shortages have delayed the completion of new ships, reconversion work has been correspondingly accelerated, and the many liners which have been returned to service in recent months bear witness to the considerable success of this task. Britain's lead in the restoration of peace-time shipping services on the North Atlantic "hard currency" route is a noteworthy example.

As a result of this effort, it is estimated that about one-third of the total reconversion programme has already been completed, which is a notable addition to the shipbuilding "output" measured by the statistics of new tonnage. Reconversion work, it should be noted, does not make such heavy demands on materials or components, since most of the equipment and furnishings were removed from the ships before they entered war service, and were then put in store.

The rate of new building, however, still depends on a continued and adequate supply of materials, especially of steel and also of timber, of which hardwood is a big and scarce item. The use of substitute materials, mostly in the finishing trades, has achieved some economy, but imported hardwoods cannot be dispensed with entirely, and the effect of the cuts in timber imports already announced is still uncertain. The supply of component parts and sub-assemblies is equally important. Indeed, it is not always appreciated that shipbuilding is to such a large extent an assembly industry. It is only necessary to compare the cost of a completed ship with that of a luxury hotel or block of flats on land to appreciate this aspect of the supply problem. Tons of paint, miles of wiring and piping, thousands of horsepower of electric and other propelling and auxiliary machinery are required for a ship of any size, involving the work of hundreds of subcontracting firms all over the country. Radio and navigational equipment, anchors, deck machinery, glass, floor coverings, propeller castings, rope and similar items are required in large quantities, and a stoppage in the supply of any one item may hold up the delivery of a ship. Instances have occurred during the year in which ships have been prevented from entering service because of the lack of such small items as taps or doorknobs—deficiencies which sometimes seem to have resulted simply from the difficulties of the licensing system. There are signs, however, that this sort of shortage is being overcome.

If more serious bottlenecks do not recur—and it would be rash at this stage to count upon a smooth flow of components and supplies—the progress achieved to date should continue. Certainly the industry's export effort should ensure it a reasonable

priority for many supplies. It is impossible to give any precise estimate of the money value of the work in the shipyards, but with well over 3,000,000 tons of orders on the books, the total cannot be much lower than £250 million or so. One-third of these orders are for direct export to many countries, including Argentina, India, Portugal, France, Norway and Sweden. The rest are for British shipowners, who will employ the vessels on the world trade routes where they will either bring in invisible income for Britain or save invisible outgo—buttressing in either way the unstable balance of payments.

Sir Stafford Cripps has set the shipbuilding industry the task of doubling the rate of exports which it achieved in the last quarter of last year by the middle of 1948, and of producing a further increase by the end of 1948 equivalent to 166 per cent of the October-December rate last year. At the prices prevailing in the fourth quarter of 1946, the monthly rates of exports which the shipbuilding industry is set to achieve are £1½ million by the middle of 1948 and £2½ million by the end of 1948, compared with £750,000 for the last quarter of 1946. So far as shipbuilding exports are concerned, the last quarter of 1946 is a favourable datum period, because at that time the amount of shipping which was being completed for foreign account was relatively small. Most of the tonnage was being constructed for British owners, though a growing proportion was in hand for foreign account. This new construction for foreign owners is steadily maturing and the shipbuilding industry does not anticipate any difficulty in meeting the export targets. At

MERCHANT SHIPBUILDING IN BRITAIN, JUNE, 1946, TO JUNE, 1947
(Gross Tonnage: '000s omitted)

Quarter Ended	Laid Down	Launched	(1) Completed	(2) Total Work in Hand	% for Export	(3) Total in Hand and on Order	% for Export
June, 1946.....	...	...	...	1,765	14.0	2,446	18.90
Sept., 1946.....	277	268	244	1,875	20.6	2,699	26.47
Dec., 1946.....	322	287	260	1,937	24.7	2,921	27.78
Mar., 1947.....	248	270	208	2,031	25.3	3,149	28.61
June, 1947.....	296	243	231	2,062	28.1	3,191	29.53
June, 1946 to June, 1947...	1,143	1,048	943	...	...	...	...

Sources: (1) Admiralty. (2) Lloyd's Register. (3) Shipping World.
* Note: Launching figures are approximate, as gross tonnage cannot accurately be measured at this stage. Lloyd's Register returns also include certain types excluded in Admiralty returns.

end-1946 prices, the export requirements at the end of 1948 represent a small fraction of the total orders which are at present on the books. To maintain this volume of building for overseas owners might involve difficulty at a later stage—particularly if British costs rose further in comparison with those of other builders. But if it is conceded that export planning can be kept within the compass of 18 months or so, the shipbuilding industry is unlikely to have much difficulty in doing what is required of it.

Work on hand and on order would be sufficient, indeed, to provide full employment for the next two years, even if new contracts ceased forthwith. Doubtless the almost embarrassing spate of orders will subside, but there is a large amount of obsolescent and "austerity" tonnage in the world which shipowners must replace, and it is to the advantage of international shipping as well as British shipbuilding that such replacement programmes should be so organised and balanced that work should pass through the yards in a steady flow rather than in fits and starts. The lesson of the years between the wars was salutary in this respect, and British yards, at least, have not forgotten it. Competition from shipyards on the Continent will grow as wartime damage is repaired, but the modern equipment and methods of the British yards have given them a good lead—which the technical efficiency and energy of management, as well as of labour, should surely be able to maintain.

Business Notes

The Market's Indifference

During the past week or two, major formative influences on economic policy have been at work. One would scarcely imagine that this had been the case from the behaviour of the Stock Exchange, which has lapsed into a bemused state of inactivity. Just as there was no visible response to the publication of the export targets, so this week there has been no material reaction to the publication of the Paris report, or to its reception in Washington. It may be that these two major influences balance each other out—that investors are calculating on the austerities which are implicit in the export programme being made good at least in part by timely aid from the United States. Yet if there are even slight grounds for supposing that American aid is approaching a little nearer, it might have been expected that the speculators would try to make the most of it.

Instead, turnover has now shrunk to abysmally low levels and changes in prices, both for equities and the funds, have been of no special moment. It is clear that the technical extremes of the crisis weeks have now worked themselves out. An even balance appears now to have been restored in the market, which remains unmoved by problems of exports, dollar aid, an interim Budget (the likelihood of which seems stronger now than it did a fortnight ago) and almost by the further evidence of labour trouble in the mines from Scotland. One might almost think that there were neither bulls nor bears in these placid market groves. But such a tenuous equilibrium can hardly be maintained for very long. It will not be long before some evidence of trend reasserts itself—and it is unlikely to be upward.

Postscript from No. 11

Nowhere has the poverty of economic policy been more drearily apparent than in the sphere for which the Chancellor of the Exchequer is responsible. His silence on the weighty economic problems of the day, and the scrupulous care with which all financial instruments of policy have been hidden away, aroused critical comment even as long ago as last February, and since then the consensus among the critics has been steadily widening. Expectations ran high, therefore, when it became known that, after the broadsides from Sir Stafford Cripps and Mr Morrison, the Chancellor of the Exchequer was at last calling a press conference. It was a dismal disappointment. Even at this twelfth hour, it seems that the only contribution which the Treasury can make to internal policy is to summarise the plans for which other departments are responsible and to dot the i's and cross the t's in the unofficial interpretations achieved by economic journalists. There is, in short, still no assurance that an autumn Budget will be forthcoming, or even that financial pressures will be exerted by any substantial reduction in the cost-of-living subsidies for which Budgetary action would not be necessary. Even so, the chances of an early Budget seem to be increasing, as the inexorable march of events reveals the growing danger of inflationary wastages.

In the meantime, the divisions of the Treasury responsible for overseas finance and exchange are fully engaged in the task of recasting Britain's exchange relationships with a score or more of countries, and in providing the "stop-gap" finance which is needed now that the US dollar credit is no longer available. Mr Dalton thus described the recent drafts by Britain on its quota at the International Monetary Fund and on its gold reserve, forecasting further recourse to both these expedients. The inevitability of additional relief of this kind was, of course, already apparent; it did not need a postscript from the Chancellor to explain it or to point out that these are "danger signals." If Mr Dalton really hopes that these resources will suffice to stop the gap until the import cuts and export drive have effectively closed it, he had better heed the much more menacing danger signal which others see in the domestic inertia of his own department—otherwise the excess of money incomes which feeds the black market will undo, or at least seriously impede, the best of Sir Stafford Cripps's plans.

Until financial policy is restored to something of its former vigour, targets will be little more than patterns

on paper. Government spokesmen may make great play with them, but nobody will believe that they will in fact be achieved. The statistical pattern has been described afresh from other Government circles this week, but the lengthy statement added nothing to what was already known—except the fact that it is intended to extend the cuts in Governmental expenditure overseas to a total of £100 million instead of the £20 million previously planned. This, with the import cuts and the export targets, actually produces a paper surplus on the 1948 balance sheet, and already the planners are deciding what they will do with it. Happily, they are realists enough to declare that the first objective will be the return to the Fund of the dollars which will have been bought and to rebuild the gold which will have been sold. Second on the list comes the provision of a better flow of raw materials to industry, especially to export producers, while any easing of domestic austerity figures last. This is certainly the right order of priorities, but though the IMF may implicitly regard British disequilibrium as "temporary"—an assumption which Mr Dalton cited with evident pride—the country will be fortunate if it is able to start towards even the first of these objectives by the end of next year.

Talks with the Empire

The inter-Empire talks on financial problems arising out of the suspension of sterling convertibility and the need to economise dollars have made reasonable but not uniformly satisfactory progress this week. They will be continued into next week. The crucial point around which the debate must revolve, in each of the bilateral conversations into which these talks split, is the access of each Empire country to the central gold and dollar reserve. The point must crop up in the case of each Dominion—from Canada, where the agreement with Britain is still to match every dollar drawn on the Canadian credit by a US dollar paid to the Canadians, to India where the convertibility into dollars of the sterling released under the recent interim agreement is what in effect stands between India and the certainty of real famine. The discussions have centred in the ways and means of reducing the joint demands on the central reserve, and to this end all the countries concerned have undertaken to review their dollar import programmes and to cut out every unessential item. But the most rigorous scrutiny and curtailment of these programmes still leave the gap too great to be borne by the available reserve of gold and dollars. Concerted measures are, therefore, being devised to canalise Empire exports to the United States. In particular, attempts are being made to achieve the maximum cooperation with the United States in furthering the plan of stock-piling strategic materials such as rubber, copper, tin and nickel which might be a first instalment of aid under the Marshall plan.

The importance of expanding gold production has been stressed, and in this connection South Africa has put in a plea for higher priority in production and shipment of mining machinery from Britain. The Treasury have also promised every encouragement to the investment of British capital in new South African mining ventures, though at the same time drawing a marked distinction between such investment and the movement of "refugee" or hot money from Britain to the Union. The discussions with South Africa have inevitably involved the agreement under which gold is sold by the Union to Britain. The amount sold in each of the years 1946 and 1947 was fixed at a minimum of £80 million and efforts are being made to get this sum increased. This would be tantamount to inducing the Union to give Britain a credit, especially if South African imports from the dollar area were appreciably reduced at the same time. The result of the two factors—higher gold sales to Britain and smaller imports from the United States—would be an increase in South African sterling balances. This would be both a rare and welcome phenomenon.

The Chancellor of the Exchequer explained last week that Britain's sales of gold and purchases of dollars from the Fund were intended to feed the reserve that served the whole sterling area. It may be assumed from this that other members of the area will take their turn in drawing on their facilities with the Fund in order to replenish the common dollar pool.

The Middle East and Sterling

It is not only in London that discussion of the problems created by the suspension of convertibility of sterling is proceeding. Reports have come from Cairo of preliminary negotiations between the Egyptian Government and the Treasury representative in Egypt to amend the latest financial agreement by virtue of which Egypt and the Sudan left the sterling area. The Egyptians have two main complaints. They find their hard currency quota altogether inadequate and their exchange control and import licensing machinery entirely unfitted to the strains that have been put upon it. There are, therefore, reports of a movement to rejoin the sterling area. Such a development would be particularly welcome to the Sudan which, by reason of its common currency, had to follow Egypt's departure from the sterling area but which has been even more greatly inconvenienced by this development than its neighbour. The Treasury representative is also visiting other Middle East countries to discuss similar problems, listen to identical complaints and attempt to explain to the countries concerned that the dwindling dollars held by London are needed to satisfy more urgent needs than paying for the stream of cars and other luxury imports from America which is still flowing to the Middle East. If high personages in those countries disgorged their hard currency holdings, the immediate balance of payments problem of the Middle East might be taken a considerable way towards solution.

Nationalisation without Cause

Although the Australian Government's Bill for full nationalisation of the banks has not yet been published, sufficient information is now available to show its intentions, in some detail. And still no convincing reason for the proposal has emerged. Mr Chifley, reiterating the argument which justified the 1945 Banking Act, has declared that the Government must accept responsibility for the "economic condition" of the community; that, in view of the dollar crisis, Australia must be prepared for "serious repercussions"; and that full control of banking is necessary to ensure that no such differences can arise between the Government and the banks as arose in 1931. But the 1945 Act, in fact, gave the Government such control, as every trading bank has long been acutely aware. Now Mr Chifley contends that the Act may not be watertight. Because the Government failed to sustain its own interpretation of the relatively unimportant Section 48 (in the recent dispute about the power of the Treasurer to force local authorities to transfer their accounts to the Commonwealth Bank), it is, or claims to be, tormented by the fear that the vital Sections 18 to 22, which define the system of special deposits which the trading banks must keep with the central bank, may be equally assailable. Counsel in the recent case did apparently hint incidentally that this might be so, but the trading banks' official spokesman has retorted that the banks themselves suggested the wartime system upon which the present arrangement is founded, and would hardly challenge a plan of their own devising. That, admittedly, is inconclusive logic, for what seems appropriate in war may be differently regarded in peacetime even in a crisis; but if these powers really are un dependable (which is questionable), the right course surely would be to strengthen the Act instead of plunging headlong into full Government ownership and operation of the banking system. As presented so far, the Government's case seems to be based almost wholly on doctrinaire prejudice, supported by a string of ingenious pretexts.

On such a basis, it intends to prohibit all private banking within Australia. The Commonwealth Bank, if the scheme goes through, will take over, by agreement if possible, and by compulsory purchase "on just terms" otherwise, the shares of the banks concerned or of their assets within Australia—not excluding those of banks (such as the Bank of New Zealand) in which other Governments are involved. Failing agreement upon compensation (which the Government hopes to persuade vendors to accept in bonds of the Commonwealth Bank), the Commonwealth Bank would be required to submit its claim to a Federal Court of Claims to be established by law. The banks taken over would apparently be administered as distinct entities by control boards appointed by the Commonwealth Bank, and because the whole process would obviously be protracted, the Government apparently hopes that some, at least, of the present directors of the banks would for a time serve on these boards.

The banks themselves, who have declared uncompromising opposition to the scheme, fear that if implemented it would open the door to Governmental discrimination against individual cus-

tomers: at present the Government's powers to dictate the directions in which the banks may lend definitely exclude such specific interference. On this point the Government's statement is not wholly reassuring, for the Commonwealth Bank would be bound to preserve normal banking secrecy and not to discriminate—"except on grounds appropriate to normal and proper conduct of banking business." When no "normal" banking remains within the Dominion, it will be hard indeed to decide what would be appropriate to it.

Cripps Tour

Having addressed the representatives of employers and workers in London on the new export targets, Sir Stafford Cripps proceeded to Manchester, Edinburgh and Bradford to discuss the targets of local industries with the men on the spot. Apart from the clarification of official policy for which such visits provide a useful opportunity, they are also of psychological value in counteracting the impression, prevalent in the large industrial areas, that policy on industrial matters is worked out in London with scant reference to the views of provincial industrialists who have to make the policy work. Sir Stafford Cripps has shown before—by earlier visits to Lancashire during the protracted negotiations on the modernisation of the cotton industry early this year and to Bradford last January—his appreciation of this point.

Yet the reactions to Sir Stafford's speeches became increasingly cool as he progressed from Lancashire to Yorkshire via Scotland. His Manchester speech admittedly left queries about the practicability of increasing the output of textiles during the next twelve months, given the present labour position, but it was accepted as a practical lead for the industry. But the Scots appear to have been less impressed by his references to the *Queen Mary* and *Queen Elizabeth* and to the advantages of joint production committees, and they noted the absence of any discussion of the reaction of the export drive upon Scotland's unemployment problem. At Bradford disapproval found an outlet in a political skirmish between the chairman of the meeting and a trade union leader.

Nevertheless, the tour has brought several pronouncements of wider interest. Sir Stafford's frank admissions at Edinburgh about the present inflation of steel permits and the decision to examine the system of controls will be generally applauded. A more realistic allocation system than the present M form procedure has long been desirable. Signs that this problem is exercising the Ministry of Supply are evident in the remarks of the Parliamentary Secretary to the Ministry last Wednesday that allocations are to be adjusted to meet the larger quantities of steel which would be available to priority firms.

At Bradford, Sir Stafford made it quite clear that exports of wool piece-goods must have priority over home supplies. To sustain a level of four coupons a month, production would have to increase by 12 per cent. This will be a difficult target unless more labour and coal can be obtained over the next few months, though Sir Stafford did refer to "special arrangements" to fulfil coal allocations under the summer programme by November 1st. Though the President of the Board of Trade has had an occasionally critical reception, resolutions supporting the export drive were passed vociferously at each meeting. The criticism reflects, rather, a mood of perplexity about the application of the targets to the production and marketing arrangements of individual firms. The tablets have been handed down. The task is to put them into effect.

Exchange Control Act

A Treasury Order issued this week formally confirms the announcement, already made by the Chancellor of the Exchequer, that October 1, 1947, is to be the "appointed day" on which the Exchange Control Act comes into force. The change in the statutory framework within which exchange control is being operated provided an opportunity for redefining the regulations but the new set of orders bringing into effect the various provisions of the Exchange Control Act are largely a duplication of the controls operated under authority of the now discarded Defence Regulations. The main effect of the coming into force of the Exchange Control Act will be to restore to UK residents freedom to switch holdings of foreign securities (except Canadian) into others of the same foreign currency. There had been momentary doubts whether, given the suspension of convertibility of sterling and all that this symbolised, the permission

to "switch" promised when the Act was passed would be withdrawn. These fears have been set at rest; from Wednesday next the London market in international securities (other than Canadian securities, the proceeds of whose sales must still be applied to paying off the interest-free loan from the Canadian Government) should loosen up considerably. On the exchange side the new orders make a number of relatively unimportant changes. Collectors' pieces are exempt from the provisions of the Act relating to the surrender and notification of holdings of gold coins. Temporary visitors to the UK are exempt from the provisions relating to the surrender of gold and foreign currencies. The list of scheduled territories is amended by the removal of Egypt and the Anglo-Egyptian Sudan which since the passing of the Act have left the sterling area.

Foreign Exchange "Censorship"

From Wednesday next, the Post Office and Customs will examine outgoing and incoming mails in order to check infringements of the foreign exchange regulations which forbid the unauthorised despatch of valuables from this country and the unauthorised receipt of sterling notes sent from abroad. These departments have always had power to inspect postal packets which are thought to contain goods, dangerous drugs and other contraband, and the extension of these powers to cover notes, securities, insurance policies and other valuables follows from their inclusion in Part IV of the Exchange Control Act (which comes into force on October 1st) as items of which the unauthorised export and import is forbidden.

The examination of the mails will be on a sample basis; evidently, the authorities will rely on the risk, rather than the certainty of detection, as the main deterrent. The emphasis is also put on "suspect" packets, rather than a general opening of mails for *devisenkontrol*. In this task, the Customs officials, who will be responsible for the examination, will no doubt make use of such devices as X-rays and fluorescent light, and the proportion of mail in fact opened is likely, in the nature of things, to be relatively small, since no increase in Post Office and Customs House staffs is required.

Beyond the assurance that delays to the mails will be kept to the minimum, no indication has been given of the scope of this new searching of the mails. Mails within the United Kingdom are not affected; nor are mails to Eire or the Channel Islands—a potential gap in the defences through which a significant loss of exchange resources may yet find its way, given the ingenuity of those who have so comfortably avoided the regulations in recent months. In official quarters, horrified denials have been expressed that the new system of examination amounts to "censorship." Technically, this is true, for no examination of mails for covert evidence of exchange frauds is to be carried out. But it may be recalled that the Treasury was anxious to retain the wartime censorship of mails even when strict security needs had expired. They now have, if not censorship, a drastic power of interference with the mails which, it must be hoped, will produce adequate results to justify it.

Winter Power Prospects

From October 6th, every electricity authority in the country may be required to reduce its electricity supply to within its allotted "quota" on the instructions of the Central Electricity Board. The total of the "quotas" adds up to the 9,000,000 kilowatts of installed generating capacity. The maximum demand which may have to be met is 11 million kilowatts. The country must proceed by the unmartial methods of "staggering" or "shedding" to fight the battle of another gap.

By this date, each area should be equipped with a complicated set of schemes drawn up between electricity undertakings and firms, and between employers and workers, to spread the electricity load over the twenty four hours and so to reduce the demand at the crucial peak periods in the winter. Some firms have arranged to transfer one third of their load to night shift. Others are joining in a rota scheme by which each firm knows in advance that it is liable to suffer a power cut on a given day in the week—and hopes to be spared for the rest of the week.

The arrival of colder weather is a timely warning that increased domestic consumption and space heating in factories are not far away. It may not be long after October 6th before the whole



Prudent and active men, who know their strength, and use it with limitation and circumspection, alone go far in the affairs of the world.

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TO recognise and seize favourable opportunities, while taking at the same time reasonable precautions, is to exercise that combination of enterprise and prudence which is essential to progressive business organisation. Energy and confidence are personal gifts, but in the observance of the wise injunction of "circumspection" conference with your bank manager can be helpful.



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"staggering" system is put to the test. But although there have been repeated warnings that schemes should be ready well before October, only now are serious efforts being made in some areas to prepare "staggering" schemes. In the Lancashire area, for instance, last-minute pressure on the North West Regional Board for Industry to approve schemes is so great that a considerable number will have to go into operation without adequate consideration.

So far as fuel is concerned, the outlook for winter electricity supplies is much better than a year ago. Coal stocks at electricity undertakings are equivalent to over 5½ weeks' supply compared with 3 weeks' supply at this time last year. This winter, at any rate, it should not be shortage of coal that causes breakdown and the official plea for schemes to spread the electricity load is designed to avoid the worst of the winter peak demand. But the fear remains that, unless domestic consumers co-operate to the full, the whole complex of plans for "staggering" may be overthrown and "shedding" will take its place. The domestic consumer will suffer no compulsory restrictions this winter. But that can only be a decision of administrative expediency, for no one can honestly suppose that moral suasion is enough to keep domestic consumption down when electricity is cheap and domestic solid fuel scarcer than last winter.

The Ever-widening Gap

The trade gap widened further last month to £76.8 million compared with £64.7 million in July. The gap between imports and exports has been increasing almost without interruption this year, until the cumulative total at the end of August reached £408 million. Recent cuts in imports will probably not produce any effect for at least another two or three months, for imports in any given month may reflect purchases made several months earlier. Exports in August did not maintain the very high level of July, which were inflated by the seasonal rush to clear shipping documents through the Customs well in advance of the holiday season. Yet last month's export total of £93.6 million was the highest recorded, apart from July since December 1920. The volume of exports has been provisionally estimated at 104 per cent

VISIBLE TRADE DEFICIT, 1947
(£ Million)

	Jan.	Feb.	March	April	May	June	July	August
IMPORTS								
Food, drink & tobacco.....	61.5	58.9	65.2	71.3	75.5	70.3	82.0	77.0
Raw materials.....	35.1	29.5	38.0	46.7	43.9	46.1	56.4	56.6
Manufactures.....	22.3	22.2	25.0	27.7	32.4	34.8	39.2	38.3
Others.....	2.5	1.9	1.8	1.4	1.4	2.6	1.7	2.1
Total.....	121.4	112.5	130.0	147.1	153.2	153.8	179.2	174.0
EXPORTS AND RE-EXPORTS								
Food, drink & tobacco.....	5.3	4.4	5.5	5.2	5.1	6.6	6.8	6.4
Raw materials.....	7.4	8.1	8.2	8.2	8.5	5.3	5.7	5.5
Manufactures.....	80.6	67.7	72.1	72.7	80.4	82.2	97.8	82.8
Others.....	2.9	2.4	3.2	3.2	2.7	3.1	4.2	2.5
Total.....	96.3	82.6	89.0	89.3	96.8	97.3	114.6	97.2
Deficit:—								
Monthly.....	25.1	29.9	41.0	57.7	56.4	56.6	64.7	76.8
Cumulative Deficit.....	...	55.0	96.1	153.8	210.2	266.8	331.5	408.3

of 1938, compared with 125 per cent in July and 102 per cent in the second quarter of the year. Last month's decline largely affected the manufactured items; exports of machinery fell by £2,000,000 to £15.3 million and of vehicles by £3,200,000 to £13.5 million. Exports of textiles, however, were only slightly reduced and formed 19½ per cent of total exports, compared with 17½ per cent in July.

Total imports in August at £174 million were £5,200,000 smaller than the July peak but the average daily rate of imports—August was a shorter working month—was 5 per cent higher than in July; grain and flour arrivals fell by £5,200,000 but imports of tea increased by £1,800,000; the raw materials group included 32,300 tons of linseed oil valued at £5,600,000 bought from Argentina.

Trends in Bank Advances

Movements shown by the latest classification of bank advances are rather more revealing of the underlying business trends than

those of earlier analyses. Total advances made in Great Britain by all members of the British Bankers' Association stood at £1,174 million in August, compared with £1,094 million in May and £909 million at the comparable date in 1946. The quarter's growth of over £80 million is substantially larger than that for the previous three months—despite a big decline in the food, drink and tobacco group—and is, indeed, easily the largest quarterly movement since the publication of classified figures was resumed last year. Five groups account for fully three quarters of the expansion. Financial advances other than to stockbrokers have risen by no less than £17 million, evidently in consequence of the hiatus in the flow of new capital issues which has resulted from the break in stock markets—although the growth of hire-purchase finance has probably been a contributory factor. The engineering and shipbuilding (including shipping) groups have between them absorbed an additional £25½ million. Both industries are, of course, running at a high level of activity, but the spectacular increase in demands for shipbuilding finance (from a level of between £10 and £11 million, in each of the quarters from February of last year until May, 1947, to £19.1 million in August) suggests that the principal influence has been the bottlenecks in supplies of materials and fittings, which have increased the volume of uncompleted work. These two groups now account for 9.1 per cent of the total, compared with 7.7 per cent in May.

Agricultural advances have expanded by £11.5 million and are now £17 million, or roughly 22 per cent, above their level at the similar date in 1946, a movement for which the winter's frost and flood damage and the summer drought must be largely responsible. Retail trade continues to expand—the total has risen by £10.7 million to £109 million, compared with only £62.2 million eighteen months ago—and now accounts for 9.3 per cent of aggregate advances (7.5 per cent in August, 1946). Most of the recent expansion must reflect the rising trend of prices rather than any increase in the volume of stocks, but over the longer period the reopening of businesses has been a significant influence. The sharp decline in the food and tobacco group—by £19 million to £68.5 million during the quarter—virtually wipes out the previous quarter's gain, and is presumably due to a decline in tobacco stocks as well as to the usual rather erratic ebb and flow of the financing arrangements.

The other main industrial groups show only small changes, the most significant perhaps being the further expansion in the chemicals group, the total for which now stands at £16.2 million in contrast with only £7.9 million in August, 1946. During the quarter there were small declines in coal, non-ferrous metals, transport and wool textiles. Cotton and other textiles are both appreciably higher, and so are iron and steel, builders and contractors, and building materials. The advances under these last heads, it should be recalled, do not accurately reflect the level of building activity, partly because of the finance which is provided via the local authorities (the total of whose borrowings from the banks is only fractionally higher), and partly because the classification is based on the business of the borrower and not upon the purpose to which the money is put. Hence much industrial rebuilding must be reflected in the figures for the industries concerned.

Radio Industry's Task

The first post-war Radiolympia will be staged in London next week. This should be a triumph for the radio industry—other industries have been frightened by the difficulties of staging exhibitions of their goods—and there will be no lack of spectacle rivaling prewar exhibitions. Indeed, the industry has made great technical strides during the war years, and its first postwar task is to apply to the mass radio and television market many of the scientific developments of the war period. This is a process not free from risks, yet as the accompanying table suggests, the investor at the moment is showing no lack of confidence in the prospects of the leading radio companies.

The wide scope given to the industry for development in the war years and the backlog of civilian orders at home and abroad at the end of the war, support the impression that the industry has achieved a solid investment ranking. Yet its real tasks are only beginning. The Board of Trade has now demanded of it a further expansion of exports—though of a modest character, which suggests doubt in the official mind whether the industry's most favourable export opportunities may not be fading. The indus-

try's contribution to exports was equivalent to a monthly rate of £616,700 for the whole year 1946 and at the rate of £930,000 a month in the final quarter. But there was a sharp decline in the first quarter of this year and the task of recovery to the monthly export level of a round £1,000,000 by the middle and end of next year will not be large.

RADIO SHARES AND YIELDS

	1938-9		Latest Year		Ordinary Shares*	
	Earned on Ordinary	Paid on Ordinary	Earned on Ordinary	Paid on Ordinary	Price, Sept. 24, 1947	Yield, (Gross) on Latest Div. per cent.
Broadcast Relay Service...	12.6	10.0	16.5†	13.0†	23 9	5 9 6
E. K. Cole.....	Nil	Nil	39.1	20.0	18 0	5 11 0
A. C. Cossor.....	8.8§	6.0§	35.8†	25.0	22 0	5 13 9
Decca.....	Nil	Nil	142.1	112.5	33 9	3 6 6
Electrical and Musical Industries.....	Nil	Nil	11.3	8.0†	21 3	3 15 3
Pye.....	25.6	25.0	36.4	25.0	22 0	5 13 9
Radio Rentals.....	19.3	7.5	57.5	25.0	24 6	5 2 3

* All 5s. denomination, except E.M.I. 10s., and Decca 1s.

† Tax free.

‡ Including 5 per cent bonus, but excluding capital bonus of 7 per cent tax free.

§ Period 13 months to March 31, 1939.

In the export field radar equipment and auxiliary radio products rather than finished broadcast receivers and components are likely to find the best market. The pre-eminence of British developments in radar is disputed only by the United States and its products have wide new fields to conquer, including navigational aids and television apparatus, cable manufactures and domestic equipment—all of these the latest adjuncts of the major radio companies. Companies such as A.C. Cossor, Decca and Electric and Musical Industries have been directing their postwar researches along these lines at considerable cost. But in radio sets and components some hard battles must be expected in the export markets. The United States and continental countries are no less anxious to sell their wares abroad, and in the newer countries such as the Dominions as well as South America, infant industries for the assembly and even the complete manufacture of radio sets have been set up under the protection of high tariffs. The industry's export target may, in fact, prove to be something of a boomerang, but at least there should be an impressive display of radio equipment for all the world to see at Olympia.

Wool Prices Advance Further

The rise in prices at the London wool sales, which opened last week, fully matched that at the recent Australian auctions. Australian and South African greasy merinos were 15 per cent dearer than the closing London quotations last July, fine crossbreds were 10 to 15 per cent higher, while medium crossbreds rose by 10 per cent. Bradford buyers were also keen to obtain New Zealand slip-wool, and prepared to pay 10 per cent more for it. The demand at the London sales came largely from Yorkshire, although Continental purchasers, in particular the Russians, were also buying. British demand has also dominated the Australian auctions, but there American buyers have not yet begun to operate, as the types of wool offered so far are hardly suitable for their requirements. There is every indication that prices will continue to rise, especially as Russia is expected to buy in Australia as well as London.

The rate of activity in the Continental wool textile industries has surpassed the pre-war level, and although stocks of wool in most Western European countries are generally larger than in 1938—nine months' supply now compared with six months' then—the eagerness of buyers to purchase good quality wool shows no sign of abatement. But the available supply of the finer merino types is now becoming so restricted that really selective buying is becoming increasingly difficult, and purchasers are having to take alternative qualities. The average Continental buyer, however, does not appear to pay much regard for the price differentials between different types of wool, and is prepared to bid for the required qualities almost without limit. Under such conditions it may often pay to buy those types in lesser demand.

The increased demand from Yorkshire is directly connected with the prospect of increasing the export of wool textiles. The chances of selling utility cloth abroad are bound to be restricted, and the controlled prices schedules for the home trade rule out the purchase of finer wools for making up to supply home needs. As the wool textile export drive is intensified, Bradford is likely to show an even keener demand for high-grade merino wool.

Furniture and Exports

Last week the Board of Trade announced that the emergency import programme for utility furniture, which was introduced early last year to expand supplies until the furniture industry could increase its production, is to cease after outstanding contracts have been filled. When the scheme started there were some misgivings in the trade about its competitive effect on sales of British-made furniture in the home market. In the event, the scheme has made a valuable contribution to supplies, for total imports have represented the equivalent of 3,500,000 utility furniture units, which is equal to one month's production of domestic utility furniture. The foreign product evidently has not lacked buyers.

The end of the scheme gives official recognition to the general impression that there is now enough—some may think more than enough—utility furniture on the market. That is not to say that furniture requirements have been fully met, but that production has exceeded the limit of demand set by the issue of utility furniture units.

This surplus over the ration has been reached almost at the moment when the industry's import targets for mid-1948 and end-1948 have been made known. The industry is expected to do no more than raise its monthly rate of export from £50,000 in the last quarter of 1946 to £55,000 by next June and to make no further headway beyond that target in the following six months. Furniture, admittedly, has never been an important export industry, and this is recognised only too clearly in the level of next year's targets. If the industry can only lay such a small claim as an export industry to supplies of materials, it will fare even less well for materials for home production—apart from utility grades.

That many materials, especially upholstery fabrics, may have a direct outlet to the export market is suggested by the following comparison of the overseas trade in traditional furniture and the newer metal furniture industry:—

EXPORTS AND IMPORTS OF FURNITURE
Wooden Furniture Metal Furniture
Exports Imports Exports Imports

1938.....	461,863	403,121	347,695	Nil
1946.....	680,112	405,686	1,173,665	Nil
1947 (8 months)...	472,063	1,290,256	1,101,762	Nil

Steel furniture exports are now much larger than those of wooden furniture, and the former has been set an export target for the end of next year of £300,000 a month, compared with average exports of £120,000 a month in the last quarter of 1946. It is difficult to believe that wooden furniture of high quality would not sell in more satisfactory quantities abroad than the Board of Trade has set for it.

In addition to the short "Statistical Summary" which appears weekly in *The Economist*, a full service of statistical and factual information appears weekly in

Records and Statistics

Supplement to *The Economist*

Records and Statistics is a separate, self-contained weekly publication of from 16 to 24 pages. It includes not only many statistical tables but also factual records of public affairs, including Parliamentary activities and digests of state papers, and industrial and commercial reports from home and overseas. It is believed to be the most comprehensive statistical and factual report appearing weekly anywhere in the world.

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Paper shortage also makes it impossible to supply sample copies. For a limited time, however, subscribers to *Records and Statistics* will be allowed, if they wish, to cancel any unexpired portion of a subscription.

THE ECONOMIST, 22 RYDER STREET, ST. JAMES'S, S.W.1.

The Wages Problem

The Government's anxiety to arrest the upward movement of wages is reflected in the Minister of Labour's decision to circulate Joint Industrial Councils, calling their attention to the Prime Minister's appeal to unions not to press for wage increases at the present time. This letter has had a poor reception from the TUC General Council, which professes itself so alarmed at the possibility that the Government might intend to intervene in matters of wages that it is seeking an interview with the Prime Minister, to learn what is in the Government's mind.

The unions are afraid that this letter will be used against them in wage negotiations which are now in progress, though there is no evidence yet that this has happened. Indeed, there is evidence enough to the contrary. A new agreement, which takes effect on October 20th, raises the weekly minima of some 250,000 workers in the retail food trade by amounts varying from 7s. to 10s. (according to the area) for men, and from 5s. to 9s. for women, and reduces the working week to 46 hours. None would claim that grocers' assistants are overpaid, but at this time an improvement in earnings in the distributive trades, where manpower should not be increased, will hardly help the redistribution of manpower. It will be interesting to see what happens to the claim which workers in the boot and shoe trade—an undermanned industry—recently tabled for an increase in their minimum wages.

In the meantime, the Catering Wages Board have issued their proposals for wages and conditions for workers in licensed residential establishments and restaurants. The suggested weekly rates vary widely according to the type and experience of the worker and to conditions of service. Clearly, it would be impossible to lay down a uniform set of wage rates for so varied a trade. The Board is at least attempting to bring some measure of protection and regularity in the conditions of catering workers.

* * *

Should Whaling be Increased?

Killing of whales in the coming season is to be restricted to a total of 16,000 blue whale units, which it is expected, will produce some 320,000 tons of whale oil. Although this prospective output shows an increase of some 40,000 tons on last year, it is still well below the 1937-38 level of 600,000 tons. Seventeen factory ships will be operating; three from the United Kingdom, nine from Norway, two from Japan and one each from South Africa, Russia and the Netherlands. The whale oil produced will be allocated to the various countries by the International Emergency Food Council, but British supplies, it is hoped, will be in the region of 55,000 tons.

There has recently been a demand for unrestricted whaling for the next four or five seasons to alleviate the world shortage of fats and oils, particularly as whaling activity was limited during the war. It is argued that if the rate of killing could be increased to give 500,000 tons of whale oil each season, margarine production could be expanded and the oils now used for margarine could

be diverted to other uses. A comparison with world production of whale oil in recent years is shown in the following table:—

	1937-38	1941-42	1942-43	1943-44	1944-45	1945-46	1946-47*
Antarctic	556.7	13.0	8.5	22.0	37.3	139.0	272.0
Other areas	50.0	16.8	20.2	10.6	9.6	9.0	9.0
Total	606.7	29.8	28.7	32.6	46.9	148.0	281.0

* Provisional; partly estimated.

According to official sources, however, many scientists hold that the limit of 16,000 blue whale units is itself too high to prevent a permanent depletion in the whale population and that any extension of the limit should not be contemplated. Further, it would be inadvisable to put aside the international scheme of regulation because there is no guarantee that by 1951 world supplies of oils and fats will show a material improvement. Indiscriminate killings in the past are responsible for the present inability of the Arctic grounds to yield any large quantity of oil; without the restriction scheme, it is argued, the Antarctic area would soon be in a similar plight.

Although it is undoubtedly wise to conserve the future supply of whale oil, are these arguments against some increase in the rate of whale oil production quite conclusive, in a period of such acute shortage? Much depends on the future supply of oils and fats—on which there is admittedly no sort of certainty. To say that the world shortage will be past by 1951 is indeed a gamble, which depends on the success of many factors, including the development of colonial groundnut production, the speedy rehabilitation of the Far East—in particular Indonesia—and the recovery of the dairy industry in Europe to well above its prewar output. If, by 1951, these targets were not, in fact, realised, the exhaustion of whale oil supplies would inflict all the more hardship—not least on Britain. In these circumstances, it is perhaps as well that the Government is refusing to gamble on this critical item in British food supplies.

Shorter Notes

The New Zealand Government has announced its intention to repay in cash its 4½ per cent inscribed stock on November 1st this year, the date of maturity. The present amount outstanding is £11,200,000. No conversion offer is to be made.

The National Joint Industrial Council for the retail drapery, outfitting and footwear trades has agreed to increase minimum weekly wages for men by 10s. in London, 9s. in the larger provincial towns and 7s. elsewhere: there are smaller corresponding increases for women and juveniles. The rise will affect some 300,000 employees and will come into force on October 6th.

SECURITY PRICES AND YIELDS

A fuller list containing 370 securities appears weekly in the Records and Statistics Supplement. Notes on the following company reports also appear in the Supplement: Distillers; Gestetner; Powell Duffryn; Murex.

Prices, Jan. 1-Sept. 24, 1947		Name of Security	Price, Sept. 17, 1947	Price, Sept. 24, 1947	Net Yield, Sept. 24, 1947 (%)	Gross Yield, Sept. 24, 1947	Prices, Jan. 1-Sept. 24, 1947		Name of Security	Price, Sept. 17, 1947	Price, Sept. 24, 1947	Yield, Sept. 24, 1947
High	Low						High	Low				
Other Securities												
103½	100½	Conversion 3½ March 1, 1948-55.	101	101	£ s. d.	£ s. d.	113½	99½	Australia 3½ 1965-69.	102½	102½	£ s. d.
103½	100½	War Bonds 2½ August 1, 1949-51.	100½	100½	0 16 0	2 0 2e	105½	89	Birmingham 2½ 1966-71.	92½	92½	3 0 4
102½	98½	Exchequer Bonds 1½ Feb. 15, 1950.	100	100	0 17 11	1 14 5	142/-	113/9	Argentine 3½ 1966-71.	102	102	3 9 4
105½	98½	War Bonds 2½ March 1, 1951-55.	99½	99½	1 11 1	2 14 2e	232/6	118/1½	Anglo-American Corp. 10s.	127/6	131/3	3 16 2
105½	97½	War Bonds 2½ March 1, 1952-54.	98½	98½	1 14 5	2 17 6e	80/9	56/10	Anglo-Iranian Oil £1.	167/6	165/-	4 17 1½
108½	101½	War Loan 3½ (after Dec. 1, 1952).	102½	102½	1 11 8	3 4 11e	42/6	25/3	Assoc. Port. Cem. Ord. Stk. £1	62/6	61/3	4 12 1½
106	97½	War Bonds 2½ Aug. 15, 1954-56.	97½	97½	1 13 2	2 16 4	95/4	73/6	Austin Motor 'A' Ord. Stk. 5s.	33/½	35/7½	5 12 4
106	99½	Funding 2½ June 15, 1952-57.	100	100	1 11 2	2 16 10	245/-	167/6	Barclays Bank Ord. 'B' £1.	76/6	76/6	3 13 2
108½	99½	National Def. 3½ July 15, 1954-58.	100½	100½	1 12 2	2 19 8	115/-	80/-	Bass Ratchiff Ord. £1.	181/3	187/6	2 13 4½
109½	99½	War Loan 3½ Oct. 15, 1955-59.	99½xd	100½xd	1 12 5	2 19 2½	58/7	40/6	Courtauld's Ord. £1.	88/9	92/6	4 6 6
108½	97½	Savings Bonds 3½ Aug. 15, 1955-65.	99½	99½	1 13 4	3 0 7½	29/1½	22/9	Dorman Long Ord. £1.	45/9	46/9	3 5 0
105½	95	Funding 2½ April 15, 1956-61.	95½xd	95½xd	1 14 3	2 17 2½	81/-	57/3	Dunlop Rubber Ord. £1.	26/4½	24/9	6 9 4
109½	98½	Funding 3½ April 15, 1959-69.	98½xd	99½xd	1 13 4	3 0 3½	53/-	40/9	Imp. Chem. Ind. Ord. Stk. £1.	66/3	67/9	4 8 4
122½	109½	Funding 4½ May 1, 1960-90.	111½	110½xd	1 5 11	2 19 8	49/6	39/6	Lancs. Cotton Ord. Stk. £1.	45/-	45/3	4 8 5
110½	97½	Savings Bonds 3½ Sept. 1, 1960-70.	97½	97½	1 14 3	3 1 7½	57/4½	45/-	Lever & Unilever Ord. £1.	50/-	50/-	4 0 0
104½	92	Savings Bonds 2½ May 1, 1964-70.	92½	92½	1 15 10	2 19 2½	77/6	50/-	London Brick Ord. Stk. £1.	52/6	52/6	4 15 3
123½	109½	Victory Bonds 4½ Sept. 1, 1920-76.	111½	111½	1 8 3	3 1 7½	84½	73/2	L.M.S. 4½ 1st Pref. Stk.	75½	75½	5 6 8
111½	96½	Savings Bonds 3½ Aug. 15, 1965-75.	97½	99	1 14 1	3 1 5½	36/9	32/-	N.-Eastn. Elec. Ord. Stk. £1	33/6	33/6	4 3 7
117½	106	Consols 4½ (after Feb. 1, 1957).	107	107½	1 7 7	3 2 10e	68/3	47/-	Pichin J'nson Ord. Stk. 10s.	54/6	55/-	4 10 1½
115½	102½	Conversion 3½ (after Apr. 1, 1961).	103½	103½	1 12 10	3 3 9e	39	29½	Prudential 'A' £1.	32	32	2 6 0
100½	80½	Treas. Stk. 2½ (after Apr. 1, 1975).	83½	82½xd	1 13 5	3 0 9½	63/4½	44/-	Stewarts & Lloyds Def. £1.	49/-	51/-	4 18 0
110½	95	Treas. Stk. 3½ (after Apr. 1, 1966).	95½xd	95½xd	1 18 5	3 6 1½	108/9	80/-	'Shell' Transp. Ord. Stk. £1	87/6	85/7½	1 15 0½
117½	97½	Redemp. Stk. 3½ Oct. 1, 1986-96.	98½xd	97½xd	1 14 4	3 1 9	147/6	108/9	Tube Invest. Ord. Stk. £1.	117/6	120/-	4 3 4
99	80	Consols 2½.	82½xd	82½xd	1 13 4	3 0 8½	96/9	68/1½	Turner & Newall Ord. Stk. £1.	70/7½	71/3	3 10 2
							107/6	71/-	Woolworth (F. W.) Ord. 5s.	81/6	82/-	4 5 4

Redemption yields on stocks optionally or finally redeemable within the next five years are worked out on the assumption that they will be repaid at the earliest date. Redemption yields on other dated stocks assume that stocks paying over 3 per cent will be redeemed at the earliest date (these are marked *), and those paying 3 per cent or less will be repaid at the latest date (marked †). (n) Net yields are calculated after allowing for tax at 6s. in the £. (f) Flat yield. Assumed average life 17 years 6 months.

(a) Interim. (b) Final. (c) Whole year. (d) Int. paid half-yearly. (e) To earliest redemption date. (g) Also a capital bonus of 2½ per cent free of income tax. Yield worked out on 15 per cent basis. (h) Fifteen months to March 31, 1947 (yield basis 1.6 per cent.) (i) To latest redemption date. † Free of tax.



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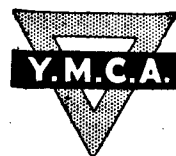
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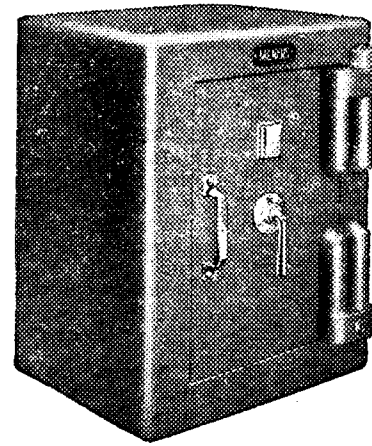


Donations may be sent to the Rt. Hon. The Earl of Athlone, K.G., G.C.B., President of the Y.M.C.A. War and National Service Fund, 112 Great Russell St., London, W.C.1

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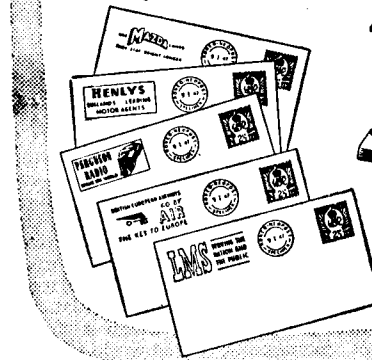
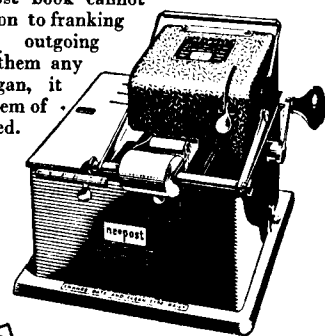
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T.B.W.

COMPANY MEETINGS

TELEPHONE RENTALS, LIMITED

DEVELOPMENT ON PROGRESSIVE LINES

The annual general meeting of Telephone Rentals, Limited, was held, on the 22nd instant, in London, S.W., Mr Fred T. Jackson, O.B.E., Comp.I.E.E. (chairman and joint managing director), presiding.

The chairman, in the course of his speech, said: Our rental revenue amounts to £599,250, which shows an increase of about £30,000 over that of the previous year, while the profit on trading and miscellaneous receipts amount to £66,733 and compare with about £41,600 under the same heading last year.

Dividends on sundry investments do not call for any special comment and a comparison with last year would be misleading as it only covered a period of seven months. Dividends from subsidiary companies reflect their profit-earning capacity.

On the other side of the account we have shown the operating costs and expenses incidental to the business, which total £344,273. Depreciation of the capital cost of installation totals £137,186 and the other allowances for depreciation are the usual annual provisions.

NET PROFIT AND DIVIDEND

The net profit on the year's operations amounts to £198,258, and if you will refer to the profit and loss appropriation account you will see that with a balance of £38,996 and adding the profits for the year there is a total of £237,254 to be dealt with.

Of this sum, excess profits duty and national defence contribution require £31,340 and income tax £73,623, so that taxation absorbs a total of £105,000 out of our year's earnings. Of the balance remaining we have transferred £10,000 to general reserve and have made provision for dividends at the rate of 10 per cent. per annum, less tax, which is at the same rate as last year.

THE PRESENT POSITION

Now to deal with the present position. We are faced with the general shortage of materials, which appears to be the common complaint of all industrial concerns in this country. Although we are not actual manufacturers of the equipment we install and maintain, this shortage of material affects our suppliers. With most of the factories with whom we deal, the period between placing an order and the commencement of deliveries is between 9 and 12 months, and this naturally affects the time which elapses between the taking of a contract and the completion of the installation.

The increase of £30,000 in our rental revenue for the year 1946, to which I have already referred, represented rather less than a quarter of the total business in T.R. Services—Telematic, time control and factory broadcasting—actually contracted for during the year. As a result of this unavoidable delay, therefore, on January 1, 1947, we were in the position of having secured contracts representing an annual rental of over £100,000 per annum, which had not been installed.

By the end of the first half of 1947 most of the installations covered by these contracts had been fitted, but equally during that same period the volume of new business secured came in at a greater rate than that at which we were able to instal without increasing further the already very long completion period.

From this statement you will gather that the position was becoming very difficult. During the past ten years we have very greatly increased the number of our subscribers, and a large proportion of the demands made upon us came from this source, either through Telematic subscribers wishing to adopt T.R. Time Control service and vice versa, or

through the need for modifications to our existing service brought about through the switch over from war-time to peace-time production. Your directors are well aware that as an industrial concern we must be continually striving for expansion, but they came to the conclusion that our existing subscribers must have prior call upon our services, and they therefore decided that for the time being, and probably for the remainder of this current year, they would restrict our selling efforts to our subscriber market.

In this connection, I would like to mention that although there is a great measure of standardisation in the equipment we utilise, the method of construction of each installation and the facilities offered is dictated solely by the requirements of each individual subscriber.

SERVICE TO SUBSCRIBERS

Although we are a company, and an industrial concern, we have always had firmly in mind that our business was very largely a personal business, and experience has convinced us that our success depends on our ability to understand and interpret not only the requirements of our subscribers' businesses, but also the needs and desires of individuals in those businesses. It may surprise you to know that, quite apart from our technical maintenance and service staffs, we have always devoted as much money in maintaining commercial contact with our subscribers as we have devoted to the acquisition of new contracts.

Bearing in mind the difficult times through which we have passed, and are about to pass, we considered it essential that we should, as far as possible, devote our energies to giving each individual subscriber the very best service he could possibly expect, and that for the time being our main consideration should be the consolidation of the goodwill which undoubtedly exists between our individual subscribers and ourselves.

We believe that our subscribers are well satisfied with the service they get, but we have to bear in mind that many of our installations were fitted during the war when many of our skilled men were in the Forces, and we were obliged to depend on semi-skilled man-power. Since that time we have made enormous efforts to expand, improve and bring up to date our training methods by the preparation of instruction manuals and the creation of Regional Training Schools. Great progress was made in our particular industry during the war years, which has enabled us to extend the scope and range of T.R. service.

A MISLEADING TITLE

In conclusion, may I add that the title of our company—Telephone Rentals, Limited—is in these days somewhat misleading. For today, our comprehensive T.R. service not only covers internal telecommunication, which is identified and well known throughout the British Isles under the name "Telematic," but also time control, job costing and factory broadcasting. About one-third of our total rental revenue is derived from these latter phases of T.R. service, each of which is of great importance in the industrial world today, and each of which is capable of great development in the future.

In my address I have endeavoured to convey to you that your company is always looking ahead, is developing on progressive lines, and on safe lines financially, which should give you every confidence for its continued success in the years to come.

The report was adopted.

The proceedings terminated with a vote of thanks to the chairman.

FAIREY AVIATION COMPANY, LIMITED

A STRONG POSITION

The nineteenth ordinary general meeting of The Fairey Aviation Company, Limited, was held, on the 22nd instant, in London.

Sir Richard Fairey, M.B.E., F.R.Ae.S. (chairman and managing director), in the course of his speech, said: The profits of the company and its main subsidiary, Stockport Aviation Company, Limited, for the year under review, after charging directors' fees, depreciation and the service of notes, are £609,890 against £417,268 for the previous half-year. The amount put to reserve for taxation is £300,000, leaving, after the deduction of the £5,012 profit retained by Stockport Aviation Company, Limited, a net profit of £304,878, to which has to be added the amount brought forward from last year of £44,748, giving a total of £349,626 available for disposal. It is proposed this year to make an allocation of £25,000 to the Staff Pension Fund; to transfer a further £150,000 to the reserve for Research and Development, making this a total of £300,000; to leave the General Reserve at £1,000,000 and to pay an ordinary dividend of 2s. per share.

SUCCESS OF FINANCIAL POLICY

The total of share capital and reserves is now over £2,800,000, which I think demonstrates very completely the strength of the company's financial position and the wisdom of the financial policy followed by the board throughout. Only recently it has been urged by the Government that, in the national interest, dividends should not be increased and that profits should be ploughed back. This has not fallen on deaf ears, but, indeed, the ploughing back of profits has always been the foundation of our financial policy, with the result that we have built up the position that is revealed by the accounts today.

In pre-war days, what were known as "private ventures"—meaning aircraft or other projects designed by the firm to their own ideas and entirely financed by them—were a notable feature of the activities of the British aircraft industry and one that undoubtedly made an outstanding contribution to the technical supremacy of this country then held. Such private venture types, indeed, formed a considerable proportion of the equipment of the Royal Air Force and the Royal Navy. The expanded costs of the present times, coupled with the growth in size and complexity of the modern aeroplane must necessarily restrict this practice. Nevertheless, it is one which we feel should be carried on to the maximum extent possible, and we wish to maintain our freedom of action for such operations and must conserve our resources to that end. Your company has still further extended its technical activities and we are now engaged on a larger research programme than at any time in our history. The engineering staff and facilities have been further increased and are now well able to take care of these expanding interests.

MARK IV "FIREFLY"

The year under review saw the introduction of our Mark IV "Firefly" as the standard two-seater fighter reconnaissance aircraft for the Royal Navy. This type has also been supplied in numbers to the Royal Canadian Navy and the Royal Netherlands Navy, and we have every hope that in the comparatively near future it will become the basis of yet another Air Arm overseas.

Our production orders for this type of aircraft can be considered satisfactory in view of the general lowering of the production scale for military aircraft of all types.

Our helicopter is now completed and about to start flying trials. Satisfactory tests whilst tethered have been carried out and results to date seem very promising.

The report was adopted.

VERNMENT RETURNS

the week ended September 20, 1947, ordinary revenue was £43,746,539, ordinary expenditure of £51,434,271, leaving a deficit of £7,687,732. Thus, the sinking fund allocations of £7,902,982 surplus accrued since April 1st is £248,486 against a deficit of £487,623,818 in the corresponding period a year ago.

FINANCIAL AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1947-48	Receipts into the Exchequer (£ thousand)			
		April 1 to Sept. 21, 1946	April 1 to Sept. 21, 1947	Week ended Sept. 21, 1946	Week ended Sept. 21, 1947

ORDINARY REVENUE	107,300	397,075	367,508	8,665	13,351
Tax	80,000	15,806	18,105	400	500
etc., Duties	155,000	68,265	78,529	2,350	1,700
Land Revenue	57,000	16,350	22,630	2,100	1,000
Land Revenue	202,000	15,950	15,770	950	1,900
Land Revenue	1,000	156,584	111,197	8,488	9,029
Land Revenue	1,000	158	110	10	...

Land Revenue	156,800	670,188	613,849	22,963	27,480
Land Revenue	736,960	277,871	363,050	14,677	14,080
Land Revenue	643,040	255,200	262,100	4,700	4,500

Customs & Excise	138,000	533,071	625,150	19,377	18,580
Duties	50,000	9,590	10,343	...	...
War Stores	95,000	34,686	78,697	...	...
Trading	55,000	...	25,000	...	...
Office (Net)	...	1,350	Dr3,700	Dr2,380	...
Licences	11,000	2,250	3,190	...	...
Lands	1,000	450	440	...	...
pts from Loans	21,000	7,493	15,384	...	...
Receipts	270,000	16,601	162,539	1,953	66

Ord. Rev.	345,100	127,567	153,452	40,595	43,747
Land Revenue	144,230	58,200	65,780	5,700	4,580
Land Revenue	49,000	103,574	11,613	2,035	132
Land Revenue	364,420	143,745	161,198	48,330	48,459

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Statistical Summary

CHANGES IN DEBT (£ thousand)		NET REPAYMENTS	
Treasury Bills	33,065	3% Def. Bonds	*2,076
Nat. Savings	50	Tax Reserve Certs.	11,863
2½% Def. Bonds	772	Ways & Means Advances	25,695
Other Debt	...		
Internal	14,784		
External	2,292		
Treasury Deposits	2,500		
	53,463		39,634

* Including £1,360,000 paid off on maturity.

FLOATING DEBT

Treasury Bills		Ways and Means Advances		Treasury Deposits by Banks	
Date	Tender	Tap	Public Depts.	Bank of England	Treasury Bills
1946					
Sept. 21	1950-1	2541-7	438-5	...	1798-0 6728-2
1947					
June 14	2180-0	2592-1	347-1	10-25	1453-5 6582-9
" 21	2180-0	2614-4	341-9	10-25	1443-6 6589-8
" 28	2180-0	2637-3	346-9	...	1442-0 6529-2
July 5	2180-0	2584-9	356-7	6-25	1358-5 6496-4
" 12	2180-0	2541-0	378-6	...	1358-5 6486-0
" 19	2180-0	2503-1	328-9	...	1408-5 6420-5
" 26	2180-0	2493-4	270-9	...	1408-5 6352-8
Aug. 2	2180-0	2470-4	317-7	2-5	1400-5 6371-0
" 9	2180-0	2424-0	348-4	3-8	1400-5 6356-4
" 16	2180-0	2428-2	336-7	11-75	1380-5 6337-1
" 23	2180-0	2467-9	336-9	9-75	1350-5 6345-1
" 30	2190-0	2428-5	339-8	4-75	1323-0 6286-1
Sept. 6	2190-0	2466-4	369-6	4-75	1301-0 6334-8
" 13	2190-0	2499-9	357-1	4-25	1296-5 6347-7
" 20	2190-0	2533-0	327-7	8-0	1299-0 6357-6

TREASURY BILLS

Amount		Average Rate of Allotment		Per Cent. Allotted	
Date of Tender	Offered	Applied for	Allotted	at Min. Rate	
1946					
Sept. 20	150 0	269-2	150 0	10 2-62	40
1947					
June 20	170-0	282-0	170-0	10 1-65	49
" 27	170-0	288-1	170-0	10 1-43	46
July 4	170-0	292-1	170-0	10 1-51	46
" 11	170-0	299-8	170-0	10 1-09	40
" 18	170-0	294-5	170-0	10 1-39	44
" 25	180-0	292-4	180-0	10 1-24	40
Aug. 1	160-0	287-9	160-0	10 1-11	39
" 8	170-0	276-6	170-0	10 1-48	49
" 15	170-0	235-6	170-0	11 2-34	68
" 22	170-0	258-4	170-0	10 1-58	55
" 29	170-0	251-5	170-0	10 3-14	59
Sept. 5	170-0	276-8	170-0	10 2-54	45
" 12	170-0	269-7	170-0	10 2-85	46
" 19	170-0	253-5	170-0	10 5-10	57

On Sept. 19th applications for bills to be paid on Monday, Tuesday, Wednesday and Saturday were accepted as to about 57 per cent. of the amount applied for at £99 17s. 5d. and applications at higher prices were accepted in full. Applications for Thursday were accepted at £99 17s. 5d. and above in full and for Friday at £99 17s. 5d. and above in full. £180 million (maximum) of Treasury Bills are being offered for Sept. 26th. For the week ended Sept. 27th the Banks will be asked for Treasury deposits to an amount of £80 million (max.).

NATIONAL SAVINGS

Week Ended		Totals	
Sept. 14, 1946	Sept. 13, 1947	Mar. 31 to Sept. 13, 1947	
Savings Certificates			
Receipts	2,750	2,500	110,600
Repayments	2,600	2,550	67,250
Net Savings	150	Dr 50	43,350
Defence Bonds			
Receipts	2,300	860	38,560
Repayments	1,106	818	17,520
Net Savings	1,194	42	21,040
P.O. and Trustee Savings Banks			
Receipts	14,085	12,358	304,73

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at 31st March, 1946
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ASSETS EXCEED £27,000,000
CLAIMS PAID EXCEED £181,000,000
(1946 Accounts)

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Applications are invited for the post of Lecturer in Economics or Economic History on the salary scale £550 rising by £25 annually to £900 a year. Applications should reach the Registrar, University, Leeds 2 (from whom further particulars may be obtained), not later than October 20th.

LONDON UNIVERSITY (Centre for Courses in International Affairs). Special course of evening lectures on "THE U.S.S.R. AND THE WEST." Monday evenings 6-7.30 p.m., Oct. 13th to Dec. 8th, London School of Hygiene. Tickets (10s. for course of 9 lectures) by advance booking only. Enquiries and appls. to Secy., Courses in International Affairs, Senate Ho., W.C.1.

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Withdrawal From Palestine

THE statement of the British Government's Palestine policy that was made to the United Nations Assembly by Mr Creech Jones, last week was, in the circumstances, exactly right. If the United Nations can work out a settlement that is accepted by both Arabs and Jews, then Britain will take the responsibility for implementing it. If, at the other extreme, the Assembly reaches no conclusions and adopts no policy, then

His Majesty's Government... have decided that... they must plan for the early withdrawal of the British Forces and British Administration from Palestine.

If neither extreme course is followed—that is, if there is a United Nations policy but it is not accepted by both Jews and Arabs—then the British Government's intentions are necessarily less simply stated. In substance, they will neither obstruct the execution of such a policy (for example, of the recommendations of the majority of the United Nations Commission) nor accept the major role in its enforcement; whether they will take any part at all depends upon their opinion of the policy's justice.

That this declaration is a confession of failure, and of tragic failure too, it would be useless to attempt to conceal. But the failure lies in the past, and the great merit of Mr Creech Jones's statement in the present is that, for the first time in the sorry history of the Palestine question, all the contending parties are abruptly brought up against the consequences of their activities. Jew and Arab face a day when there will be no third party in Palestine to take the blame, to repair the damage and to struggle in the face of fanatical resistance on both sides to keep intact a structure which for all its grievous errors, has permitted the Jews to establish a National Home 600,000 strong and the Arab population almost to double in twenty-five years. The American Administration, content for years to turn a blind eye to the criminally irresponsible activities of a clique of American Jews, is now confronted with a United Nations problem too urgent and too complicated to be solved with regard only to the Jewish vote in New York City. The Assembly itself must now complete the work of its Committee by devising the actual means of getting from the present impasse to the solution of partition which it recommends. Without exception, the various interests have been jolted into a reconsideration of their policies by the British statement and that is precisely what was most needed in the unbroken deadlock of the last two years.

It is not enough, however, to welcome the statement as a means of securing a more equitable distribution of responsibility. Its final aim is, naturally, to secure a lasting and peaceful settlement in Palestine and this is ultimately the issue upon which it will be judged. Will the British decision to withdraw from Palestine set moving a succession of events similar to those which led to the agreed partition of India? Will it induce a spirit of compromise on either side? The answer must depend in part on the balance of forces in Palestine and in the Middle East. The Jews are fairly well armed, they have a minority of trained soldiers and an even smaller minority of fanatics ready

for any form of military action, however desperate. They have rich friends abroad. But in a fight against the whole Arab League, the most they could hope to achieve would be stalemate; and even so, could they survive as a functioning community if they were simply a small island in a hostile Arab sea? It would seem that the Jews have more to fear from the result of fighting it out, and concessions may therefore be reasonably expected from their side. They will not retreat now from partition, from the establishment of a Sovereign Jewish State (the first official Jewish reaction to the British statement stressed this point). Nor should they. But they may perhaps be persuaded to accept a modification of the extraordinarily unbalanced scheme of partition proposed by the United Nations Committee.

The real obstacle is likely to arise on the Arab side. The Arabs are still unanimously opposed to partition and at present the only "compromise" they seem ready, according to Jamal Hussein, to accept is a sovereign Palestine ruled "democratically" by a permanent Arab majority. It is possible that the Committee's Report, with its evidence that a majority of the nations of the world are prepared to go very far in meeting Jewish hopes, will have had a sobering effect on Arab opinion. If the Assembly were to devise and impose a solution—which is one possible alternative to Arab-Jewish agreement—that solution would not, on present showing, be very favourable to the Palestinian Arabs. The room for diplomacy, persuasion and manoeuvre is pitifully small, after all the delays and hesitations of British policy in recent years. But it does still exist, and of Great Britain's determination to withdraw later should not make it a purely passive spectator of the Assembly's efforts now. All the experience, all the tact, all the skill at the disposal of the Government should be employed in the next few weeks to achieve agreement, just as they were employed in not dissimilar conditions in India earlier this year. It is one of the incidental tragedies of the present situation that there is virtually no hope of a joint Anglo-American strategy in bringing pressure to bear on the Jews and the Arabs, since, both in restraining the extreme Jews and in encouraging the Arab states—whose future revenues depend to so great an extent upon American oil interests—the Americans possess weapons that are not to be found in the British armoury.

The chance that no agreed settlement will be reached must be faced. The only possible alternative is the enforcement of some form of partition. The British Government has not committed itself to the principle of partition—indeed, not so

long ago Mr Bevin was opposing it—but clearly the logic of the Peel Report has been proved by events. To accept partition in principle, however, is not to accept the particular proposals for partition put forward by the United Nations Committee. Britain could have no hand in enforcing so flagrantly unjust a scheme and one of the difficulties facing British policy at the moment is that, thanks to the delays and the hesitations of the last year, it cannot lay before the Assembly an alternative scheme of partition which it would be willing to assist in enforcing and thus recover the initiative which passed to the United Nations once the Committee of Inquiry had made its report. The devising of a sensible scheme of partition will, nevertheless, be the next task for the United Nations and it is indispensable that Britain should play an active part in the process.

The final difficulty, given the possibility that Uno will have to impose a moderate scheme of partition, will be the actual machinery of enforcement. The United States is either so unwilling or so unable to spare its men to the Middle East that it has even asked the British to maintain their units in Greece. The French, still smarting from their expulsion from the Levant and overstrained by their own colonial wars, are not likely to show much enthusiasm. And how much enthusiasm will either Britain or America show for the entry into Palestine of a Russian contingent? A force composed of the soldiers of the Smaller Powers might avoid the great ideological split. But would such a force have the strength and the military experience to do its work? And is it likely that Smaller Powers will accept burdens falling from the unwilling hands of the Great?

So intractable is this problem of enforcement that Great Britain will now find itself under the strongest possible pressure to remain in Palestine. This pressure must at all costs be resisted. True, British policy should not appear to be simply one of scuttle. At every point—discussion with the Arabs, discussion with the Jews, elaboration of alternatives, mobilising the diplomatic resources of the United Nations—Britain must play a positive and active part. But it should not be forgotten that the only reason why the Palestine situation today is for the first time a new situation is because Great Britain has decided in the last analysis to quit. This is the only instrument by which the Arabs and the Jews, the Americans and the whole United Nations can be forced to face their responsibilities. Far from modifying its decision to withdraw, the British Government should, at the earliest possible moment, announce the date.

Equality and the Budget

UNDER the painful pressure of events, Mr Dalton really seems to be screwing up his courage to face an autumn budget. Like every Chancellor of the Exchequer, he confronts his problem in three capacities; as the purely fiscal manipulator of Treasury incomes and outgoings; as the politician aiming at popularity (or at as little unpopularity as possible); and as the economist establishing to the best of his ability a financial climate favourable to the nation's economic health. Hitherto Mr Dalton has concentrated on the first two aspects of the Chancellor's job; and his success in these has been the measure of his failure in the third. He claims to have balanced the budget; and though his critics retort that he has achieved this only by some very elastic interpretations of what can properly be called revenue and expenditure, none of them would claim that the true deficit is a very large one. But this relatively favourable aspect of the budgetary figures, in the narrowly fiscal sense, is the outcome of precisely that deadly combination of inflation with physical controls which is distorting and strangling

the economic life of the country. If he was still bent on the same purposes there would be no point or necessity in an autumn budget; fiscally and politically, the Chancellor is sitting pretty. If a budget there is to be, one can infer that its purpose is, at last, genuinely economic, that of stanching the devastating flow of money incomes corresponding to no equivalent real wealth.

How will he set about it? The national total of private incomes has risen from £4,591 million in 1938 to £7,305 million in 1946; of that total, wages have risen from £1,735 million to £3,020 million, salaries from £1,110 million to £1,675 million, and rents, profits and interest from £1,914 million to £3,226 million. By the time taxation has been taken into account, wages have increased their share of the total from 39 per cent to 44 per cent and property incomes have fallen from 37 per cent to 33 per cent. Moreover, these figures understate the shift, since "rents, profits and interest," as defined for tax purposes, is almost a nonsense category, including farmers'

incomes, the earnings of the independent professional, and the profits of active businessmen working with their own capital, as well as the purely passive incomes of the coupon-clipper or rentier, large or small. Certainly the largest single stream of incomes, and the stream moreover which has swollen most both absolutely or proportionately, is the wages stream. It is as well for everybody to be quite clear that the total flow of incomes—the inflationary pressure that is wrecking the economy—cannot be cut down without wages being affected first and foremost. The social reformer may deplore this fact and the politician may be terrified by it. But the statistician allows no road of escape from it and the contriver of economic policy, if he is an honest man, cannot dodge it.

The most direct way to reduce the flow of incomes derived from wages is to reduce wage rates. An argument can be made for such a course. But it would be a theoretical argument. Nobody is going to try to cut money wage rates. But the level of real wages is being kept artificially high by the very expensive policy of paying subsidies on food and other necessities of life. It is politically impossible to cut money wages; it may not be politically impossible to reduce the subsidies, which are now running at the fantastic rate of £428 million a year—a quarter, that is, of the entire wages bill of 1938 and not very far short of half the total yield of the income tax. Though an autumn budget might involve many other measures, the core of the question is whether Mr Dalton will have the courage to do his duty by the food subsidies—which is to make a big start with abolishing them.

If this were done, there would be some undeniable hardships—to large families existing on a single wage, to pensioners and the beneficiaries of the social services. But it would be perfectly possible and wholly right to grant countervailing increases both in family allowances and in the various types of pension and benefit; the cost would be a small fraction of what would be saved on the subsidies. What could not be admitted would be what appears to be the TUC's contention—that the general level of wages should be allowed to rise, or at least not discouraged from rising, to match the rise in prices that would follow from the abolition of the subsidies. It is easy to understand why the trade unions should stake such a claim—that is their business in life. But nobody should make the elementary mistake of imagining that, in putting it forward, they are acting as a responsible estate of the realm or that they are advancing the common interest. There are, in fact, staking a claim against the public interest. It may be beyond the Government's power to prevent all further increases in wages—it has certainly been beyond their power hitherto. But if the principle of an automatic adjustment of wages to prices is accepted—either in principle or in practice—then it makes nonsense of the whole proceeding. Nor can it be claimed that the wage-earners will as a whole suffer any great hardship if their nominal real wages decline. The total quantity of consumable goods in the

country will not be reduced—indeed, the aim of the whole policy would be to increase it—and nobody is suggesting anything that would actually give more to any other class of the population. The wage-earners would have less money for football pools and betting, for drink and tobacco, but they would suffer no diminution of the things that are scarce. It is not now, generally speaking, the level of prices, but rationing, that determines how much food people eat; artificially limited food prices mean not larger purchases of food but more income to spend—or to try to spend—on other things. They mean longer queues and barer shelves and the various forms of attempts to spend money that so grievously obstruct the really important business of the nation.

But though it would be absurd to give wages a blanket exemption from the disinflationary policy, in which they must inevitably play the largest part, they cannot be expected to bear the whole burden. That would be bad ethics, faulty economics and suicidal politics. The flow of all incomes needs to be cut down and if wages have to play the major role it is only because they are absolutely the largest and relatively the most swollen. Something will have to be done to cut other incomes also. It is true that all classes eat and that all classes would feel the abolition of the food subsidies; but the higher the income the less proportionate is the burden, and nothing is more certain than that the TUC will demand explicitly, as it has already demanded generally, a parallel attack on other incomes. The suggested spearhead of this attack is an increase in the profits tax. It is easy to understand how this idea should arise. It looks so nice and symmetrical. Real wages are cut, profits should be cut likewise. But it is neither nice nor symmetrical in reality. The profits tax, the tax on company earnings *per se*, is totally unselective as between the large and the small investor; it penalises the venturesome equity-holder as against the inactive debenture-holder; it encourages monkey business with expense accounts; it is a tax on enterprise and good management. It is not even particularly effective, for it is not companies whose expenditure needs to be cut, but individuals. If property incomes are to be further reduced as part of the disinflationary policy, then let the Chancellor raise the standard rate of income tax again, with such countervailing allowances for earned incomes as will leave them on balance unimpaired. Any number of combinations are open to him of steeper gradation, higher exemption, and larger or smaller dependants' allowances. An increase in the profits tax could not possibly be excused on the grounds that it is the only available weapon of fiscal equity.

Nevertheless, though it is right to make some inroad into the flow of incomes other than wages and other small incomes, it is idle to suppose that it could be much more than a token gesture. These other incomes have already been so severely



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handled that even their total disappearance would not produce a sum that could be set alongside the savings that could be made by abolishing the subsidies. Any Budget deliberately based on the disinflationary policy would inevitably have the effect of reducing the share of wages in the national income. There is no reason why this fact should not be squarely faced. The process of redistributing the national income has gone a long way since 1938. Even before taxation is taken into account, wages have increased their share in the national income by a very substantial proportion. After taxation has been taken into account, the shift amounts to a social revolution. The length to which it has gone has not been determined by any economic or social reasoning, or by anybody's conscious forethought. It has been the accidental result of the financing of the war. Nobody took thought and decided that a transfer of 5 per cent of the national income—before tax—from other classes to wage-earners was exactly the amount of progress towards social equality that the national economy could stand without dislocation, neither more nor less. It just happened. Nor is there any law of nature that, however far and however fast the wage-earners' slice of the national cake may rise, it must never come down, not even when a reduction in the slice may be the means of enlarging the cake.

The Labour Government's own attitude towards the equality

of incomes does not indicate a belief in universal levelling-down. Ministers do not refuse incomes that put them in the ranks of the upper bourgeoisie, and the salaries attached to membership of the new Boards are very large. If, then, there is some virtue—or at least some necessity—in a certain inequality of incomes, why should it not be openly acknowledged and at least the possibility discussed that the pace of progress towards equality in recent years has been rather too hot.

In any event, the choice before the Chancellor of the Exchequer is reasonably clear. One course is to deny the need for an autumn budget, to hearken to the TUC and to decide that every salient in the class war must be held, no matter how accidentally it has come into the possession of the workers, no matter what the cost to the national economy of holding it. The other course is to follow what the national interest clearly requires, even though that inevitably involves the loss to the wage-earners of a part—but probably only of a minor part—of the very great wartime gain in their slice of the national cake. This second course would take some courage in a Labour Chancellor—but no more courage than Tory Chancellors showed in wartime in so savagely cutting down the net incomes of their party's supporters. And there can be no doubt that it is the right course for him to pursue. Mr Dalton will have to show his hand very soon.

Food and Population in Asia

AMID the storms and tensions, the hopes and fears, that surround the Marshall Plan for aid to a distressed Europe, the distresses of Asia have been all but forgotten. In connection with the Marshall Plan, Asia figures only in the calculation that certain food supplies from Indonesia may soon again become available for the feeding of Europe. Yet the contemporary food crisis of Asia is vaster and more appalling than that of Europe. If it seems less important, it is partly, no doubt, because we happen to be Europeans, but partly, also, because Europe—or at least Western Europe—has been so unaccustomed for generations to the idea of famine. In Asia starvation or near-starvation has been traditionally accepted down to very recent times as part of the natural order of things and, whatever the suffering of the individuals thus afflicted, the catastrophes of famine evoke less horror, compassion or protest in a society thus conditioned to resignation. But Asia, as part of its modernisation, has for some time now been increasingly conscious of the new technological possibilities of an "age of plenty" and less submissive to the vagaries and oppressions either of nature or of the social order; moreover, the improvements in food supply which have actually been brought about in wide areas during the last half century now make any retrogression far harder to bear than the mere continuation of ancient penury.

But a retrogression is what has occurred on a large scale as a consequence of the Pacific war, and so slight is the margin which at any time separates the common man in Asia from starvation level that a decline in food supply quickly brings into operation the Malthusian checks on population. A few figures will indicate how serious is the situation. Before the war Burma, Siam and Indo-China exported rice surpluses to the amount of 7 million long tons annually; this has dropped to 1½ million tons last year, and India, Malaya and South China, which formerly imported most of these surpluses, have been gravely affected. In the Outer Islands of Indonesia, according to Dutch figures, rice production has fallen by 25 per cent from pre-war levels and in Java by 20 per cent; in Java, also, production of maize is down by 40 per cent, of tapioca by 30 per cent, of ground nuts by 40 per cent and of soya beans by 60 per cent. In China, the decline in agricultural production was estimated in the first year after the war at from 5 to 15 per cent, though there has been

some recovery since then. In Korea, the American authorities found a 30 per cent decline in rice production from pre-war levels owing to lack of fertilisers, which were formerly supplied by the Japanese. Almost everywhere it is the same story. The total quantity of food produced in Asia, at least in the countries east of the Indus and south of the Amur, has diminished, while the momentum of population increase continues except in so far as it is "adjusted" by new increases of famine, disease and violent death—the checks recognised by Malthus as operative in a society in which population outruns the available food supply. The first two checks may be regarded as matters chiefly of local concern, however much humanitarian feeling may be aroused in other parts of the world, but the third—which covers all forms of violent disorder, from war and civil war to rioting and brigandage, cannot in the present world system fail to affect the world at large. Warfare and disorder in any major region of the world tend to involve nations of other regions, and particularly in circumstances of Great Power rivalry such as now exist. Population pressure and destitution are not, of course, the only reasons for violent conflicts; the origins are varied and complex. But when to-day the political observer surveys the national, communal and social struggles of Asia, or when there is talk of "democracy" in Iran, India, China, Indonesia, Korea or Japan, the basic factors of food supply and population are at least relevant. And blood-letting, regarded as a check on population growth, has the disadvantage that it tends to create a vicious spiral; famine and pestilence reduce the number of mouths to be fed without much affecting the production of food by those who remain alive, but war and disorder, if sufficiently devastating and disruptive of normal social and economic life, have the effect of greatly diminishing the food supply and thus producing new pressures on the means of subsistence.

Many parts of Asia have recently been in the second of three stages of a population development which has been observed as a universal phenomenon, subject to local variations, in modern Europe. In the first stage, which was normal in Western Europe up to the eighteenth century, there is a high birth-rate and a high death-rate; population increases only slowly, if at all, except where there is settlement of new land or a notable increase in long-range trade in foodstuffs. In the second stage,

which accompanied the industrialisation of the nineteenth century, the birth rate remains high, but the death rate is substantially reduced, resulting in a rapid increase of population. This is followed by the third stage in which the death rate remains low or goes lower, but the birth rate declines until it approaches equality with the death rate and population tends towards a new equilibrium.

The fall of the death-rate in the second stage of this development was due in Europe to three factors which weakened the Malthusian checks; first to the increase of food supply by improved methods of farming, and even more by the new means of transport which made possible a large trade in foodstuffs not only between different areas of one country, but also between countries and continents; secondly, by the advances in medicine and sanitation and the control of epidemic diseases; and thirdly, by improvements in public order and the relative stability of the international political system between 1815 and 1914. An additional factor consisted of the outlets for emigration which then existed, particularly during the period of the settlement of North America.

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In Asia these factors, except the last, have been present in varying degrees in recent times, mainly as a result either of control by Western nations or of a deliberate national "westernisation." In India under British rule the two decades 1921-1941 brought population increases of 11 per cent and 15 per cent respectively, with a total addition of 83 million persons. In Java, under Dutch rule, the increase in the decade 1930-1940, was 15 per cent, adding over 6 million and bringing the population to more than 48 million in 1940, with a density of 950 to the square mile, the highest in the world for a comparably large area. In Japan, the population has nearly trebled since 1868.

In China, on the other hand, where the Malthusian checks have remained more or less fully in operation, the population is believed to have grown very little in the last eighty years—though there are no reliable vital statistics available, and this fact is in itself a symptom of China's long delay in reaching modernity. A consequence of China's economic backwardness, how-

The Balance of Payments—V

Fewer Imports and Cheaper Exports

THE previous articles in this series have established the two major conditions on which the British international accounts can be balanced and the country can be once more enabled to pay its way out of its own resources. The first of these conditions is that the British people will be content, for quite a number of years to come, with a smaller total volume of imports than they purchased in 1938—that is to say with an even smaller fraction of the imports that they would want to buy if today's conditions of full employment were combined with 1938's relative absence of quantitative restrictions on imports.

The second condition is that the necessary increase in British exports is secured in the only way that is likely to be enduring—by offering British goods to the world on terms that, quality for quality, are rather better than competitive. If it were merely a question of maintaining the pre-war volume of British exports, and no increase were called for, it might be a feasible policy to sell dear, relying on keeping the traditional markets. In that case, "favourable" terms of trade would be the complete answer. But an increase is now inescapably necessary, and it will be far more difficult to secure even a small increase with prices that seem high to the purchaser than to secure a larger increase with competitive prices. Nothing can be relied upon

ever, has been that under present conditions, China is less endangered by the post-war declines than some other Asiatic countries. Except for the province of Kwangtung China has not in the past relied to any considerable extent on imported food. Both India and Japan, on the other hand, have become vitally dependent on external sources of supply—India particularly on Burma, which used to be part of the "Indian Empire" under the British Raj, but is now an independent country, and Japan on Korea, Formosa and Manchuria, which were formerly under Japanese control, but have now been separated from the Japanese economy. Japan must in future import very large quantities of food, if she is to feed her population at a minimum standard, as well as most of the raw materials needed for industry, in which the islands of Japan are deficient. Japan has, indeed, a population adjusted to a much more prosperous economy than it now possesses or is likely to possess in the near future, and it is still increasing, though the birth-rate was falling even before the war, thus indicating that Japan had already entered the third stage of the normal modern population development. At the present time the Japanese are dependent on the provision of foodstuffs from America; even so, widespread malnutrition is indicated by the reported general deterioration in the health of schoolchildren.

In India, perhaps, the problem is most serious of all. There is there no American authority to discharge the victor's still acknowledged responsibility to feed a people under its military occupation. India is now spending on food imports most of the precious foreign exchange vitally needed for capital construction, and if the disorder in India continues, with no economic co-operation between India and Pakistan, the foreign exchange will soon disappear. Indian political leaders, long absorbed in purely political questions, have now suddenly been brought face to face with the appalling problem of feeding 400 million people on a territory no longer self-sufficient in food supply even at the lowest possible level. But the problem is not for India alone or for any of the Asiatic countries individually. It must ultimately be attacked on an international level. The existence of FAO is a recognition that the feeding of the world is the world's business, and half the inhabitants of the world live in Asia.

to evade this necessity for the lowest possible selling prices, neither a devaluation of the pound sterling nor an exploitation of any bargaining power that may accrue to Britain with the return to a world-wide buyer's market. Both of these things—both cheaper pounds and tougher bargaining—will help to get an increased volume of trade if the sterling prices are right. Neither will create markets if the prices are wrong.

The main concern of this series is with the external relations of the British economy. But the discussion can hardly be brought to a close without some brief indication, in this final article, of some of the consequences for the internal economy of the country that flow from these two conditions, even though space will not permit of more than a few of the more obvious and superficial points being made.

The condition that the volume of imports should be reduced to something like 85 per cent of the 1938 level does not, at first sight, seem to be a particularly stringent one in view of the very much larger reduction that was made during the war, without driving the economy *in extremis*. Indeed, it is true that if the country were willing to accept an extreme state of siege as its normal condition, imports could be substantially and permanently cut. But manifestly it is not so content. Apart from the desirability of it, an economy that required the permanent

application of rationing and allocation schemes would either degenerate into a police state or else cease to function at all. Whatever there may be to say for or against the principle of the state exercising control over the economy, it would be universally agreed that the sort of controls that arise from physical shortage of supplies are thoroughly noxious. They are very difficult to administer, particularly with any regard to the need for progress and enterprise, and they disrupt and dislocate the smooth functioning of the economy.

The requirement that imports shall be cut to 85 per cent of the 1938 level ought therefore to be taken to mean that they shall be so reduced without the necessity for rationing or allocation schemes. And that, in its turn, means that the imports that come under the ban must either be such dispensable luxuries that the demand for them can be killed by stiff import duties or else that they must be capable of being replaced out of home production. To cut a long argument short, this means that the cut to 85 per cent can be achieved only if there is a big increase in the volume of food production in this country. If we were still in 1938, it is just conceivable that the cut could be made by eliminating unnecessary imports of manufactures. But with full employment and a sharp emphasis on the need for capital development, the cut could not be made without a heavy reduction in food imports. And that, in its turn, can be made consistent with a free unrationed market in food only if the vanished imports are replaced by home production.

But if the logical analysis of the problem of the balance of payments thus provides a justification for the target of the Government's new agricultural programme (and it is to be hoped that the agrarian interest will accord a little credit to a free trade journal for willingness to accept the conclusions of its logic), it also underlines the very grave dangers implicit in the method that the Government proposes to adopt in the pursuit of its target. An increased dependence on home-grown food involves, in any case, a national standard of living lower than it would otherwise have been. The British people will have to accustom themselves, by one means or another, to paying out a higher proportion of their incomes for food and having less left over for other things. This is at once a danger signal for the export trades, for one of the supreme advantages that the people of this island have hitherto enjoyed as converters of imported raw materials into exported manufactures—as one of the world's workshops—has been that they got their food at the world's cheapest prices. But when the Government decide, as they apparently have done, to obtain the necessary increase in agricultural production by the impossibly lavish method of simply inflating farmers' incomes and hoping that the increased output will appear, the dangers to the export trade are being raised to a maximum. The level of costs in the export industries ought to be the very first consideration in any policy that bears upon the price of food. As it is, it does not seem to enter into the matter at all.

The means by which British exporters can be enabled and persuaded to win the competitive battle in the world's markets is, of course, only one facet—though perhaps the most important one—of a much bigger problem. British industry, on both sides of the management-labour fence, has grown alarmingly "soft" in the last quarter-century, and the health of the national economy in all its aspects, not only in those that affect exports, depends on a return being made, by some means, to the policy of producing as much as possible, of the highest possible quality, at the lowest possible costs. The philosophy of output quotas, restriction agreements, trade union feather-bedding and wide margins of profit must be abandoned for the philosophy of high turnover and low profits, of premiums for

efficiency and sanctions against high costs. Whether industry is privately or publicly owned, the criterion of enterprise must be re-established, and nobody has yet discovered any means of doing so that promises to be half as effective as the re-establishment of competition.

This is a familiar general argument to readers of *The Economist* and there is no intention of developing it here. What is relevant to the present purpose is to point out that, even within the framework of a general policy designed to increase the efficiency and lower the costs of British industry, there would almost certainly still be need of some special measures to ensure that the costs and prices of exporters were even lower than the average. The direct and obvious way of achieving that end would, of course, be the payment of subsidies to exports. But it would be a clumsy and dangerous weapon, likely to lead to as much trouble at home as retaliation abroad. It should be used only with great discretion and as a last resort.

Without going so far as an open subsidy, however, there are other and perfectly legitimate ways in which the export industry can be relieved of some of the burden of the overhead costs of the national economy that they now bear. The nationalisation of the fuel and power and transport industries provides an opportunity for some differential fixing of charges to the benefit of exporters. Moreover, there are ways in which industrial firms can be encouraged to do export business at a lower margin of profit than they require in the domestic market. An example of this has been given this week in Mr Wilmot's statement that a firm's steel allocation for the whole of its business will depend on how closely it attains its export target. When the weapon of material allocations disappears, the fiscal weapon could take its place. Exporters could be granted partial or complete exemption from any sort of tax that enters into costs of production; they could be given an incentive by concessions within the orbit of the income-tax. There is clearly material for a strong commission of inquiry to go right through the list of items that enter into costs of production and suggest means whereby they could be differentially reduced.

It will thus be necessary to do unorthodox things as well as difficult things if the two conditions are to be met, if the national economy is to run smoothly on a reduced volume of imports and if British exports are to be made attractive to the world. But unorthodoxy must not be rejected, any more than difficulties must be burked. For the need is very great. The problem of the balance of payments is not a temporary one that will be blown away by a shift in the trade winds. It will be with us for at least a generation. And the penalty of failure to solve it is that Britain will not recover self-reliance and self-respect, that the humiliations that come to the pensioner and the dependant will have to be endured for many long years, and that one of the oldest, proudest and staunchest pillars of the society of free men will begin to crumble.

Change of Address

The address of *The Economist*, for all purposes, is now

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NOTES OF THE WEEK

Reconstruction of the Cabinet

The first instalment of the Prime Minister's reconstruction of his Administration was announced at the beginning of the week. Sir Stafford Cripps becomes Minister for [sic] Economic Affairs, constitutionally a Minister without Portfolio. Mr Arthur Greenwood resigns, at the Prime Minister's request, his office as Minister without Portfolio. Mr J. H. Wilson succeeds Sir Stafford Cripps as President of the Board of Trade and is to become a member of the Cabinet.

The changes in responsibility are more extensive. Hitherto, general responsibility for home economic affairs has rested upon a committee of Ministers headed by the Lord President, overseas economic affairs upon another committee of which the Prime Minister is chairman. The two committees, and their functions, are now to be merged and reconstituted as a smaller policy committee with the Prime Minister still as chairman but with Sir Stafford Cripps, in his new role, as his deputy and, no doubt, largely responsible for the work falling within the committee's province. To assist him he will have a personal staff, the services of the Cabinet Office's economic units, but no formal department. In general, the sway of the Minister for Economic Affairs will extend over the Board of Trade and the Ministries of Labour, Supply, Fuel and Power and Transport.

From the point of view of the machinery of Government, the changes have a great deal that is commendable. They are a step towards the freeing of what might be called the Inner Cabinet from day-to-day departmental duties and towards the grouping of the departments of state on a functional basis. Further, in creating a new Minister, the Prime Minister has resisted the temptation to create a new Ministry. Perhaps "temptation" is not the right word; it is inconceivable that any Prime Minister could find the prospect of establishing a new Ministry, with all its attendant problems of personnel, precedence and procedure, at all attractive. None the less, it is understood that at one stage in the deliberations which preceded Tuesday's announcement it was proposed to revive the wartime Ministry of Production.

But there are criticisms to be made. What stands out from the new scheme is that once again the Treasury has slipped out of anyone else's care. If economic planning is to make sense, finance must be a part of it. Yet the Treasury is still aloof. The Chancellor of the Exchequer is to be a member of the new economic committee, but that will still leave him—and his Department—free from any compelling need to adjust Treasury finance to economics instead of trying to adjust economics to Treasury conceptions of finance. The ideal arrangement would be to separate the ancient office of First Lord of the Treasury from that of Prime Minister and to make the First Lord the economic chief of the country, with a Chancellor of the Exchequer as one of his departmental subordinates.

But, even if that were not to be done, it is again a pity to create what is virtually a new Minister without Portfolio. Since 1940 the office of Lord President of the Council has acquired increased status and a useful accretion of duties. Now that development has been cut short. The Lord President will be little more than Leader of the House. It would surely have been better to make economic affairs a function of the Lord President and to make the Minister without Portfolio Leader of the House.

Direction of Ministers

The new appointments and the resulting effect on the general policy of the Government cannot be fairly judged until the full list of changes in the administration is published. For example, the effect on events of the appointment of the new Minister for Economic Affairs is bound to be influenced by whether Economic Affairs is bound to be influenced by whether Mr Isaacs or another will, this time next week, be Minister of Labour. But one thing is reasonably clear. The course in which national effort will be expended over the next few months is set. Sir Stafford Cripps, it has been said, has all the power of dynamic forward motion possessed by a singularly efficient and powerful tram-car—but no human agency can determine whether he shall proceed along the right lines or the wrong. Most interesting will be the relations between Sir Stafford Cripps and the Trades Union Congress. The TUC have shied violently away from even the thought that the Prime Minister meant what he said when he declared last August that wages must not rise any further; they have hardly taken in the further suggestion that

restrictive practices in trade must be deliberately renounced. But Sir Stafford has the kind of mind that appreciates very accurately the importance of these two propositions. His work on propounding them has hardly begun.

Men of all parties will see Mr Arthur Greenwood leave the Cabinet with regret. He has always been a very human figure, in office and out, both in his loyalties and in his reactions to events. In his own way he has some of the qualities possessed by Mr Maxton; enough humanity to make his sincerity shine all the brighter. Mr Harold Wilson joins the Cabinet at a remarkably early age. He has given promise of great ability both as a politician and as an administrator, and he carries with him into the Cabinet Room the ardent good wishes of a whole generation.

A Plan to Sell the Marshall Plan?

Since the publication of the Paris Report ten days ago, two factors have become increasingly relevant. The first is the fact that some of the sixteen nations cannot wait on the normal and leisurely methods of Congressional legislation. Both France and Italy are almost at the end of their dollar reserves. The Italian Government has been forced to cancel its orders of coal for delivery this autumn, and Count Sforza, whose estimate of Italy's needs before Christmas is some \$250 million, warned the Americans in Paris last week that their help might be "too little and too late." In France the bread ration has been cut (to an accompaniment of strikes and protests), and M. Bidault has flown to Washington to find out France's chance of securing some \$120 million a month "until the coming into operation of the Marshall Plan." Otherwise, the French are likely to face three breadless days a week and a halving of their industrial production.

Unhappily, the other factor which has come to the fore in the Washington news—the inability of the United States to meet Europe's needs without sacrificing some of its own consumption—makes the problem of securing any aid, either interim or long term, increasingly difficult. The Harriman Committee of 19 have urged on the President the need for rationing and for the allocation of scarce supplies. The President himself has said that Europe may collapse before the Marshall programme can come into operation. Yet neither he nor the Congressional leaders he summoned to the White House last Monday have really grappled with the problem of rationing and cut in American consumption. At present reliance is to be placed on appeals to voluntary abstinence and on a campaign to make the American people conscious of the urgency of Europe's need. But reports from Washington do not encourage the belief that this campaign, even under the energetic leadership of Mr Charles Luckman, will be enough to do the trick. As one observer put it: "Here in Washington we need a Marshall Plan to sell the Marshall Plan. But so far there is no sign of a thought-out and concerted strategy."

Paris Report Under Fire

Since the attitude of the American people and through them, of Congress, towards aid to Europe, will be largely determined by the "saleability" of the Paris Report, one of the most important points to establish is whether or not it is the kind of report America will find to its liking. The sixteen nations were given a foretaste of the likely American reaction when Mr Clayton arrived in Paris early in September and insisted on a reconsideration of the Report to make it more attractive. It will be recalled that his criticisms were formulated in six points, and one obvious test of the final report is the extent to which it has been possible to meet the American objections.

The first and the fifth points raised by Mr Clayton concern the internal policy of the Sixteen. They had failed, he complained, to give adequate guarantees that they would restore their financial and monetary stability, nor had each given "a formal pledge to deliver an all-out effort to achieve its production target." It cannot be said that the final report gives much satisfaction on these scores. A whole chapter (the fourth) has been introduced to express the nations' determination to stabilise their financial position and they conclude their report by repeating their determination to meet the crisis "by their own exertions." But all this is no more than a repetition of promises which so far,

most of the nations have been unable to fulfil. The unsuccessful efforts of the Italian Government to induce deflation in the course of the summer are described elsewhere. In France, *l'expérience Blum* represented the wreck of similar hopes. In Great Britain, where a coal target of 250 million tons a year has been accepted, output obstinately refuses to reach even the 200 million mark. The truth is that the Americans are asking something of which the only proof is performance. Pledges in the report will remain pledges until the countries can point to success. But in certain fields—the field of financial stability, for instance—success can only follow the securing of American aid. This dilemma does not apply, however, to what may prove the crucial clause of the whole report—the British pledge to increase coal. On this point, the Americans can and will demand performance.

Mr Clayton's other criticisms concerned rather the relations of the states with each other than their internal policies. One criticism—the third, that the nations had failed to explore alternative methods of financing—has been met. The Sixteen now propose to ask the International Bank and other international agencies to finance their requirements for equipment to the extent of just over \$3 billion for the four years of the plan. But the other points have proved more intractable. Mr Clayton criticised the Sixteen for "lacking a sense of Continental or pan-European approach to the recovery plan" (Point 2), of ignoring the possibilities of increasing prosperity by a reduction of trade barriers (Point 4) and of failing to set up a permanent organisation "to review the economic co-operation effort on a continental scale at regular periods" (Point 6). He insisted with particular emphasis upon America's interest in permanent machinery for European co-operation.

On these points, the Report does little to satisfy American criticisms. A few examples of genuinely super-national planning—the scheme for generating more electricity, the proposal for an international freight car pool, the possibility of standardising types of cars and machinery, the promise to "exchange information" on the various steel programmes—have been taken from their context and scraped together in a new chapter on "Economic Co-operation" together with an undertaking to study a customs union and declarations by the French and the Italians of their readiness to enter customs unions which would work. On tariffs, there is little or nothing save an admission that the present almost universal policy of cutting imports is suicidal. Yet efforts to aid inter-European trade by working out a European plan of convertibility have so far proved unsuccessful. The only point upon which Mr Clayton received any real satisfaction was the decision, reached unanimously after painful debate, to set up a permanent organisation for overseeing the development of the various separate national policies, "if the [American] means are made available."

It is impossible to avoid the conclusion that here, in its failure to recommend new and courageous methods of international co-operation and mutual aid, the Report is at its weakest. Yet it is on this point that American imagination is most ready to be fired. And who shall say that this Report can be passed without some touching of American emotions?

The Frenchman's Bread

Desperate hopes are behind M. Bidault's personal effort in Washington to ensure that President Truman will somehow provide France and Italy with the \$580 million of which he has spoken to tide them over the winter. This sum is thought of in Paris as the bare minimum to forestall total disruption—political as well as economic. For the government's failure to feed the people is the main theme of the opposition parties in the campaign now being waged for the coming municipal elections. Higher prices (another 30 per cent rise in the last few weeks) and interminable queueing have had their effects on popular support for the centre parties. Results of a poll of public opinion published this week show the three parties of the Ramadier coalition receiving between them only 25 per cent of the prospective vote, the Communists alone 22 per cent and the De Gaulle Rally 17 per cent. French election results are notoriously hard to predict; but M. Ramadier and his colleagues are very worried about their parties' prospects.

The French public resent the idea that their bread ration may be fixed by what President Truman does or fails to do. So they

turn their irritation against the *inefficacité* and *incurie* of the government, refusing to be impressed by figures and facts illustrating the effects of drought and frost on the harvest.

Nevertheless the government is making a serious effort to overhaul food production, and is using both stick and carrot on the farmer. The target is a great revival of arable farming: immediate restoration of pre-war wheat acreage (5,000,000 hectares) and extension of the present barley acreage by 25 per cent. Particular importance is attached to the barley target, because this crop can be harvested earlier and would help France to squeeze through the crisis ahead. It is claimed that the seed stocks for this expansion exist, but there remains the problem of making producers surrender them.

This drive to revive cereal production is, of course, part of the original Monnet plan; it is also taken for granted in the Paris report to Mr Marshall, which estimates that by 1951 France will be not only self-sufficient in bread grain but able—in good years—to export. In 1938 there were 5,050,000 hectares under cultivation, and this was below the average of the 'thirties; at the liberation the area was 3,694,000 hectares, now it is 4,770,000. To meet the justifiable demand of Washington that France should export wheat is as important for the French Government as is for the British Government the demand that Britain should export coal.

By-Elections to Date

The results of the Islington by-election surprised nobody. It is a safe Labour seat and the majority, though reduced, is still comfortable. The Government's unique record of no seats lost after more than two years stands. The Liberal candidate did rather better than his colleague at Edge Hill but not so well as entirely to still the doubts about the wisdom of putting up Liberal candidates everywhere.

The Government's unbroken record is visibly giving them comfort, to which, indeed, within the rules of party politics, they are fully entitled. But, by-elections, unless very carefully analysed, can be a very unreliable guide to the trend of public opinion. For example the unbroken record owes not a little to the accident that, with the exception of Edge Hill, Labour has not yet had to defend one of its doubtful seats. The old party regulars who die, retire or get appointed to fat jobs all have safe seats; it was the young men who won the doubtful seats two years ago. Nor can much be read into the size of majorities, which are usually smaller at by-elections than at General Elections.

The only test that has any validity at all is to compare the proportion of the total vote going to each party at the by-elections with the proportion that each party secured in the same constituencies at the General Election. This is done in the following table, which is extracted from a much more complete analysis of by-election statistics which appears in this week's issue of the *Records and Statistics* supplement to *The Economist*.

PERCENTAGE OF TOTAL VOTES CAST				
(Omitting University Seats and Seats where there was an unopposed return either at the General Election or at the By-Election.)				
	At General Contests	At By- Election	Change	
LABOUR				
General Election, July 1945		%	%	
July to December, 1945	9	41.9	43.8	+ 1.9
January to June, 1946	6	33.5	45.7	+12.2
July to December, 1946	9	62.5	57.3	- 5.2
January to June, 1947	2	75.1	67.6	- 7.5
July to September, 1947	2	68.8	54.2	-14.6
CONSERVATIVE				
General Election, July 1945		%	%	
July to December, 1945	9	48.0	47.2	- 0.8
January to June, 1946	6	51.6	44.5	- 7.1
July to December, 1946	9	32.4	33.7	+ 1.3
January to June, 1947	2	25.0	29.5	+ 4.5
July to September, 1947	2	31.3	35.9	+ 4.6

In reading this table it should be realised that it is not the absolute size of the percentages that matters, since that depends on the nature of the seats where vacancies happen to occur, but on the change shown between the General Election and the by-election—i.e., on the pluses and minuses in the last column. This shows that the usual anti-Government trend has been in evidence, though it did not begin to show itself until a year after

the General Election. On the other hand, it is not yet clear how significant it is. In the four seats that have been contested this year, the Labour poll has fallen from 72.9 per cent to 62.5 per cent, while the Conservative poll has risen from 27.1 to 31.9 per cent. If the votes at the General Election were to alter in the same way, they would put the Conservatives in the lead by some 1,400,000 votes out of a total of 25 million. But this calculation is based on only 4 seats. If the period is extended to the fifteen months since July 1, 1946, when 13 seats have been contested, the two parties would be at an exact theoretical equality. The political game is thus an open contest, with the trend, as usual, away from the Government. But by-elections are only by-elections.

Joint Consultation in Industry

The Government's decision to encourage joint production committees is a logical development of the policy, of which Sir Stafford Cripps is the most ardent exponent, of consulting the two sides of industry on all production matters. The machinery for joint consultation operates very fully at the top, and the Government hardly ever moves without first seeking the advice and approval of its various employer-union committees. Since the announcement of the new export targets was made to a joint conference of employers and union representatives, it is only logical that the same process should be applied in the factories which actually have to carry out the programme.

No one will deny the psychological importance of joint consultation, or the need for keeping the workers informed about production plans and enabling them to contribute their suggestions for carrying them out. Their value was clearly shown during the war, and the need for joint consultation is equally great today, but production committees have tended to lapse or have ceased to be of much value. The intention is, accordingly, to encourage their establishment and to assist them to function effectively. There is no intention of making them compulsory, as the engineering unions have frequently urged. But each industry will be asked to reach a national agreement on the most appropriate form of joint consultative machinery.

The main difficulty is to translate the excellent principles underlying joint production committees into practice. All too often, they just add to the time spent in committee work and discussion, and since wages and conditions are outside their terms of reference, they frequently find little that is useful to discuss. There are still employers who regard a joint production committee as an infringement of managerial functions, while there are often among the workers' representatives men whose main object seems to be to put the management in its place or to air trivial grievances. However, if each industry and each firm is given a precise target to reach, a production committee should be of value in acting as a kind of "progress chaser" for the whole factory. The position of foremen, and of technical and scientific staffs, who are as closely interested in the progress of production plans as the workers, sometimes gives rise to difficulties. Mr Isaacs's suggestion that they should be brought into the committees in their own right as a third party, certainly has advantages, although it might tend to make the committee somewhat unwieldy. The Government, while laying down the general principle, has had the good sense to recognise that no hard and fast rule can be drawn up and that it is for each industry and each firm to work out its own methods.

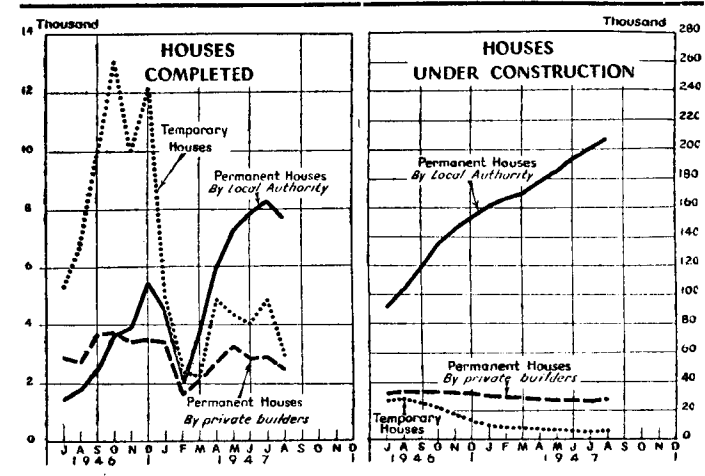
Fewer Houses Than Ever

Any ordinary person might have supposed that the sunniest August for years would have created a boom in the number of houses completed during that month. The fall in output last February and March was accepted with resignation and understanding; the difficulties of putting bricks together under conditions of frost, snow and flood are well known. But with weeks of unbroken sunshine it was reasonable to expect a steep increase in the number of houses made ready for occupation over the succeeding months. In fact, 11,293 permanent houses were completed in July and only 10,168 in August.

This failure is startling. If there was no improvement in August it is difficult to see why things should be any better in September or October—except perhaps that fewer builders will be on holiday; and at this rate it will be nearly two years before the 230,000 houses at present under construction will be completed. The last time any statement was made about housing targets was in May, when it was hoped that "as many as possible" of the

218,000 houses then under construction would be completed by the end of 1947. To achieve this would have meant completing an average of more than 30,000 houses a month, and this aim was already well below the target announced last January on the eve of the fuel crisis. Any discussion of these targets would be academic but for the fact that during August there can as yet have been no alterations in the distribution of building labour, and therefore the fall in the number of houses completed must have been caused by lower output per man. This makes the negotiations on output bonuses discussed on page 575 all the more urgent.

Complete silence still envelops the re-revision of the housing programme 1947 model, Mark III. It is to be hoped that the



new version is already prepared and is only awaiting its cue from Sir Stafford Cripps. Presumably houses already under construction will be allowed to be finished, although even more slowly in areas where there are no miners or agricultural and other key workers to be given priority. The main cuts will have to be on new building with the corresponding adjustments in the building materials industries. It is from these rather than from building labour on the site that assistance for the export drive will mainly be found.

Wigs on the Green at Uno

Everything heard or read about Uno in the last ten days has been disturbing and bewildering. The proceedings in the General Assembly have been farcical: the debates have shown no sign of leading to action, still less of influencing listeners. In fact—despite the manoeuvring over Palestine and the vote trading of the Latin American members—there are now no disinterested spectators of any dispute. The line-up is complete and the result of any given match predictable. Delegates who have been boggling at the budget of nearly £9 million presented by Mr Lie, or raising their eyebrows at the skyscraper designs for their new headquarters, have in mind the question—how long can the farce go on without a violent and tragic ending?

The Greek question is at the heart of the confusion. Uno, having taken it up, investigated it on the spot and come to broad conclusions that are beyond dispute, finds itself impotent. The Security Council has failed and now the Political Committee of the Assembly is failing. Mr Gromyko has fought phrase by phrase an American resolution designed to make the Assembly act: it calls on Greece's northern neighbours to cease their interference in its affairs and demands establishment of a commission to supervise happenings on the Greek frontiers. The British have supported it, so have the French, but with reservations about the language to be used about the Albanians, Yugoslavs and Bulgarians. Mr Gromyko, unable to use the veto which won him the battle in the Security Council, has used effectively a resolution which is substantially the same as one he offered on July 8 in the "other place." He proposed that British troops should withdraw from Greece, that the Assembly should supervise the financial aid being given, that the Greeks should be branded as instigators of the troubles. And for full measure he threw in the warning that "American policy may cause the collapse of Uno." That is of course his way of saying that Mr Marshall's present diplomatic offensive, designed to make Uno effective against the Russian veto, might make it ineffective by forcing the Russians to withdraw from Long Island.

A Feast of Rudeness

These particular arguments only make sense, because so long as the Russian-American duel continues à outrance Uno can be nothing but an assembly of partisans. What does not make sense is the extension of hostilities to every debate that takes place. How, for example, can Dr Lange of Poland pretend that it is either useful or plausible to invite the economic committee of the Assembly to denounce the Paris economic conference, or to suggest that all relief and aid schemes should be supervised by the Economic and Social Council? What could be more grotesque than to hear delegates from eastern Europe questioning the legal right of South Africa to refuse a trusteeship arrangement for South-West Africa? Or to have it suggested that Italy can only be admitted to Uno membership if and when Bulgaria, Hungary and Rumania are accepted as well? Yet this feast of multilateral rudeness is to go on for another month or six weeks while the Foreign Ministers put off till the end of November their vital talks on Germany. Mr Vishinsky provided the richest dish when he said, in his uproarious press conference:

I myself prefer to be polite; but if one is rude to me, I am rude in return three times as much, without distinction of male or female.

* * *

Discordant Dominions

The theory of Dominion status in the Commonwealth has been considered compatible with the neutrality of one Dominion while another is at war, because freedom of decision on peace or war is one of the essential rights of a Dominion. But the possibility that two Dominions might go to war with each other is one which has not hitherto been seriously considered. A cynical observer might contend that the units of the Commonwealth have been prevented from flying at one another's throats by the great sea spaces which divide them, but even where there is close geographical contact, the conventions of non-violence in mutual relations have been strong enough; when the dispute between Canada and Newfoundland over Labrador was dragging out its weary course, nobody expected an attempt to settle it by blood and iron. But the conflict in which the new-born Dominions of India and Pakistan now confront one another is of a much more serious kind than any dispute over territory or economic interests; it concerns the extermination or survival of millions of people on both sides of the new frontiers and it is inevitable that the massacres which have taken place should have worked up communal feelings to fever pitch. There is now open talk of war, and also in India a strong movement for transforming India into a Hindu state in which Moslems would be deprived of citizen rights. These tendencies are abhorrent to Mr Nehru and his friends among the Congress leaders whose concept of the unity of India was framed in terms of modern secular nationalism; he has courageously admitted in a public speech that India must share the blame for what has happened and has declared that India will never be turned into a Hindu state while he is at the helm of affairs. But he is under strong pressure from those elements of Congress who are under the sway of communalism and whose communal bias in the period of the Congress provincial governments between 1937 and 1939 was one of the main causes of the growth of Moslem adhesion to the Moslem League. Mr Gandhi has unfortunately given an impetus to Hindu extremism by a speech in which, though reaffirming his own belief in non-violence, he said that if there was no other way of securing justice from Pakistan, the Indian Government would have to go to war against it; for many Hindus his suggestion that a war against Pakistan would be a just war as wars go is more likely to carry weight than his ideal pacifist teaching.

*

Meanwhile Pakistan, as the weaker party in the conflict, has made an appeal for aid and advice to the British and Dominion Governments which has caused no little embarrassment. The British Commonwealth is not a collective security organisation for the protection of its members against one another, and there is nothing they can do in such a situation except to use their influence for peacemaking and to provide urgent relief for the refugees on both sides. Both India and Pakistan are members of the United Nations and either can appeal to the Security Council if threatened with, or subjected to, armed invasion. But within the limits set by the Commonwealth's lack of any supreme executive authority it would be of value if the concern felt by Britain and other Dominions at the turn of events in India, and their will to give whatever assistance is in their power to both

India and Pakistan as soon as they can compose their differences, should find expression in some joint declaration. There may be dangers in even verbal involvement in such an explosive quarrel, but they are less than the impression of indifference and apathy which would be given by a failure to manifest any interest in what is going on.

* * *

The Tudor Controversy

The Minister of Supply has acted promptly in appointing a committee to investigate the dispute between British Overseas Airways Corporation and Messrs A. V. Roe over the merits of the Tudor I airliner, and it would be improper to attempt to prejudge the issue. But in any event this is one of those puzzling matters in which the outside observer finds it very difficult to form an opinion, since so few of the facts are public and the authoritative opinions are so much at variance.

The issues involved are of great importance for public policy—they are far more important than a squabble between a corporation and a company—and the Committee will be doing no less than their duty if they insist on reaching the underlying truth. One of the issues involved is the familiar one of whether British civil aviation should use British or American aircraft. At the moment, there is no doubt that American aircraft are the best available, and BOAC, whose job it is to fly in competition with air lines of other nationalities (all of whom, virtually without exception, use American aircraft), naturally insists on being put into a position to compete. But the opposite argument is that it is essential for Britain to have an aircraft industry, that there is no reason why it should not, in time, be able to build just as good aircraft as the Americans, or even better, but that it cannot do so unless it can have actual operational experience to guide design. British aero-engines are the best in the world; but British fuselage design has some leeway to make up, and it cannot be made up on the drawing-board. Therefore, in the national interest, and in their own long-term interest, the British civil aviation corporations must be put under the obligation to use British aircraft whenever possible.

Hitherto, the balance of argument has seemed to be in favour of this second view. But this judgment would have to be altered if it became apparent that the system by which new designs of British aircraft were worked out, developed and produced was so costly that no new design could ever be expected to be flown in time to be up to date. That is the second big issue before the Courtney Committee. The timetable of the Tudor I is certainly suspicious. When the design was first evolved some four or five years ago, the idea was to combine the wing of a Lincoln bomber with a new fuselage in order to have a stop-gap civil air liner ready soon after the war ended. It is understandable that an aircraft that might have been very acceptable in 1946 is much less so in 1948 and it is a temptation to the layman to say that the system by which the user and the manufacturer are not in direct contact but are separated by two distinct Government departments must be responsible for at least part of the delay. This may be so—the Committee will have to satisfy itself on that point. But it is not only a passion for interference that creates such a cumbersome channel of communication. If the aircraft industry is to be healthy it is imperative that production for civil aviation and for the Services should be co-ordinated and that there should be the fullest cross-fertilisation of ideas between them.

* * *

The Universities Miss a Chance

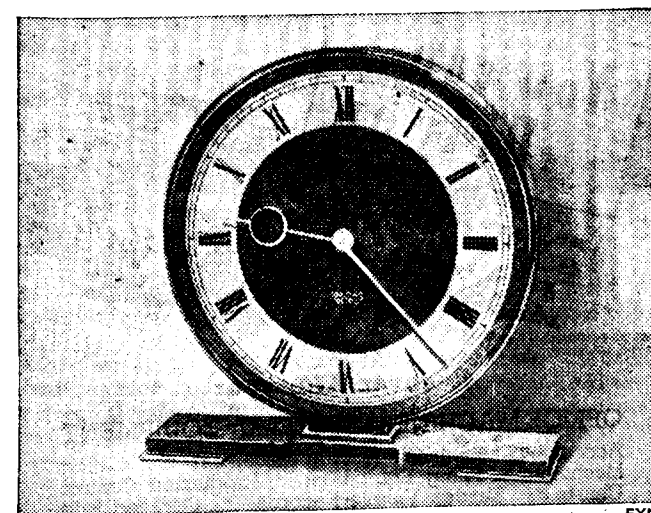
Rarely can so golden an opportunity have been missed as was dropped through the fingers of the universities last week-end. The occasion was a conference called by the Vice-Chancellors to review university affairs; at it, one session was devoted to a discussion of the expansion of the universities, and Sir Alan Barlow, chief instigator of the Government report on the nation's demands for scientific manpower, which has done more than any other document to encourage a doubling of university numbers, was in the chair. The session, which was planned some months ago, was given a special topicality because of the economic crisis and the necessity for reviewing all plans for capital expenditure. The universities very naturally fear that their plans of development are threatened.

But where was the vigorous defence of the universities' claims? Where was the passionate zeal to persuade the authorities that the benefits to the country are out of all proportion to the twenty million pounds of capital expenditure involved? There was Sir Alan Barlow sitting in the chair, a senior official of the Treasury,

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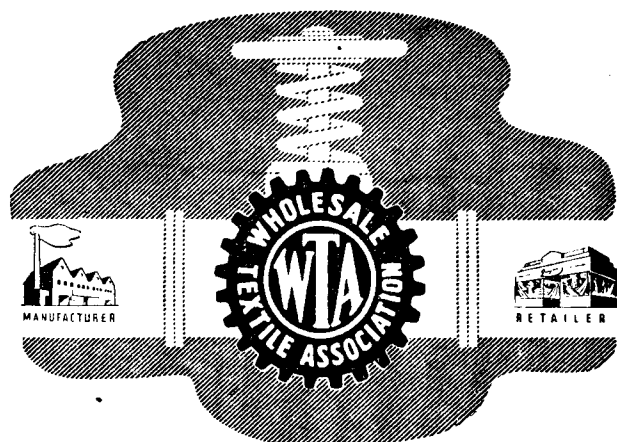


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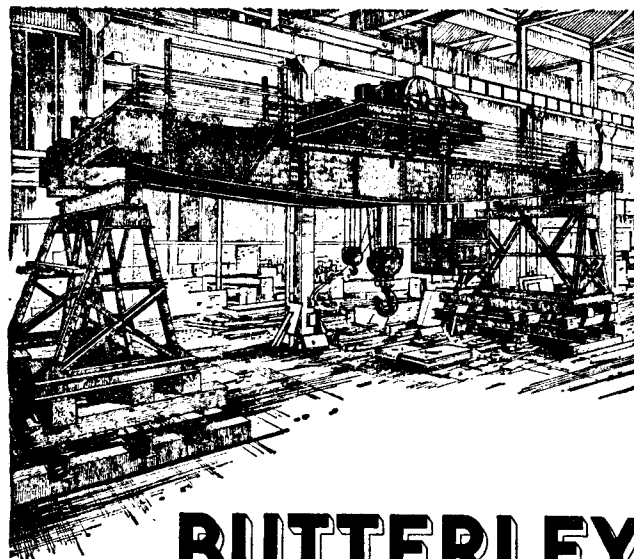


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and close at the heart of the present financial discussions. Could any opportunity have been plainer? It was handed on a platter. Yet it was received gingerly and with a marked lack of unanimity. Fears were expressed about the effects of cutting expenditure on standards and on the numbers of students which could be admitted to this university or that, but there was no real defence of university expansion as a whole. It was all too apparent that the universities are as yet unaccustomed to thinking of themselves as a group, or as a single force in the life of the country; their attitude is still parochial, and even when faced with a major threat to their growth they prefer to face their problems independently of one another.

This is extremely unfortunate in the present instance, for there is an urgent need to defend the plans for expansion boldly. It is certainly true that the Chancellor of the Exchequer's generosity to the universities has encouraged some extravagance in planning—for instance for residential accommodation—and that such comparative luxuries can be postponed without serious loss; but by and large, the yield from investment in university expansion is out of all proportion to the initial cost, and nothing should be done to hamper the increase of teaching facilities or of the number of students who are clamouring for entry. At the same time every pressure should be put on the universities to make the best use of their existing resources, and to expand on austerity standards.

* * *

Death Knell of Examinations

When a body as representative and authoritative as the Secondary Schools Examinations Council recommends* the abolition of external examinations for the secondary schools—that is of the School Certificate and Higher School Certificate examinations—it is impossible not to be deeply impressed. But the Council is wise to suggest that an opportunity for the widest discussion should be given before the Minister commits himself either way.

Examinations are almost universally unpopular both with the teachers and the taught. The reasons for the pupils' dislike are self-evident; that of the teachers arises from their claims that external examinations penalise the bad examinee, lead to undue pressure on the boys and girls, cause cramming, unhealthy competition, a standardisation of subject matter and methods, and narrow the range of study. The new proposals go a long way to meet all of these objections except the last.

The Council proposes that all examinations should be abolished except for two special categories of pupils, and that in their place every child should be provided with a comprehensive school report based on internal tests. These reports would be available to employers, university authorities and the like. The two classes of pupils for whom external examinations are considered appropriate are those competing for university scholarships and those who wish to establish competence in certain subjects—for instance, to secure exemption from professional examinations. The external examinations would be organised at three levels, roughly corresponding to matriculation, higher school certificate and scholarship standards.

Before a decision is reached on these proposals there are a number of questions which should be publicly discussed. Criticisms of the present examination system arise as much from bad teaching and preparation as from the examinations themselves; the abolition of the external examinations will not automatically make the teaching better. How far will pupils and employers be content with the school record? Schools can successfully place their own pupils in an order of merit, but school recommendations have been found to be valueless in assessing the relative merits of pupils from different schools. Will not competition in the new examinations repeat itself? What guarantee is there that the abolition of external tests for the great majority of children will not lead to any number of "soft options" and the lowering of the standards that the existing system, for all its defects has slowly built up?

* * *

New Salary Scales

Increases in salaries both for nurses and for teachers were announced on Wednesday of this week. For nurses the new scales mean for the most part a higher minimum salary, the increase varying from £20 to £30 a year, and a reduction in the number of years it takes to reach the top of the scale.

* Report of the Secondary Schools Examinations Council, 1947. HMSO. 2d.

The increases in teachers' salaries are on a different basis. Non-graduate qualified assistant teachers will have the same minimum salary, if the new Burnham scales are approved, as they do under the present—that is, £300 a year for men and £270 for women. But their maximum salary will be raised by £30 and £24 to £555 and £444 respectively. What, however, has been the subject of most concern is the salaries for graduates, for the wastage of graduates from the teaching profession and the reluctance of the present generation of university students, especially women, to take up teaching as a career can hardly fail to affect the quality of secondary school education. Under the present scales a graduate teacher starts at £315 a year for a man and £282 for a woman; that is, they receive one additional increment—which, however, barely compensates them for the fact that, being graduates, they start teaching at a later age. At the maximum they receive an additional two increments, thus rising to £555 and £444 respectively. Like non-graduates, they may also be eligible for allowances for a post of special responsibility or for special qualifications. Under the new scale they will have two increments throughout the scale, and if they obtained a first-class honours degree they will receive one additional increment at the minimum and two at the maximum (for men the scale for first-class graduates would thus run from £345 to £615).

Clearly an attempt has been made to meet the graduates' objections to the old scales, and any increase in their salaries is welcome. But will the new scale arrest the departure of the graduate from teaching—or at least from teaching in state schools—for in public schools the salaries, above the starting level, are much higher, rising to £1,000 or even more? The difficulty is that, in a profession so largely staffed by non-graduates, much heart-burning and discontent would be caused if graduates were paid salaries at all comparable with what they can earn elsewhere. And to put the whole profession on a much higher level of salaries would, it will be said, be more than the country can afford. Must we then face the fact that the standard of teaching in state schools will decline?

* * *

German Communists Look West

If the Russian Zone of Germany is not yet "Sovietised" the propaganda of the Socialist Unity Party is doing its best to make it appear so. It is depressing to read the speeches made and the resolutions carried at the congress of the party held last week-end in Berlin. Colonel Tulpanov, head of the Russian information control in the zone and a political adviser to boot, set the tone with a bitter fighting speech. He called western Germany an agency of Anglo-Saxon monopoly capitalism and accused its rulers in so many words of preparing war. He summoned the Germans of the Russian zone—"the second Germany of peasants and workers"—to battle for the triumph of their party's ideas in the western zones. As the Socialist Unity Party is dominated by Communists, Colonel Tulpanov was in fact inviting Germans to take part in the infiltration of western Germany with Communist and "anti-Anglo-Saxon" activities. So ideological war has been declared even before it is known whether Germany is to remain divided or not; and the nationalism of the German Communists—some of them former Nazis—is being deliberately stimulated by an occupying Power.

The party's German leaders showed pride in their membership, which has increased in a year from 1.3 million to 1.8 million, or under ten per cent of the total population. Their control is also exercised through the Free German Youth Movement and the Free German Trade Unions, both totalitarian organisations in which criticism is dangerous and the representation of other parties quite nominal. But reports on the social and economic conditions in the zone showed less confidence. Walter Ulbricht, reputed to be the real brain of the Central Committee of the party, presented a programme of economic construction for the next three years, which was quite inadequate to cover up the discrepancy between fact and theory. Figures and targets were absent, and explanations of the decline of production in the factories and brown coal mines, of continued dismantling of equipment and railways, of arrests and deportations were hardly plausible. Yet they were accepted in the best party style, together with the suggestion that mansions of expropriated Junkers should be pulled down to provide bricks for new peasant cottages.

Whatever the result of the November conference, the occupation authorities in the west have to reckon on a sustained and clever attack from eastern Germany, which seems destined to keep the flame of nationalism alive. What its leaders really fear

is the successful inclusion of eastern Germany in a Marshall plan, which they will represent as directed against the interests of the German workers.

* * *

Access to the Countryside

The special committee on Footpaths and Access to the Countryside, under the chairmanship of Sir Arthur Hobhouse, has now presented Mr Silkin with a detailed report (Cmd. 7207. HMSO 1s. 3d.) which, if acted upon, will greatly clarify and strengthen the legal rights of the open-air public to wander where they will. To give the public right of access to all uncultivated land—"mountain, moor, heath, down, cliff, beach or shore"—seems a desirable and simple enough proposition; but the first major attempt to secure it, the Access to Mountains Act, 1939, suffered from the defects that it could be applied only piecemeal by a costly process of designating individual areas, and not then if the rental value of the land suffered in any way. Moreover, it created the gross legal anomaly of making trespass a much more serious offence on a bare mountain-top than on a rich pasture.

New legislation is now proposed, under which local planning authorities would have the duty of mapping the uncultivated land in their areas and designating the whole of it (subject to the hearing

of objections at a local inquiry) as freely accessible for the enjoyment of air and exercise. The designated access area would exclude woodlands and would be subject to revision in line with agricultural requirements. The planning authorities would also have the duty of ascertaining and maintaining all public rights of way, an intricate and necessary task in view of the many footpaths that have recently been obscured or diverted. Public funds would be made available for the creation of new footpaths and other facilities—in particular for continuous coastal paths and walkers' highways such as the proposed "Pennine Way"—and also for the payment of compensation to owners of sporting rights, which would not, however, be allowed unless loss could be proved after the lapse of five years. The public cost should not be great.

The committee appears to be convinced that complete freedom of access need not interfere seriously either with the requirements of water gathering or with grouse-shooting. A majority suggest, however, that there should be power to suspend access to an area where serious or recurrent damage is being caused. The ways of Service departments will be a much tougher nut to crack, although the putting of these duties on the local planning authorities should get closer attention to local wishes. All in all, the report's proposals should be bitten off with ease by the new Town and Country Planning Machinery. The only snag is the difficulty of getting new legislation.

Letters to the Editor

Policy for the Development Areas

SIR,—In your Note in your issue of September 27th you suggest that "only 11,000 jobs have been created" in Development Areas by the distribution of industry policy. This is rather seriously misleading, since it confuses the total of jobs at a certain date in completed new factories with the results of the whole policy.

The distribution of industry policy aimed at: (1) stimulating industry already in the Areas, (2) reconverting new war factories quickly, (3) building new factories through both the Government and private enterprise. It also recognised that much of the new work and output would come through "multiplier" effects. Naturally the third part of the programme must show its fruits last; and the only true measure of the productive employment created is, therefore, to compare the unemployment figure in a very good prewar year with that of today. Total unemployment in all the present Development Areas was 410,000 in July, 1937. In August, 1947, it was 109,000. Allowing for the "multiplier", and the fact that general recovery could not have shown itself very far in these areas with the extreme prewar shortage of factory space, I believe 200,000 is a fair measure of the net national gain in employment (and therefore output) so far achieved, by deliberate policy. Employment today in adapted wartime factories in the Areas alone is 60,000. But surely the really outstanding fact is that unemployment on the North-East Coast today is down to the Beveridge full employment definition of 3 per cent—and in all the Areas to 4.5 per cent.

As there is not space to discuss this whole issue, may I briefly suggest that some of your other comments rather overlooked the following facts:—

1. In conditions of full employment and general shortage of housing and accommodation, the overall economic efficiency and production of any area will immediately depend on the ratio between the demand for labour and housing accommodation in that area; and a guided adjustment of one to the other is therefore vital if national output is to be maximised.

2. In these conditions, since industrialists cannot know each other's forward labour requirements by areas throughout the country, the supply of official advice and information to them on the availability of labour is as valuable to them as to the whole economy (as the study of company chairmen's speeches in your own columns frequently illustrates).

3. Development Areas have never had an "over-riding priority," in the sense of a ban on building elsewhere. You yourself point out that half the building now going on is outside these areas—and mainly in districts already short of labour.

Yours faithfully,

House of Commons, S.W.1

DOUGLAS JAY

The Death of Petkov

SIR,—I find it strange to see such widespread indignation expressed at the execution of Mr Petkov in Bulgaria while almost complete silence is maintained concerning the execution in Greece of nearly 500 Resistance fighters since July of last year. I cannot

help feeling that the difference lies in the fact that the Government of Greece is supported by British troops, whereas the execution of Petkov has been carried out by a Government of the Left.

At the present time the General Secretary of EAM, Mr Partsalides, is being tried for his life in Corinth. Can we hope that the British Government and the British Press will show at least the concern for this great Resistance fighter as they have done for Mr Petkov?—Yours faithfully,

TH. DOGANIS,

EAM Press Correspondent, London
12 Michvelham Gardens, Twickenham

The Export Drive

SIR,—I should like to tell you of some of my experiences as the bi-lingual correspondent of a big Swiss concern, hoping that my observations may be of some value in connection with the new export drive. While my first loyalty must naturally be with my employers, as a British subject I am, of course, keenly interested in helping to promote British exports.

(1) Very few British manufacturers or their agents speak either German or French, and while most Swiss business men have a working knowledge of English, it would obviously be an advantage for exporters to speak the customer's language. The same applies to correspondence.

(2) Owing to the great labour shortage in this country, there just is not the staff to cope with the conversion of British measurements. It is desirable that offers be made in accordance with the metric system.

(3) Except for very few goods there is no "seller's market" here. Swiss firms are being inundated with offers from all over the world, and the standard required, both as regards quality and workmanship, is exceedingly high, even for medium-priced goods. Long deliveries are not granted, and delivery dates should be strictly adhered to. Prior permission should be obtained in case of intended partial shipments.

(4) American competition is very keen. In the course of my work I see many American trade journals and know American advertising carries much weight. In many cases, prices are low and deliveries quick. Many German manufacturers receive orders because, among other things, they study the Swiss market and do everything to meet their customers' demands. I know of many instances where British manufacturers insist on their packs, for example, even at the risk of losing the order. Also, German manufacturers supply "directions for use" in German, whereas British firms supply them in English or in faulty German.

(5) Catalogues issued by British firms are usually poor, both as regards paper and lay-out. I have just seen one from a German firm in the American zone (where I know great efforts are being made to increase exports). That catalogue is printed on good paper and contains beautiful photographs. Many British manufacturers calling here say they cannot have visiting cards printed in England.

(6) While it is understandable that British suppliers should wish to prove that delays in delivery are not their fault, I know an unfortunate impression is created by letters such as these, actually received here:

... "the fact is that the position in the textile industry in this country today is worse than it has ever been. . . ."
... "the export licence has been obtained only after very prolonged and difficult negotiations with our Board of Trade. . . ."

(7) It is certain that the wild stories some of the British manufacturers calling on Swiss customers tell do not help to create confidence in Britain's ability to overcome her present difficulties.
Yours faithfully,

Zürich

I. COFFEE

Oil Reserves

SIR,—The leading article in *The Economist* of January 14, 1947, entitled "Oil Politics," contained the following statements.

... of the world's present proven [oil] reserves 42 per cent are in [the Middle East] as against only 46 per cent in the Americas. . . . With about 86 per cent of the world's proven oil reserves in American, British and Dutch hands other countries have some excuse for nervousness. . . . The chief of these . . . is of course Soviet Russia . . . [which] has about 9 per cent of the world's proven oil reserves.

These figures were substantially reaffirmed a week ago (September 14th) in an article in the *Observer* by Mr Jon Kimche:—

PROVED OIL RESERVES (in million tons)

Western Hemisphere	4,400
USSR and Zones	1,000
Middle East	4,000
Rest of World	300

An article in *The Economist* of September 20th, "South of the Caucasus," is based on what seem to be quite different figures, and consequently draws a different conclusion.

An American official mission estimated the actual reserves in 1943 at 27 billion [barrels in the Middle East] against the 20 billion of the United States and the 22.5 billion of the Soviet Union. Hence there seems to be no reason to suppose that, in the long run, it is a vital interest of the Soviet Union to have exclusive access to large quantities of oil in Persia or elsewhere in the Middle East.

The policies of the great powers today admittedly depend as much on current output as on reserves, but the long term problem is clearly of ever increasing importance. I should therefore be grateful if you could comment on the difference between the two estimates quoted above. What is the difference between "proven" and "actual" oil reserves and which estimate gives the more reliable data for studying this problem?—Yours faithfully,

46 Newlathes Gardens,
Horsforth, Leeds

EDWARD HUGHES

[Estimates of oil reserves are necessarily very hazardous. Proved reserves are those which have been located by drilling and estimated by the best available methods. They do not account for more than a fraction of the total reserves, as is shown, for instance, by the fact that the proved reserves of the USA up till now have increased year by year despite a high rate of exploitation. The latest quoted figure for the proved reserves of the Middle East is 16 billion barrels; the figure of 27 billion barrels (3,850 million metric tons) quoted in our articles was given by Mr. E. L. de Golyer, US oil expert, and head of the mission of investigation sent out by the Petroleum Reserve Corporation in 1943. It is an attempt to arrive at an estimate of actual reserves by inference from what is already known of the fields under exploitation. It is almost certainly a good deal less than the total reserves.

The figure for the USSR (22.5 billion barrels) is quoted from a recent French official publication, and may be nearer to the truth than the figure quoted by Mr. Kimche.

The emphasis, in our reference to the USSR, was on the word "exclusive." We do not question the need of the USSR for oil from the Middle East. But we believe that the distribution and exploitation of Middle East oil should be a matter for international agreement.—EDITOR.]

Anglo-Danish Trade

SIR,—I was interested in your Note on the Anglo-Danish trade negotiations in *The Economist* of September 6th. I think it might interest you to know that on the Danish side we do not regard the comparison with Dominion prices as reasonable. Our main point is that the Danish export prices should be compared with those of the British producers in which case you will find that the British prices are about the level which we are asking for, and in some cases even higher. You know from your own country that it is impossible in Europe to produce at the

same prices as in the Dominions especially since foodstuffs have to be paid for by the European importers at very much higher prices than those available overseas. Another point of great importance to us is that we are getting today only half the weight of coal for each pound of butter compared with before the war.—Yours faithfully,

WILLIAM MELBYE

14 Graabrodetorv, Copenhagen K

Synthetic Rubber Consumption

SIR,—May I correct probable conclusions which will have been drawn from the statement in your Note of September 6th that "Chinese rates [of pay on Malayan rubber estates] are double the Indian rates."

It is perfectly true that until recently, when the Chinese, who are realists enough to appreciate the costs which the rubber plantation industry can stand, accepted cuts, the pay packet of the Chinese contained approximately double the money received by his Indian opposite number, but for a true comparison it is essential to bear in mind that the Indian labourer on a rubber estate, unlike the average Chinese, is provided free, for himself and his dependants, with accommodation, medical benefits, maternity benefits, creches and schools for his children, etc.

I have looked up the figures for a medium-sized estate and find that during the current financial year the wages of the Chinese labour force are expected to average \$1.85 against the Indian earnings of \$1.22. The net revenue cost to the estate of the services enumerated above works out at 36 cents per head of the Indian working population per day, so that the true comparison for this estate is \$1.85 to \$1.58—very far from "double."

You rightly go on to say that Chinese labour has a higher productivity. To take tapping as an example, it frequently happens that a Chinese can cope with a "task" of 400 trees compared with the Indian's 300.

From the point of view of the producer's cost on wages such as I have quoted, it is obvious that Indian labour is at present paid as much as the industry can stand, and I most heartily agree that under existing conditions it would not be financially possible for the industry to accede to the Indian Government's conditions, which have no regard to the ability of the industry to pay or to the true economic relationship of the two types of labour.—Yours faithfully,

K. M. G. ANDERSON

From *The Economist* of 1847

October 2, 1847.

THE melancholy disasters which have recently occurred among some of the most eminent mercantile houses in this country, involve reflections and considerations of the most important character with respect to the future prosperity, political stability, and social happiness of this country. These are events of no ordinary kind. When we see commercial houses sinking beneath the immediate consequences of sanguine and rash speculations—of some sudden, unforeseen, but evident and irresistible calamity . . . or waning into decay through an old age of imbecile management . . . —we pity or blame according to the particular circumstances of the case; but as we clearly recognise the cause, it becomes an easy task to discriminate between such houses who have fallen and those who still remain, but who are not chargeable with the like errors or follies. . . .

But such is not the case with regard to some of the most extensive and eminent firms which, during the last three weeks, have been declared incapable of meeting their engagements. The suspension of the houses of Messrs. Reid, Irving and Co., Messrs. Cockerell and Co., and Messrs. Gower, Nephews and Co., forces upon us reflections of a much more extensive character, and is calculated to cast a doubt upon the soundness of a large portion of our commercial system itself. These houses are known to have been possessed . . . of prince-like capitals. . . . These houses, moreover, up to the last, have maintained the same eminent position they ever held. Men distinguished for their honour and integrity have remained at the head of their direction. . . . The same steady, careful, painstaking and vigorous management which have marked the progress of these houses for nearly half a century were visible to the last. . . . The failure of such houses under such circumstances involves considerations of a public character far more important than the direct losses and inconveniences . . . which are inflicted on those who immediately suffer by or through them.

AMERICAN SURVEY

Station on the Tough Line

(From Our US Editorial Staff)

TWO questions dominated public thinking at the time when Mr Truman's request for immediate aid to Greece and Turkey gave public notice of a sharp change in American foreign policy. The first, asked of the State Department by the Senate Committee on Foreign Affairs, was, "Does this new policy mean war?" The second, asked even more anxiously by the interested public, was "Does this mean that the United States intends to by-pass the United Nations?"

Both questions were, of course, two facets of the same problem. If it was the business of the Senate Committee to find out whether war lay ahead, it was even more painfully the business of the public to find out how war could be avoided, and to cling with deep anxiety to the organism which had been devised for the express purpose of preventing it.

The Foreign Affairs Committee of the Senate was assured that the new policy did not mean war, and public alarm was soothed in a speech by the then head of the American delegation to the United Nations, who told his international conferees with almost indignant warmth that no slight had been intended. Nevertheless, the spectre would not lie quiet. In the week of thunder and great winds which ushered in the second session of the United Nations Assembly, Secretary Marshall undertook to furnish a reply which, answering one question in a manner which should satisfy both the American public and the world, underlined the other. No one yet knows whether the policy toward Russia which some people have called the "cold war" and others the "tough line" may ultimately lead to war or to peaceful containment of the Soviet within reasonable boundaries. What Mr Marshall has made abundantly clear is that the United States desires to make its moves not as an independent force but within the framework of the United Nations. Far from intending to by-pass that organisation, as the well-wishers of UNO feared last spring, the American desire is that of a man confronted with a recalcitrant motor-car—to open up the works and get the thing going.

The proposed cure is directed at the most obvious trouble. The Charter put the keeping of the peace into the hands of the Security Council. Two years' experience has shown that the effectiveness of the Security Council is severely hampered by the voting process provided for it. Because that voting process was agreed on only after long and difficult negotiation, at home as well as abroad, the United States (which bears its share of responsibility for the sticky veto) would not undertake at this moment to seek its revision. It can, however, gain the same effect if additional machinery is set up within the larger Assembly.

The reception accorded to this proposal at home, where most people seem to have forgotten that the veto was not a Russian invention, was greatly aided by Mr Vishinsky's violent indictment of Britain and the United States, which followed close on

its heels. For the purposes of the State Department the timing could scarcely have been improved. On Wednesday Mr Marshall proposed a way whereby the existing machinery for settling such disputes as those concerning Greece and Korea could be supplemented and the whole process of peace-keeping rendered more effective. On Thursday Mr Vishinsky said that the United States and Britain were plotting war. He also, and as an addition to a speech clearly planned before he left Moscow, indicated that Mr Marshall's proposal would be unacceptable. On the face of it, and the face is what most Americans see, the country rejected the charge and decided that if the Russians did not want the new plan, there must be value in it for the United States. That panic-stricken hysteria which *Pravda* professed to detect among those named as "war-mongers" was not visible to a native eye. The *Chicago Tribune*, which has some difficulty in deciding whether Britain, Russia or Wall Street is the great enemy, protested mildly that it would not be wise to discard the veto. The left-wing *Nation* reported concern lest the proposal merely freeze the Western nations into "a UN within the UN, thereby undermining the organisation as a whole without appearing to do so." Otherwise comment on the Marshall speech was approving, and on the Vishinsky indictment restrained.

*

It is too early to tell what may be the effect on the young structure of the United Nations of Mr Marshall's new plan, or of any derivative or substitute that may be adopted. The organisation was born and bred in crisis, and its success in surmounting trouble thus far is perhaps not so much a tribute to its inner strength as to an imperative recognition on the part of delegates that they dare not for their very lives rest content with pessimism and failure. Memories of the past both hamper and help. Some have feared that the United States, which took no part in earlier international action, would find the process too trying; others fear that it would be Russia which, walking out too often in the past, would depart in the present.

So far as American patience is concerned, such fears should now be set at rest. Mr Marshall gave every indication that the United States is determined to work for a more effective UNO even if such action has the effect of pushing Russia out. The Russians, for their part, show every sign of intending to stay and fight the battle along the lines Mr Vishinsky laid down. They have the world gathered in open forum before them to hear their complaints, and if their linking of Britain and the United States as political partners in aggression seems strange at a moment when those nations might conceivably be driven apart on economic lines, it must be remembered that if the two can be linked as culprits in the Near and Far East, it may profit the Soviet more than though they were divided in the West.

As for the effect of the Marshall proposals on other nations, it was New York's most conservative newspaper which borrowed Mr Churchill's phrase to say, after the Vishinsky diatribe, that their delegates

do not seem to be oppressed by fears that this is the beginning of the end, or that man's most ambitious bid for international peace must lead inevitably to even more destructive war than man has seen. They seem to believe that in its development the United Nations has reached the end of the beginning, rather than the beginning of the end.

The Secretary's new proposals mark a stage in American foreign policy hardly less important than the shift they seem to indicate in the affairs of the United Nations. If they give the Assembly added responsibility and make of it something more substantial than a debating society, they also provide a high point from which to survey the extraordinary change which has taken place in the conduct of American foreign affairs. Mr Marshall has been in office only eight months. During that time one constructive move after another has so engrossed the State Department's habitual critics that they have almost forgotten to complain that no American foreign policy exists. Acts are still called "fumbling," but "indecisive" as descriptive of the United States seems to have been dropped in favour of "clumsy giant." Such bits of fence-mending as the new policy toward Argentina, distasteful though they may be to liberal minds, are recognised to be part of a policy that is at least resourceful, resilient and determined. This does not mean that the present leadership is accepted without complaint, or that the American people, fond though they are of action, are completely sure that they are being led in the direction they most desire. In spite of such outbreaks as Representative Eaton's recent article

calling for a "show-down with Russia" most people emphatically do not want war. They worry about it, and thereby shock European visitors who have forgotten that they themselves were under a similar cloud not so long ago.

Yet in spite of those most concerned about the possible result of the "tough line" technique, there is a feeling that, the world being what it is, there is now no other way in which the game can be successfully played. Happily for those who are of that mind, the Soviet seems bent on reinforcing that feeling. When Mr Henry Wallace said most recently that Russia would gladly co-operate if only given the chance, Mr Gromyko invoked the double veto in the Security Council. When Mr Taft indicated that not all had been done which might have been done during the last fifteen years to keep the peace, Mr Vishinsky screamed open agreement, and added that Mr Dulles, a distinguished and influential member of Mr Taft's own party, was one of the worst of the war-mongers. While Soviet officials are refusing to let the brides of English soldiers leave Russia, Soviet diplomats are travelling to the United States on England's best ships. The comedy may be being played on the edge of a volcano, but the spectators are still able to find wry humour in the lines.

Changing Monetary Policy

(From Our US Editorial Staff)

THE current frantic search for an actor to play the villain in the price piece has consistently ignored the obvious choice. This is not strange; the far-reaching potentialities of that subtle kind of change in the supply of money which is bound up with the technical mysteries of interest rates and money markets have never been comprehended by the popular mind. In the present case, the barrier to understanding is even higher because the effects of the change in the supply of money have been so long delayed. The warnings issued at the time the first step was taken upon this road have by now become so stale that many people fail to recognise these effects now that they have arrived. The first step was taken more than five years ago, when the United States entered the war. Several important financial decisions were taken in 1942. The first was that it was too slow and too difficult to finance the needs of total war solely through tax receipts. The second was that the next most desirable method was to finance the largest amount possible by borrowing the real savings of the people. But, above all (and it was not necessarily compatible with the second decision), Treasury and Federal Reserve policy was to aim at low and stable interest rates.

In pursuit of this objective, a structure of interest rates was agreed upon which ran from $\frac{1}{4}$ per cent for 90-day Treasury bills and $\frac{3}{8}$ per cent for one-year certificates up to $2\frac{1}{2}$ per cent for long-term bonds. It was the responsibility of the Federal Reserve to maintain this pattern. The means were simple: the Federal Reserve Banks agreed to buy bills from the commercial banks, with an option to the latter to repurchase, at a fixed rate of $\frac{3}{8}$ per cent. Furthermore, they agreed to lend to the banks on short-term government paper at a preferential discount rate of $\frac{1}{2}$ per cent. Thus commercial banks could at any time replenish their cash reserves without loss, and if they borrowed on $\frac{3}{8}$ per cent certificates, could obtain an interest spread on their borrowings to boot. The technique worked perfectly until early 1945. It worked so smoothly that it went beyond its original purpose of insuring that commercial banks always had sufficient reserve to enable them to stand by to purchase the volume of securities not absorbed by other investors. The banks found themselves in the enviable position where (in contrast to Say's Law) demand for funds created its own supply—and a supply upon which a multiple credit expansion could be based. As might have been expected, the banks broke out of the passive role which had been assigned to them and actively used this means of obtaining reserves, on the basis of which they entered the market to bid for higher-yielding intermediate and long-term bonds. The risk of price

fluctuation on long-term bonds had been virtually eliminated by government policy, and traditional considerations of bank liquidity lost their restraining influence.

During the war period, the consequences of these tendencies were not serious. The worst that could be said was that the monetary authorities overshot the mark in reducing rates on intermediate and longer-term obligations. It is true that black markets for goods were more of a problem, because of the pressure of surplus purchasing power, than would otherwise have been the case, but price controls and patriotic discipline tended to sterilise the excess.

But these restraints were greatly weakened during early 1946. And it became apparent that the monetary authorities, by giving hostages to a rigid interest structure, had tied their own hands when it came to their traditional peacetime objective of influencing business conditions by varying interest rates and the supply of bank cash. Any attempt to use these instruments seemed necessarily to involve a reduction in government bond prices and to place correspondingly greater obstacles on the already thorny path of debt management. The Board of Governors of the Federal Reserve System, caught on the horns of its dilemma, did the only thing possible in a situation where two incompatible objectives were equally necessary. In June, 1946, the Board asked for authority to exercise direct controls over the volume of both long-term and short-term government bonds that the commercial banks might be allowed (in the first case) or compelled (in the second case) to hold. This would have enabled the Federal Reserve System to remove the strongest incentive of the commercial banks to borrow (although increasing business demands for funds began to lift their heads at that time), and at the same time to freeze into bank portfolios short-term government paper which might otherwise have been used to obtain reserves. The request, reiterated a year later, has never been granted or even seriously considered by Congress. The removal of price controls on goods in November, 1946, further meant that the country has had the worst of both worlds—neither consistent controls and rigidities nor free prices and free interest rates to produce balance out of unbalance.

Since the luxury of consistency was denied them, both the Treasury and the Federal Reserve for the last year and a half have made a noble attempt to ride their incompatible team of objectives—and with surprising success in view of the utter impossibility of achievement. The chief brake on inflation in this period has been the sizeable cash surplus that the Treasury has built up, amounting to \$8.4 billion in the fiscal year 1946-47.

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These funds, together with the excess proceeds of the Victory Loan Drive, have been used to retire (since March 1, 1946) more than \$31 billion of the marketable debt whose "monetisation" was serving as the basis of the inflation.

The second brake was a mild one, achieved by eliminating the preferential which actually made it pay the banks to borrow for the purpose of obtaining reserves. This action was taken in late April, 1946.

These measures had very little effect, though to the extent that the debt retired was held by the Federal Reserve, bank reserves were restricted, and short-term rates to customers were raised in late July of 1946. The price of long-term governments also retreated from the high levels of early April, 1946. But the effect on reserves has been offset by a gold inflow and further complicated since the start of 1947 by a slow return flow of currency from circulation. To the extent that the debt that was retired was held by investors other than the banks, retirement merely put them in possession of more funds; private deposits have risen over the period as a result of a shift from Government account, and as a result of borrowing by private businesses and by consumers. The incompatibility of aims showed up most clearly, however, in the fact that the banks, losing earning assets, resumed their bidding for higher-yielding long-term securities, exercising constant pressure tending to drive yields on these down and thus destroy the pattern of rates.

The continued progress of the inflationary boom is now fed chiefly by increased borrowing from the banks by the public, and it has seemed to many observers that the structure of interest rates would have to give way. The retreat started in July, 1947, when the fixed buying rate on Treasury bills was abandoned, and the rate on these has now risen to 0.82 per cent. The retreat was only nominal up to this point, however, since by that time the bulk of all bills had already found their way into the hands of the Federal Reserve Banks and were, therefore, no longer an important source of reserves.

In August and September, however, the pace has been accelerated. Short-term rates have been pulled up gradually by several devices. Successive exchange offers have been made by the Treasury to holders of securities maturing on August 1st, September 1st, September 15th and October 1st, of an 11-month $\frac{7}{8}$ per cent certificate, a 10-month $\frac{7}{8}$ per cent, a 12 $\frac{1}{2}$ -month 1 per cent note and a 12-month 1 per cent. Thus by the process of shortening the maturity for a given rate, rather than by a change in the rate itself, the structure of rates has been moved away from the wartime pattern. At the same time, a new long-term non-marketable issue is being offered to absorb savings which have been pressing down the long-term rate. This does not represent a complete abandonment of the interest rate position. It still represents a policy of compromise, with an attempt to secure limited freedom to vary short-term rates. At least one certificate issue has also been allowed to slip slightly below par in the last few weeks as further indication of this intention.

The success of this further compromise remains to be seen. To date it has produced no marked results, apart from some increases in short-term commercial rates. The banks, after halting to await developments, have resumed buying longer-term issues. Apparently, short-term rates have not risen sufficiently, or the risks of the market increased enough, to offset the attractions of higher long-term yields. And there are no effective controls on private borrowing. Meanwhile, inflation proceeds apace; the Bureau of Labour Statistics index of basic commodity prices reached 326.9 per cent of its August, 1939, level on September 25th, after a temporary recession to 295 last May. The total money supply of the country, consisting of demand deposits and currency, at the end of June

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was 24 times its level at the start of the war, and 7 per cent above the volume at the time debt retirement started in March, 1946. It is evidently not enough to stop any further debt from being turned into money; it will be necessary to put the machine into reverse and start funding money into long-term debt.

American Notes

Battle of the Winter

The battle to win Congressional appropriations for winter relief in Europe has begun with an Administration retreat on all fronts. The Congressional leaders summoned to the White House at the beginning of this week were told that only \$580 million was needed to keep Europe alive from December 1st until next March. This feat of budget-paring has been achieved only by confining relief to France, Italy and Austria, where the Communist peril can be painted blackest; by assuming that even these countries can be kept going until December 1st by using what is left of the post-Unrra relief funds; by accepting a near-starvation standard of relief; and by assuming that the Marshall plan will be in full operation by March. This is a dole, pure and simple, with the most stringent of needs tests, rather than a first instalment of the Marshall plan. It was designed that way, in all probability, in order to short-circuit the exhaustive Congressional debate that is inevitable on any measure drawn on the Marshall model.

It is a sum and a timetable which allow not the slightest margin for error; and which by their very modesty may confirm suspicions that the need is not so desperate as it has been painted. In addition, while conceding that the charters of executive agencies forbade the use of their resources for foreign relief, Mr Truman delegated discussion of whether and when to call a special session to the four relevant committees of Congress which can hardly meet until the middle of November. He did not even convey sufficient sense of an emergency to prevent the sailing for Europe this week of the Senate Appropriations Committee. Not only are appropriations to be postponed until the twelfth hour, but also the possibility of reviving those restrictions on the use of grain which in the critical winter of 1945-46 were so much more effective than "voluntary rationing" in saving grain for export.

For allowing all sense of the crisis to evaporate, the President is being severely berated by the responsible press; and certainly in practice bi-partisanship in foreign policy is coming close to complete abdication of leadership. The President fears, and with reason, that a special session might get completely out of control, like an historic predecessor in 1919, opening the flood-gates of controversy on the need for cutting exports, lowering taxes, and developing a price policy. At present even Senator Vandenberg is disposed to insist that stop-gap aid as well as the Marshall plan proper require "comprehensive Congressional consideration" covering American resources as well as foreign needs. If this insistence is maintained, Mr Truman's attempt to differentiate so clearly between his present request and the Marshall plan will come to nothing. It must be his hope that by December the consequences of inaction will be so clear that even Congress will realise that it cannot afford to fiddle while Rome starves.

* * *

"Gamble in Wheat"

The estimates submitted last week by President Truman's Special Food Committee provide yet another grim reminder of the precarious position of the wheat importing countries in their utter dependence on the North American continent for the bulk of their requirements over the next few years. The Committee, in fact, although consisting of such high-ranking Cabinet officials as the Secretaries of Agriculture, State, and Commerce, seems to have done little more than to attempt some sort of rough-and-ready working balance between the domestic claims of the Department of Agriculture and the demands of the State Department which has for long been thoroughly frightened by the desperate nature of overseas shortages. In trade and commercial circles, it is regarded as evidence of a situation which may yet demand exceedingly drastic remedies, unless the crop situation changes beyond the imagination of most agricultural experts.

In the year 1946-47, with a domestic yield of 1.2 billion bushels of wheat, and 3.3 billion bushels of maize, US grain shipments were no less than 575 million bushels, of which wheat and wheat-flour accounted for 400 millions. Now, with the wheat crop extended to an all-time peak of 1.4 billion, but with the basic feed

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crop of corn reduced at least to 2.4 billion, the Food Committee holds that wheat exports can be allowed to a total of 400 millions, with corn and other coarse grain shipments at 70 millions. Of the wheat crop, it is estimated that rather more than 500 million bushels will be used for domestic foods, and 350 millions for farm feeding-stuffs, while almost the whole of the maize crop is scheduled for farm feeding. In grains as a whole the programme would reduce stocks from 780 million bushels to 580 million bushels, the corn stock would be reduced from 350 million bushels to 170 million, with a very modest increase in the wheat carry-over at 147 millions, against 83 millions. The Committee holds that Argentina and Australia can provide substantial amounts towards meeting a world deficit which it estimates, on a minimum basis, in terms of grain alone, at 160 millions, or to about 15 per cent of the requirements of importing countries.

The President's reaction to the report has been the establishment of yet another committee of citizens charged to consider the immediate food problem and to advise "on ways and means to carry out the necessary conservation effort." Acting on a non-partisan basis, this Citizens' Food Committee will be in the extremely capable hands of Mr Charles Luckman, president of Lever Brothers' American organisation. In the meantime, Mr Truman is asking for the greatest possible voluntary efforts to conserve foodstuffs and to avoid waste.

Crops and Consumption

Though it will begin its task with the blessing of every American consumer, and with the specific reminder by the Cabinet Food Committee that legislative measures must be considered apart from all voluntary controls, no one is likely to envy Mr Luckman in his new task. The natural and well-justified clamour against rising food prices has culminated quite recently in a strong demand by members of a joint Congressional committee for stronger control of the commodity markets, and for a complete ban on margin facilities, with the exception of deals recognised as necessary for hedging operations on the part of milling interests and other *bona fide* trade interests. And no one can deny that the tremendous increase in futures trading on the Chicago market within recent months has carried all the elements of a dangerously speculative movement which should surely be submitted to controls as stringent as those now covering Wall Street.

None the less, it is impossible also to believe that the position will be altered basically by revision of the rules now covering the Commodity Exchange Administration. Farming interests, no less than grain speculators, are fully aware of the potentialities of the position, and the fluctuations in recent weeks on the Chicago market are no more than a reflection of the confusion and uncertainty brought by almost daily reports and denials of crop shortages which have emanated from official sources no less than from interested parties in the Chicago wheat pit. The Administration will no doubt sustain its powers over grain allocation contained in the recently revived Export Control Act, and it may well reinforce this authority by a successful appeal to Congress for a similar revival of powers formerly held under War Emergency Powers Acts, by which grain could be refused to distilleries beyond specified limits, and the wheat extraction rate could be increased in milling. But such effective measures as rationing and price control are now further away than ever—more especially with 1948 electoral contests in sight—for however much organised labour and unorganised consumers may press for "roll-backs to 1945-46 prices," they have not begun to consider the long list of controls and regimentation which would certainly have to accompany a retreat to the conditions prevailing before V-J Day.

Another year of bad crops could easily result in far more drastic measures; indeed, something will have to be done in such an event, unless a large proportion of the importing world is to collapse simply because of food shortage. But for some way ahead President Truman has shown how carefully his Cabinet must tread.

Trade quarters in the United States are now, indeed, taking a decidedly gloomy view of the position, and there are many forecasts of an ultimate return to the most stringent of food controls. In such forecasts, the experts point, not only to the precarious basis of the Cabinet Committee's estimates, but also to the possibility of a serious reduction in the wheat crop in 1947-48. On the first count, they allege that an official estimate of 350 million bushels for wheat used as feeding-stuffs is an entirely unrealistic assessment, pointing out that a maize crop deficiency of 900 millions, compared with 1946, is assumed to demand no more than 170 million bushels of extra wheat for feeding-stuffs. And they note that while the record wheat crop of 1946 was based on extremely good subsoil conditions, the 1948 harvest must be

assessed on soil conditions which are becoming increasingly adverse because of prolonged drought. They consider, therefore, that even the reduced grain exports now scheduled, with their heavy reduction in stocks, represent a quite unjustified gamble with food and seed supplies. It is, of course, impossible to assess 1948 crop prospects at this stage, and comparisons with prewar years of crop shortages usually take no account of the immense efforts made by the American farmer to boost his acreage and crops. But the 1947 corn crop is an all too prominent reminder that acreages alone cannot govern crops, and that the bumper yields of American grains throughout the war years have probably tested the utmost capacities of the farming belts.

Taft at Tacoma

Senator Taft's long-heralded foreign policy speech at Tacoma rounds out the political menu which he has been spreading before the voters of the West. If he is plainly less at ease in this field than in discussing labour, inflation, tariffs and reclamation, it was none the less essential that so plain a candidate for the Presidency should have a foreign policy. It is almost entirely negative. Senator Taft's interpretation of bi-partisanship extends only as far as Senator Vandenberg, of whom he had many polite things to say, otherwise he repudiated any joint responsibility for foreign policy, in which he insisted the Administration had enjoyed virtually a free hand—except for dollars, a significant exception. In Senator Taft's view, outside the actual conduct of the war, "we could not have made a worse mess of our foreign policy than we did," at Potsdam, in Germany, in foreign loans, in pursuing expediency and security rather than law, justice, peace. Ideals as well as resources have been dissipated.

Senator Taft believes that the maintenance of peace should be the keystone of American foreign policy, with the United Nations reorganised around the concept of "justice." The "present Russian attitude" he dismisses in a few sentences, as certainly making this path difficult; he is happier in insisting that the world does not want American busy-bodies arranging its affairs; that "America cannot save the world with dollars. We can only help the world to save itself if it wishes to be saved"; and ending with the comfortable illusion that

if we can maintain freedom and the highest standard of living in the world under the American system, it will not be many years before the example set will be followed by every other nation.

No amount of lip-service to the United Nations and the Atlantic Charter can conceal the fact that Senator Taft is still a "Little American" at heart. He really resents the necessity of having a foreign policy at all. The charge of American imperialism comes as easily to his lips as to those of Mr Vishinsky. This speech, with its pious and unrealistic platitudes about peace, justice and law, is twenty years out of date. It is reported that the *Chicago Tribune* has built the first atomic bomb shelter in Chicago. Senator Taft is not only behind the times, he is behind the *Tribune*.

Shorter Notes

Mr William Benton, Assistant Secretary of State in charge of information and cultural affairs, has resigned. In the long, acrimonious debate in the last session over continuing the American foreign information programme, it was bluntly suggested to Mr Marshall that Mr Benton himself was a major stumbling-block in the way of Congressional approval. The last session closed without committing Congress to support of an information programme, and only about one-third of the funds requested were appropriated. A Congressional committee is now abroad investigating the need for "projecting America." A candidate to succeed Mr Benton, acceptable both to the State Department and Congress, and willing to take on this ungrateful job, will be hard to find.

The Archbishop of St. Louis recently abolished the Jim Crow line in the Catholic schools of St. Louis by announcing that Catholic negro children would be allowed to attend parochial high schools as well as elementary schools. In the past they have gone to the all-negro schools maintained by the city. When white parents threatened to secure an injunction against the Archbishop, they were warned that such action would result in automatic excommunication. This is the first such general warning issued in the history of the diocese, and it appears to have been effective.

THE WORLD OVERSEAS

False Alarms in Rome

(From Our Special Correspondent recently in Italy)

ON September 20th, a day chosen specially to annoy the Catholics since it is the seventy-seventh anniversary of the overthrow of the Papal States, orderly crowds, shepherded by the parties of the Left, paraded in the cities of Italy to protest against the rising cost of living and the policies of Signor de Gasperi's Christian Democrat administration. The rumour had been spread beforehand that these demonstrations would be the tinder of revolution, that the Communists were determined to attempt the seizure of power by violence, that their armed partisans were only waiting the signal to link themselves with the Yugoslav army at the frontier in a general march on Rome. In fact, most of the demonstrations might have been protest meetings in Hyde Park—sunshine and colour apart—and next day, commentators could write "no revolution nor sign of revolution is impinging on this lazy day. Yesterday's day of protest has been succeeded by utter calm."

The policy of inducing industrial paralysis—also attributed to the Communists—seems to have been similarly overplayed. It is true that in the last three or four weeks there has been considerable agrarian unrest and one or two industrial strikes. In the north, the farm workers—the *braccianti*—were on strike for more than a fortnight and for a time the rice harvest seemed in danger. Later, strikes broke out in Arezzo and Viterbo, and round Rome groups of farm workers "squatted" on various landed properties and did a little symbolical ploughing. Even so, the whole movement appears to have been exaggerated by the newspapers, particularly those of the Right, which see the hand of Moscow if a worker only takes a day off to visit his mother in the country. The metal workers' strike lasted exactly two days. As Count Sforza pointed out in Paris, the *braccianti* struck for normal economic reasons—for a sliding scale to adjust their wages to rises in the cost of living, and for longer hours and more days of employment (a standing grievance with the perpetually under-employed farm workers of the Emilia and the Po Valley). Observers also noticed that after striking during the day the workers tended to do a fair amount of harvesting in the evening, and the discipline of the strike was very ragged. Even the occupation of the estates seems to have been a relatively languid affair. Where the workers found *carabinieri* on guard they are reported to have "conducted long arguments" with them and then to have withdrawn.

Restive—Not Revolutionary

The truth is that Italy at the moment—whatever it may become—is restive, not revolutionary, and roughly the same may be said of the leadership of the Left. To be revolutionary implies the possession of a clear driving purpose coupled with a political strategy capable of realising it. There is no sign of either on the Left for the time being. It remains divided between the Communists and the Nenni Socialists with the Labour Democrats and the Action Party on the fringe. The Saragat Socialists hold aloof, so do the Republicans. Without them the Left (from centre to extreme) has no majority in the Chamber and cannot constitutionally overturn Signor de Gasperi's Christian Democrats, who can count on the votes of the Right—the Liberals and the *Uomo Qualunquisti*—in any serious clash with the Left. Thus in this week's debate in the Assembly on a vote of censure of the Government proposed by the Left, the attitude of Signor Saragat has been crucial. If the Saragat Socialists had joined the Left, the vote of censure might have passed. But, after a further attack on the power-seeking tactics of the Communists, Signor Saragat denounced the attempt to form a Left-wing united front, and it is possible that he may bring his group into the Government.

To find the way to power is precisely the dilemma of the Left. At present, any talk of armed revolt can be discounted. The Communists are numerically probably stronger than ever before, but only a minority are more than fair-weather friends. The alternative is power *via* the ballot box in the April elections. But

here an awkward choice has to be made. If the Left were to enter the Government now they would share the responsibility for what must be, in any circumstances, a winter of discontent. On the other hand, if they do not enter the Government they fear that the Christian Democrat hold on the Ministry of the Interior will have its "influence" on the April voting. Last week's manoeuvres suggest that Signor Togliatti has decided that to re-enter the Government would be the lesser of two evils. Equally, however, Signor de Gasperi (and Signor Saragat?) are determined to keep him out, and for the time being can almost certainly do so.

Nevertheless, any estimate of the tug of war in Italy must be provisional, because economically the worst has yet to come. At the moment the Government still lives in the afterglow of the economic recovery achieved in the spring and early summer, when industrial production rose to over 70 per cent of prewar; coal deliveries reached nearly a million tons, month after month; agricultural output stood above 80 per cent of 1938 and there were signs of strong revival throughout the building industry. But this fine productive recovery has not been sufficient to overcome the two dragging evils of the Italian economic system—its internal financial instability and its inability to balance its foreign accounts.

Uncontrollable Inflation

The value of the lira has declined continuously throughout the summer; the cost of living has risen steadily over the year and sharply in the last three months. In Milan, for instance, taking 1938 as 100, the figure for March was 4,242, for June 4,972, for July 5,433 and for September about 6,500. This fact, as much as any political pressure, helps to explain the wave of strikes after a period of relative quiet which began with an agreed truce on wage claims negotiated in June. Unemployment has increased and the need to spend large sums of public money to counteract its effect is one of the reasons for the Government's continued inability to balance the budget. The estimates for 1947-48 are: 520,560 milliard lire revenue and 831,771 milliard lire expenditure. But this deficit is almost certainly too small. As Senator Einaudi, the Minister of the Budget, pointed out to the Assembly, the estimates for 1945-46 based on an expenditure of 114 milliard lire rose to 501 milliard. In 1946-47 expenditure rose from 341 milliard to 932 milliard. The same uncontrollable increase is likely this year. The Government hopes to meet the gap by heavier taxation, including two extraordinary taxes on capital, designed to bring in some 90 milliards, but the habit of paying taxes in Italy is not so well developed as to encourage optimism. The bulk of taxation remains indirect and inevitably bears most heavily on the poor. High hopes were pinned on the deflationary effect of Signor Einaudi's decision in the early summer to restrict credit drastically to all industrial concerns. But since the Government has proved apparently quite unable to cut down its own expenditure—much of it totally unproductive—the actual effect of the cutting of credit has been to increase the velocity of inflation. Industrial concerns doing productive work are being obliged to cut back and the resulting increase in unemployment increases the political compulsion on the Government to extend unproductive public works. Other methods of fighting inflation—such as reducing the vast appropriation for defence*—have not been considered and Senator

*SOME FIGURES FROM THE PROVISIONAL ESTIMATES, 1947-48

	Milliard Lire
Finance, Treasury	357,175.2
Justice	11,215.6
Education	48,423.2
Interior	56,136.2
Public Works	155,082.5
Defence	153,544.8
Agriculture and Forests	28,375.0

Einaudi has said specifically that the Government will maintain the state-controlled armament industry, which is certainly the most wasteful section of IRI (*Istituto per Ricostruzione Italiana*—the large Government holding company).

The worst problem facing the Government is, however, the exhaustion of its reserves of foreign exchange, to which the British decision to suspend convertibility was the final blow. The Government believes that to maintain the vestigial flour and *pasta* ration it must import 2,200,000 tons of grain in the next year—an increase of 600,000 tons on last year, owing to the bad harvest and, the Communists claim, the Government's tenderness with the farmers. This grain, together with the 800,000 ton monthly imports of coal, must be paid for almost entirely in dollars. In all, about a billion dollars are needed in the next year and 250 million of them are most urgently needed before Christmas. The Government has already cancelled some of its coal orders for the next months, and, since Italy's entire industrial revival depends next month, mass unemployment seems inevitable in late November. At the same time the Government estimates that the food ration covered from indigenous supplies will only carry them to Christmas. In other words, Signor de Gasperi is convinced—not without reason—that the survival of his government depends upon getting dollars and getting them quickly. Italians without bread and without work may listen to Signor Togliatti and his Communists and to Signor Giannini and his *Uomo Qualunquisti*. They are most unlikely to listen to the moderate voice of parliamentary democracy.

Eire Faces the Dollar Crisis

[FROM OUR DUBLIN CORRESPONDENT]

CONSIDERABLE interest was aroused by the recent visit to London of Mr de Valera and three of his colleagues. It was the first time that Mr de Valera had visited London since 1938, when he negotiated an important agreement with Mr Chamberlain, which transferred the Irish ports to Eire and terminated the dispute over the land annuities. In the same year, an Anglo-Irish trade agreement was concluded. Since then the war and its aftermath, in spite of Irish neutrality, have taught many lessons regarding the mutual dependence and economic relations of the two countries.

Irish Ministers have become much more extravert in their outlook. Participation in the Paris conference on the Marshall offer has brought home the grim realities of the situation in Europe. Mr Lemass, the Minister for Industry and Commerce, has clearly recognised Eire's responsibility in the international sphere. He has said, for example:

It would be foolish to think that we could maintain in this country a tolerable way of living if all our European neighbours go down in a welter of disorder. Anything that promotes the creation of a workable European economy is a direct benefit to ourselves.

He further stated that Eire would take part in discussion of a European customs union in spite of her vital interest in industrialisation. He described the idea of a customs union as "unattractive at first sight," and stated that "the best contribution we can make to European recovery is by developing our own economic resources to the utmost." Mr Lemass also referred to the common interests between Eire and the rest of the sterling area. He said, for example:

We have an interest in preserving the exchange value of British money. Various official funds, banks, insurance companies and private firms here own about £400 million sterling. If the exchange value of these assets should be reduced, then our ability to pay our value abroad, while preserving our present standard of living, will be reduced also. We are, therefore, very ready to co-operate in any measures to protect sterling. The obvious method is to develop the resources of the sterling area, to expand its exports and reduce its imports. A plan must, however, be designed to benefit all countries in the area, to develop all their production resources equally and not merely for the benefit of Britain.

The End of Isolation

These quotations show that the Irish Ministers visited London, realising that their old dreams of self-sufficiency and economic isolation have melted away. The need of economic co-operation with the other countries in the sterling area will lead, almost unconsciously, to the growth of common interests with the

members of the British Commonwealth, which may have desirable political reactions. The emphasis of the present conversations, however, is on economics and finance rather than on political relations.

The immediate occasion of the negotiations was the dollar crisis. Eire, like other countries in the sterling area, obtains its dollars from the London dollar pool. Its balance of trade with the dollar area is exceedingly unfavourable. In January-May, 1947, Eire's imports from the United States and Canada amounted to £8,423,383 and its exports to only £117,746. Only a small part of this yawning gap was bridged by invisible exports. Eire urgently requires many imports from the dollar area: wheat, petrol, and tobacco. Even if the greatest possible austerity is practised, an irreducible minimum of these will remain necessary. It also requires considerable imports from the sterling area, such as coal and agricultural machinery. Imports of coal are only one-sixth of the pre-war normal amount, and coal is now being imported from the United States instead of from Britain. The present negotiations will doubtless deal with how these imports are to be obtained and paid for. Payment for sterling imports should present no difficulty in view of the vast accumulation of sterling during the war. The limiting factor will be supplies rather than means of payment. Great Britain will, however, expect some exports from Eire in furtherance of the policy of increasing imports from the sterling area. The question arises what goods Eire is in a position to export.

In the present year it is expected that imports will amount to about £90 million as against exports of only £30 million. In spite of the existence of valuable invisible exports, an increase in visible exports is necessary if this gap is to be bridged. The fundamental problem in Eire is to raise agricultural production with the object of producing a greater export surplus. During the war consumption of home-grown food increased, and at present no butter or bacon is being exported. Exports of cattle have declined, and cattle are being diverted to continental markets owing to the low price paid in Great Britain. Moreover, the volume of agricultural output has decreased owing to the shortage of fertilisers. The numbers of livestock declined because of lack of feeding stuffs. The land has been overcropped and the country has been living on capital. As Mr Lemass has stated, "with a ten per cent expansion in agricultural output we could increase our bargaining power in foreign trade and greatly strengthen our economic security."

Four Hard Years Ahead

The wartime decrease in output took place in spite of a sharp increase in prices. The curves of agricultural prices and agricultural output have moved in opposite directions. There is great disagreement amongst students of Irish agriculture regarding the possible scope of expansion. Some experts are of opinion that an almost indefinite expansion is possible, while others take a more modest view of the prospects. It is generally agreed, however, that a substantial increase in the short run could soon be obtained if fertilisers and feeding stuffs were available, and if the price offered in the British market was satisfactory. The expansion of production in the long run depends on technical education, improvements in marketing and other developments of agricultural policy which need time to produce their full results.

If it were not for its large invisible exports Eire's external balance would be dangerously unsatisfactory. Considerable revenue is derived from external investments, emigrants' remittances and the tourist traffic. There is a good deal of public discontent at the large number of tourists who have visited the country this year; their presence drives up prices, particularly of food, and has an inflationary effect. This upward pressure of prices is partly responsible for the recent outburst of labour troubles. Since the repeal of the standstill order, demands for increased wages have been incessant. All road passenger transport has been suspended by a strike, a bank strike is expected, and a general strike is threatened if the rise in the cost of living is not arrested. But the tourist trade is much too valuable a source of external currencies to be discouraged, and the rise in the price level is the result of other causes as well—for example, rises in agricultural prices and in the price of imports, especially of fuel and raw materials. Moreover, it must be remembered that the rise of prices in Ireland has been slight compared with that in many other countries; the increase in the cost of living last year was six per cent. The Government has recently promised to institute a stricter system of price control.

In spite of all that can be done in this direction the outlook,

remains rather bleak. Mr Lemass courageously summarised the position as follows:—

If there is an idea that we are facing an easy time, in which we can have more pay and less work, it is very desirable to kill it quickly. We are entering four years of most acute difficulty, in which economic disaster will threaten on every side, and our only weapon of defence is our capacity to work hard. If that weapon fails us we are finished.

Does India Face Famine?

[FROM A SPECIAL CORRESPONDENT IN DELHI]

THE margin in many parts of India between existence and starvation is so narrow that even slight communal disturbances can have widespread repercussions. The recent disturbances have been of unparalleled severity and they have occurred at a time when the whole machinery of administration, central as well as provincial, has been seriously impaired. It is not easy yet to gauge the precise effect of the disturbances on the food situation, but officials of the food department of the Central Government are very worried. They do not see how the rationing system in many parts of India can fail to break down in the near future.

The East Punjab has now become a responsibility of the central food department, but no requests for assistance have yet been received from the provincial government, presumably because the latter are preoccupied with the refugee problem and have not yet had time to take stock. The East Punjab will almost certainly be a deficit province, for the main surplus areas of the Punjab are the rich canal colonies of Montgomery and Lyallpur, which are now included in the West Punjab (Pakistan). Such is the momentum of the transfer of populations now taking place that there should be no difficulty on either side of the boundary in reaping standing crops, especially the secondary autumn wheat crop. But there is bound to be a considerable drop in production when it comes to sowing new crops, for only a small proportion of the migrants have been able to bring their beasts and implements with them and it will take time to redistribute all the apparatus of agriculture.

After the Rice Crop

The main danger areas appear to be in south India, Madras presidency, and the states of Travancore and Cochin. Owing to the lateness and inadequacy of the monsoon this year, the main rice crop, due to be harvested in November, is 15 per cent below normal. Although the monthly requirements of Madras are 160,000 tons, the stocks on October 1st were only 85,000 tons. Travancore and Cochin, which produce only 40 per cent of their needs, require 35,000 tons monthly, and on October 1st had stocks of only 7,000 tons. Moreover there are difficulties over procurement. Last year was also a bad one in the south, and the peasant, who started this year with very small stocks, is certain to hold back more after the coming harvest. Last year the Madras government, against the advice of the central government, which has steadily refused to countenance any rise in prices, set an unfortunate precedent by offering bonuses to the peasant and this year he will undoubtedly demand bonuses again. Furthermore, owing to the general political uncertainty, hoarding has already begun on a fairly considerable scale. The next three months are the danger period. Once the rice crop is harvested, there will be no immediate danger of starvation in south India. But it will be a breathing-space, no more.

The rationing system in Bihar is stated to be already on the verge of collapse, the province having a monthly consumption of 30,000 tons and stocks on October 1st of only 5,000 tons. The daily cereal ration in the city of Patna has already been cut to 6 ounces. Considerable anxiety is also felt for Calcutta, with a monthly consumption of 60,000 tons and stocks on October 1st of only 28,000 tons. Recently Calcutta, with its densely congested population of 4,000,000 people, has been miraculously free from communal disturbance, but it might easily start again if there was trouble over food. The cereal ration at present is 10 ounces daily.

From other parts of India the position according to the latest reports is as follows. In Delhi the ration has been reduced from 12 to 10 ozs. The United Provinces are all right for the moment but floods over a wide area have affected the rice crops. Bombay is all right for September and will probably pull through. In Hyderabad collapse is said to be imminent with no stocks in

reserve at all. Mysore will want help from this month onwards. West Bengal has been all right for September but a breakdown soon is considered inevitable. Orissa, a rice exporting province, is causing no anxiety.

Two Million Tons of Imports

Imports during the month of October are expected to total 220,000 tons and will include wheat from Australia, wheat and millet from the United States, wheat and maize from Argentina, and millet from the Middle East. India is importing about 2,000,000 tons of food this year, compared with 2,200,000 tons last year, about 1,000,000 tons in 1945 and about 500,000 tons in 1944. In view of the drop in production inside India and the running-down of the machinery of procurement and distribution, the current rate of imports is regarded by officials of the food department as being insufficient to ward off severe local shortages in the near future. The only actual food riots that have taken place so far have occurred in Gujerat and Kathiawar, on the west coast of India.

Pakistan is self-sufficient in food, provided communications and administration are up to the task of distribution. The West Punjab and Sind have more than enough with which to meet the deficits of the Northwest Frontier Province and Baluchistan. East Bengal with the inclusion of the rich rice-producing region of Sylhet is thought to be just about self-sufficient.

Food is a subject about which the cry of "Woif!" has been too often raised. It is perhaps too early to say that famine is imminent or inevitable in any particular part of India, but the situation is certainly graver than at any time since the summer of 1942 and it can only become worse as the full effects of this disastrous communal war make themselves more widely felt.

Mexico Holds to Its Programme

[FROM OUR CORRESPONDENT IN LATIN AMERICA]

THE "reconversion" of Mexico is firmly tied to the country's programme of revolution—a genuine social and economic process begun in 1910 and not to be confused with overnight *coups d'état*. This is the basis from which Mexicans approach their post-war problems. Their eager sponsorship at the Petropolis Conference of economic discussions, which, as one of their delegates said to the writer, "Mexico cannot afford to postpone indefinitely," reflects their feeling that present plans must not be upset at Bogotá. It also underlines the fact that, whereas other Latin American countries may have hopes of financial aid, Mexico has a programme to which to pin its hopes. How far it can quickly become practical politics is the basic preoccupation of President Alemán.

Cardinal objectives that have thrust themselves into the foreground of "reconversion" are the redistribution of the land (the earliest and the fundamental promise of the revolution), the promotion of secondary industries, and the development of hydro-electric power. Ambitious schemes in these directions have achieved momentum since President Alemán took office in December, but progress depends on the success with which serious short-term financial problems are tackled.

Mexico, like other countries, is short of dollars. More than 75 per cent of its imports come from the United States, and a great increase in these imports since the war has been accompanied by a decline in the real value of its customs receipts (since prices have risen and Mexican duties are levied on volumes, not values). The tourist trade brings some \$90,000,000 a year, equivalent to almost a quarter of last year's visible exports but silver output fell by a third last year, and silver exports are unlikely, at least for some years, to regain their former importance. Oil production, though rising, is still lower than before the expropriation of foreign interests in 1938; an increasing proportion of the yield is being refined in Mexico, but domestic consumption has also risen because of the post-war influx of American cars. Indeed, Mexico is now said to be a net importer of petroleum.

These are salient features in a trade situation that is draining the substantial reserves of \$376,000,000 which Mexico had accumulated by September, 1945. By the end of last year they were reduced to some \$250,000,000, and in August the Bank of Mexico's gold and foreign exchange holdings represented only 31 per cent of the currency (the legal minimum is 25 per cent). The crucial index is the Mexican import surplus. This was \$54,000,000 in 1945 and \$145,000,000 in 1946; it is now running at about \$175,000,000 a year.

Will the Peso Hold Its Value?

Steps have been taken to meet the immediate problem. Severe import restrictions were introduced in July and are being enforced. Customs duties—an important source of revenue to all Latin American Governments—have been raised. They may be yet more effectively raised by a switch to the *ad valorem* basis for which Mexican industry is pressing. While the demand for dollars has shrunk drastically, the full effect of the import cuts will not be seen until October, when "transit" shipments, exempted from the ban, should cease.

Meanwhile, Mexico faces the consequences of currency inflation. The danger of runaway inflation was at one time very real, but the circulation has receded from its 1946 peak of over 4,000,000,000 pesos (against 900,000,000 pesos in 1939), and bank credit restrictions have produced a very mild deflationary trend. Acute deflation, however, which might strangle industrial growth, has no place in the Government's monetary programme. The real urban cost of living is perhaps three times as high as in 1939, and the credit director of the Ministry of Finance estimates that the peso, pegged at 4.85 to the dollar, might fall, if left to find its own level, to rather more than seven.

The prospects that this "internal depreciation" may eventually be reflected in exchange rates—in short, that the peso may fall—cannot be lightly dismissed. As a signatory to the Bretton Woods agreement, the Mexican Government has declared its intention of maintaining the actual rate. There are signs, however, that it regrets, having committed itself on this point, and that, while hoping to avoid devaluation, it regards it as a contingency that may arise in the near future. In five months' time, it is understood, Mexico proposes to seek from the United States a substantial development loan. If, in the words of an authoritative Mexican spokesman, "the Americans do not provide the means for our development, we shall have to make our own by printing more money and letting the peso go."

It is easier to gauge Mexican pretensions than to foresee the outcome of this approach. In 1944 a mixed United States-Mexican Commission found that, for an agreed development programme extending over several years, comprising mainly irrigation and power projects, Mexico would need \$383,000,000. Against this, Mexico has still some \$50,000,000 to its credit with the Export-Import Bank. By January and the Bogotá Conference



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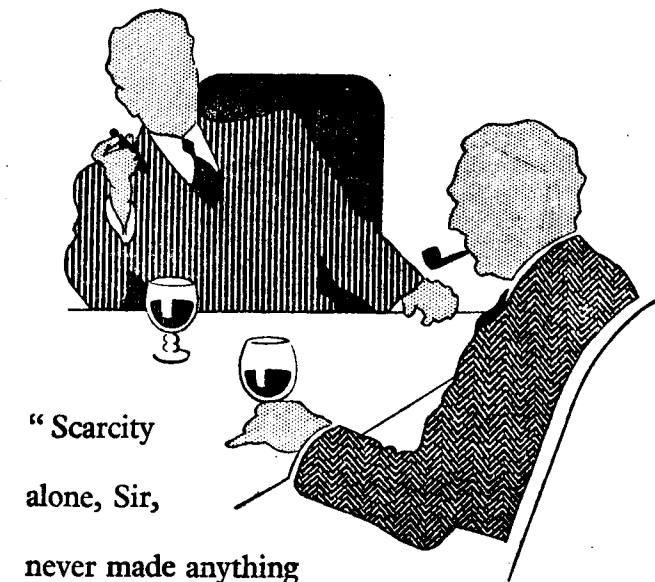
it will probably have little else, if anything, in the way of dollars for development.

Fair Terms for Foreign Capital

As a desperate remedy, an inflationary policy would certainly have critics: in the United States, which supplies the bulk of Mexican imports, and in Mexico itself, where a deliberate reversal of the deflationary process would necessarily raise many new problems. As recently as April, the Minister of Finance told American bankers that Mexico would welcome foreign capital on fair terms, "although, of course, no Government can guarantee investments." In the sense that an inflationary policy would discourage them (as the Minister recognised by pledging his Government to do all in their power to avoid exchange fluctuations) it would obviously shut out the private risk capital which Mr Truman at Petropolis plainly indicated as the major, if not the chosen, instrument for Latin American development.

Mexicans, however, continue their search for capital. Their argument that Latin America is a "secure region," and therefore offers safer and more lucrative possibilities for dollar investments than Europe, is already being applied in a direction which shows that the Mexican Government has the courage of its convictions. Talks with American interests have been started with a view to securing "substantial new investments" in the oil industry, in which no appreciable capital has been sunk since its expropriation. The terms offered are that the Government should retain sub-soil rights and pay operators a royalty on each barrel—a broad reversal of the old system. Domestic consumption, as already indicated, has increased heavily. It was recently announced that, of this year's estimated output of 55,000,000 barrels, only 12,000,000 would be exported. At this rate of production, Mexico's estimated reserves of 900,000,000 barrels would be exhausted in less than 18 years. A higher production rate would, of course, raise exports to the extent that it would exceed domestic needs; but these are increasing, and experts hold that, in fact, further exploration is urgently needed if present output is to be maintained. Their verdict is a significant reminder that efficient operating means constant drilling, which in turn means a constant capital outlay.

(To be concluded.)



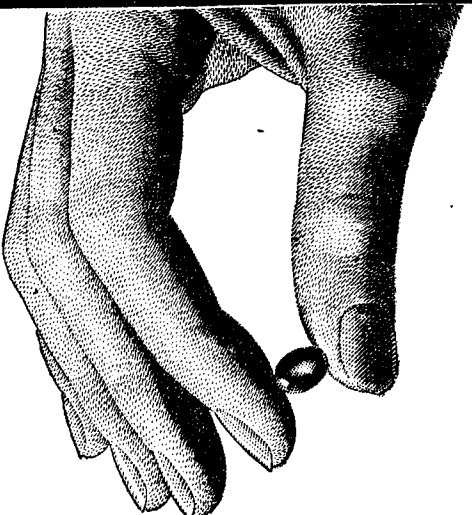
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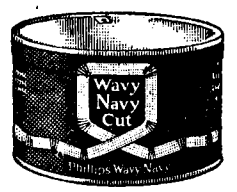
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THE BUSINESS WORLD

Industry's New Tasks

THREE weeks ago, British industry took its first measure of the 1948 export targets. Now it has to study the new target set for it and for Western European industry by the Paris report of the Committee of European Co-operation. Quite soon it may have to make its contribution towards the promised cut of £200 million in the capital investment programme. Industry has not yet fully seized the importance of filling more than half of the British trade gap by a 50 per cent increase in exports over the rate at the end of 1946, and of doing so by the end of next year; but it has not even begun to think about its major responsibilities in closing Western Europe's dollar deficit by 1951. The export drive is a desperate attempt to balance the British external account at the level of extreme austerity. But the proposals in the Paris report are designed to make Western Europe viable by 1951 by programmes of expanded food and basic industrial output, supported meanwhile by imports of food and feeding stuffs and some capital equipment from the rest of the world. The one is hopefully based on the willingness of the world at large to take a great increase in British exports, despite the prevailing tendency of most countries to cut their imports. The other seeks salvation through a great increase in the essential ingredients of economic recovery—more coal, steel, electric power and transport. The export targets deal in the formal arithmetic of razor blades and lawn mowers, but dare not look beyond 1948. The Paris report attempts to write "the history of the next few years which is still veiled from human eyes" in the more fundamental terms of basic industries and services.

The responsibilities which the Paris report (if it is accepted by the United States as a basis for further aid to Europe) will impose on Britain will be heavy. This country will have to do more than any other to restore the European coal economy; it is the biggest steel producer among the participating countries, and it will still be the biggest after the restoration of French, Belgian and (perhaps) Western German steel production in 1951; it is making a great effort to rebuild its merchant fleet, which will be available for the service of other countries; a high proportion of Europe's expanded oil refining capacity is to be laid down in Britain, under schemes already approved before the sixteen countries met in Paris; nearly one-third of the projected increase in electric generating plant is accounted for by extensions (including 24 new power stations) already put in hand by the Central Electricity Board for completion by 1951.

Until the reports of the technical committees are published in ten days' time, the exact part which British industry is expected to play in the programme of European self-help will not be known. But the summaries of these reports published with the Paris report (these are included in this week's *Records and Statistics* supplement) give a fair amount of detail, particularly for coal. With the aid of imports from Poland, Europe's coal requirements and supplies should be balanced by 1951. The sixteen countries and Western Germany are expected to increase their net pithead production from 439 million metric tons this year to 584 million metric tons in 1951. For Britain, this involves an increase in output, which the report confidently puts at 199 million metric tons for this year, to 249 million tons

in the space of four years. Can it be achieved? The Paris report has provided more hopeful evidence than anything which has lately come from the National Coal Board or Mr Shinwell—an expanded labour force, extensive capital development (including 20 new sinkings), intensified use of modern mechanised methods, new washing plants and improved underground haulage. It commits the British coal industry to resuming exports of coal to the participating countries, beginning with 6,000,000 tons next year (a good deal better than Mr Shinwell's "trickle") and rising to 29 million tons in 1951. Almost the whole of the capital cost of £250 million will be spent on mining machinery and supplies produced in Britain.

Comment on any of the targets, and particularly on the coal target, should be reserved. It is for the American authorities to satisfy themselves that the objectives have been realistically framed and can be attained. Yet it will not escape their notice that the projected British coal output appears to rest on an annual increase in productivity of the order of 5 per cent and also, it would seem, on an increase of mining manpower to about 750,000; after allowing for wastage during the four years and for the recent slackening in recruitment, this will be a formidable undertaking. Unless the promised output is forthcoming by 1951, the entire European recovery programme will be imperilled. But it is probably expecting too much of the coal industry, given its present labour supply and technical handicaps, to provide 15 million tons more coal next year. Exports to Europe must certainly be resumed, but it is all too probable that next year at least, they will absorb pretty well the whole of the possible expansion of output.

The increase in raw steel output set down in the Paris report amounts to 60 per cent of 1947 production and 25 per cent above the best pre-war year. These figures are complicated by the problem of Western Germany, but the British contribution is clear and definite. Output this year is put at 12.7 million ingot tons; next year's target is 14 million tons, which is certainly within the bounds of achievement, given sufficient coal; and output should rise to 15 million ingot tons by 1951. This is not a spectacular increase, compared with the targets which Continental steel producing countries have been set. But recovery in Continental output has been dogged by fuel shortage and has been painfully slow compared with the comparatively high and steady rate of output achieved in Britain. Modernisation rather than expansion is the keynote, with greater emphasis on pig iron and ingot steel capacity than on finishing plants. That is in line with the British Iron and Steel Federation's plan, submitted to the Government nearly two years ago, which contemplated an increase in ingot capacity from 14 to 16 million tons, of which nearly 6,000,000 tons was to be provided by newly built plants over 7½ years. The emphasis in the steel programme is not on the hasty creation of new capacity, but on improved efficiency and a better technical balance between the different sections of the European steel industry to avoid over-expansion.

In steel (apart from special items like continuous strip mills which can only be supplied by the United States) as in coal, the participating countries will provide an impressively high proportion of the new equipment which is needed. Indeed,

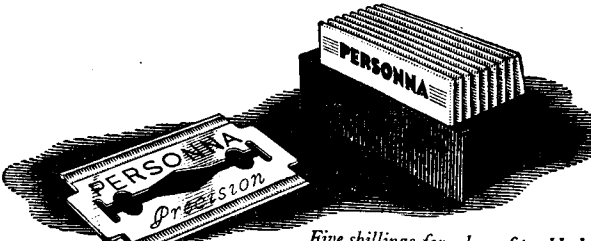


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that is true of most of the investment programme which is outlined in the Paris report. The following table compares the total requirements and import requirements for several items of new equipment:—

NEW EQUIPMENT 1948-51—PARTICIPATING COUNTRIES AND WESTERN GERMANY

	Total Requirements	Import Requirements		Home Production
		From U.S.A.	From Other Sources	
Coal mining machinery	3,563	In \$U.S. Millions		
Electric generators	5,000	220	387	3,078
Oil refining plant	1,848	300	...	4,700
Steel plant	a	555	33	1,260
		400	...	a
Tractors	838	In '000 units	b	1,219
Locomotives	9.4	...	...	12.0
Freight cars	724	c	...	621
Passenger cars	24	c	...	22

a No estimate given; most of the new equipment will be provided by the participating countries.

b Total exports 446,000; net import requirements, 51,000 heavy, 14,000 light tractors.

c Deficits may involve imports from U.S.A. totalling \$367 mn. for freight cars and \$112 mn. for passenger cars.

There is no special merit in the fact that Western Europe, as a whole, should be able to provide the bulk of its new basic equipment from its own resources during the next four years. It has always done so in the past, and the national plans of the participating countries are based on the simple necessity of doing so in the future. The Paris report is not, in this respect at least, a shopping list. But, by its concentration on the essential foundations of industrial recovery, it has perhaps given less than due weight to the technical importance of the residual imports of new plant which will be required from the United States—of which the steel strip mills and certain oil refinery plant are good examples.

It would be a useful exercise, if the material existed, to relate the Paris plan to the British planning for industry and agriculture, and to the export drive. Unfortunately, this is at present impossible, except in very general terms. Britain will clearly be expected to supply a high proportion of certain items in the table above to other European countries. That will not necessarily conflict either with the progress of re-equipping British industry or with the balancing of Britain's external account as a whole. But it does mean that after the acceptance of the Paris report, some machinery will have to be created so that exports of heavy industrial plant are allocated

in accordance with Europe's needs, even at the expense of Britain's need for dollars. Nor does the Paris report attempt to cover the full range of European self-help to which Britain will have to contribute. There is no mention of textiles, general industrial machinery or trucks, which British industry will have to supply in large quantities. Already, the potential drain of supplies from the home market which will be needed to meet the 1948 export targets is generally under-estimated. Here are some comparisons between the required increase in certain exports during the next fifteen months and current deliveries to the home market:—

	Increase in Exports over Jan.-June 1947 Average to meet End-1948 Targets (Monthly Rates)	Equivalent Proportion of Current Home Deliveries (per cent.)
Coal ('000 tons)	1,195	8
Steel ('000 tons)	83	4
Machinery* ('000's)	5,780	61
Motor cars ('000's)	3,800	135
Commercial trucks ('000's)	450	21
Cotton (mn. lbs. yarn equivalent) ..	9.6	22
Wool (mn. linear yds)	7	52
Cement ('000 tons)	51	12

* Includes agricultural machinery, boilers, internal combustion engines, pumps, machine tools, etc.

None of these targets will be easy to hit, least of all the machinery target. Yet this is inseparable from the success of the Paris proposals. It involves a serious diversion of output from home supplies of the very capital items that are urgently needed for British industrial re-equipment—even of items which are required for the fulfilment of British undertakings in the Paris report. Once more, old lessons have to be relearned: that swollen capital programmes must be pruned, though in the right way, so that the damage inflicted on British industrial recovery is kept to the minimum in order to raise the speed of European basic industrial recovery to the maximum. It is impossible to increase the rate of output of heavy industrial plant very rapidly—though a bout of disinflation would certainly work a few miracles in easing the congestion of work now optimistically labelled “in progress.” Nor is a great expansion in the capital producing industries required—new output would not emerge in time and it would have scarcely any temporary usefulness. It is industry of the second order of importance which may have to go short of new plant, so that those basic industries in Europe which cannot make do and mend can have a chance to recover in four years' time.

Patent Law Reform

THE Departmental Committee set up to consider the Patents and Designs Act and the practice of the Patent Office and of the Courts in matters arising from them has now published its final report. It was set up in April 1944, and issued two interim reports, the first in April 1945 and the second in April 1946. Some action has already been taken on the first interim report, which dealt urgently with the problem of providing additional machinery by which an extension of the period of a patent could conveniently be granted to compensate inventors for their inability to develop patents during the period of the war. The result was the passing of the Patent Act, 1946. No action has yet been taken on the second interim report.

The reports cover all aspects of a subject which abounds in technical difficulty. They are concerned with a branch of statute law of some antiquity and their recommendations are in the nature of modifications to the existing law rather than drastic changes in established principle. Many of these modifications are of technical interest to patent law practitioners

which it would be impracticable to deal with here—matters on which experience has shown that some alteration in present law or practice is desirable. None the less, the reports do raise a number of major points, and on some of the Committee's recommendations there may well be differences of opinion.

The first is the proposal made in the second interim report that the Comptroller-General of Patents should have the power to investigate the subject matter of a specification before granting a patent. At the moment the Patent Office is concerned to see that an invention for which a patent is requested constitutes “a manner of new manufacture.” It is not required to investigate whether in fact there is inventive merit at all. This is a matter for the High Court if, and only if, the patent is subsequently challenged. The final report, with two dissentients, recommends that the Comptroller should be given power to reject any application on the ground that it appears to him “to be wholly lacking in subject matter”, that is, that it lacks inventive merit. The implications of this recommend-

ation are obvious. It would cast on the machinery of the Patent Office a wholly new burden (and one which the Courts now discharge). It would involve every inventor in the obligation, with its attendant delay and expense, of establishing that his invention had substance. And it is doubtful if the subsequent gain in the repute of a patent when granted would compensate for this new obligation.

Another important suggestion made in the second interim report was that two special technical Judges should be appointed to hear patent actions. This was a unanimous recommendation and could have been carried into effect under powers contained in the Judicature Acts without the need for special legislation (just in the same way that many reforms in divorce procedure have already been made). It is to be regretted that the opportunity has not already been taken of making this experiment; it would certainly be unfortunate if it were deferred until any legislation required to deal with the Patent Acts themselves can be considered by Parliament. The final report makes suggestions for the alteration of some 50 sections in the Patent Acts and for a divorce between the law affecting Patents and that which concerns Designs.

On the whole the Committee have shown great skill in their suggestions for removing anomalies and anachronisms in the statutes as they exist at present, without creating any real break in the structure of patent law. There are ten major matters upon which they made recommendations, and of these, probably eight would command general acceptance. These eight include first, a provision conferring the right to apply for patent protection upon the assignee of an invention as well as on the original inventor; second, statutory provision to clarify the rights of joint owners of a patent; third, a restatement of the rights of third parties where a patent is prolonged or restored; fourth, the provision of statutory rules to meet the case of an invention made by an employee in the course of his employment, when there is any dispute regarding the ownership of the patent.

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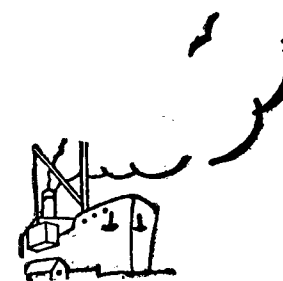
Another important recommendation proposes that the period of monopoly granted by a patent should start from the filing of the complete specification though priority in respect of the invention should accrue from the time when the original application is deposited. This would clear away many practical difficulties and should meet many of the points raised at the International Patent Conferences on behalf of countries whose patent law provides no counterpart to the British procedure for the grant of provisional protection. There is likely to be little disagreement on the further suggestions that statutory recognition should be given to the interest of an exclusive licensee in any litigation which concerns a patent in respect of which he holds a licence, and that some machinery should be provided by which any person who desires to manufacture

an article which might be alleged to constitute an infringement of an existing patent could ask the Court to declare whether or not the proposed manufacture would in fact constitute an infringement. At the moment such a person may be left in a state of complete uncertainty by the holder of a patent, to the detriment of enterprise in trade.

More controversy is likely to arise over the two remaining recommendations. The first relates to Section 38 of the Act. Under this section, new substances produced by chemical processes or intended for food or medicine cannot *per se* be subjects of a patent, though a patent may be granted in respect of a particular method of manufacture. The recommendation of the Committee is that this exception should be repealed. It is not possible to feel complete assurance that the view of the Committee is right. The original provision was introduced into patent law by the Act of 1919, mainly to debar numerous broad claims in respect of new dyestuffs made by German inventors in British patent specifications. The evidence laid before the Committee tended to show that progress in chemical research had made it very difficult to interpret the Act as it stands and that as a result there is a tendency for patent specifications to attempt to get round the Act by claiming protection for all possible methods of manufacture, in the hope that by these means they will protect what in fact is being manufactured. Can anyone now draw a satisfactory line between what is a chemical process and what is a mechanical process? Is a new alloy a new chemical substance or a mixture of metals? Would all chemists agree on an answer?

On the other hand the Committee did accept the fact that to amend the Act in this way would give the holder of a patent for a new chemical substance an exclusive right to manufacture that substance, and there are strong arguments that if the patent laws are to be amended, amendments should be directed towards freeing enterprise and not restricting it still further. The final answer is probably to be found in the provision of safeguards, such as compulsory licences, which will protect the financial rights of the patent holder while preventing him from building up a monopoly in a manufacturing process to the detriment of trade.

The final recommendation, on which there will be some discussion, deals with the use by the Crown of patented inventions. Under the existing Acts, the Crown, or its servants and agents, has the right to use an invention “for the services of the Crown.” This right exists in peacetime and is distinct from the additional rights given by wartime legislation and from the Crown's interest in what are known as “secret patents.” This part of the Committee's proposals deals with what rights should be possessed by the Crown under normal conditions. Its conclusion broadly is that if the Crown desires to make use of a patented invention in circumstances that correspond to an ordinary industrial use then it should apply for a compulsory licence in precisely the same way



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that an ordinary industrial user is entitled to do at the present time. The two points of view on this can easily be stated. Since the Crown has increasing interests in industrial activity, there is much to be said for limiting any unusual privilege over the patent to those cases where the invention is of value primarily for the Crown's services. Yet, many activities essential to the well-being of the State are not carried on directly by the Crown but by industrial concerns on its behalf. If these were compelled to disclose their purpose in the use of a patented invention to a patentee who may be a national of any country, obvious dangers would arise. Many will think that the Committee's recommendation requires further consideration.

As though changes in patent law were not enough, the Committee has also tackled the law relating to designs. Both subjects have usually been linked together, but their association

is largely historical and, despite their administration by the same Government department is now no more than a matter of administrative convenience. The report makes the tidy recommendation that designs might well form the subject of a separate act, but the detailed proposals which it offers are rather contentious. But whatever the President of the Board of Trade may feel about this part of the report on designs, the proposals on patents do call for prompt action, now that the patent law has been given an expert overhaul which has produced such a large measure of agreement. Industry is inevitably handicapped by defects in the patent laws whether they be large or small. It is to be hoped that the Board of Trade will seize the opportunity presented by the completion of this survey to press its claim for Parliamentary time for new legislation, with the confidence that industry and commerce are on its side.

Business Notes

No Exports, No Steel

Hard on the announcement of the export targets with their emphasis on vehicles, machinery and other engineering products and on Sir Stafford Cripps' admission that the system of steel allocation needed improvement, Mr Wilmot has this week given the engineering industry notice that allocations of steel and some other raw materials are in future to be related to the export achievements of individual firms. Mr Wilmot describes this step as both a sanction and an incentive. There is no possibility of any substantial increase in total deliveries of steel to the engineering industry and therefore the increased needs of steel for export production will have to come from production for the home market, "including particularly capital goods of all kinds, building, civil engineering works and machinery." The intention is to squeeze the home market very hard; industries will be given a low home quota, to be divided among manufacturers in proportion to their export performance. And this whole process of the big stick and little carrot is to be controlled, Mr Wilmot hopes, by an adjustment of steel allocations to individual firms.

The Minister of Supply was prudent enough to recognise that special complexities will arise. In the machinery industry, for example, the diversion of output from home to export will do more harm than good if it jeopardises the export ability of the home industries for which it had been designed. Coal mining machinery is a case in point. But for industry generally, cuts in machinery and supplies for the re-equipment of home production will be inevitable. As for the important common service item—components like ball bearings, electric motors and precision chain—the Government will "do what it can" to provide raw materials.

The intention of the Ministry of Supply to modify the previous practice which allocated steel according to the using industries, and not according to the markets in which their end-products were to be sold, has a certain realism about it. It is an admission that export targets require something more than propaganda for success. But Mr Wilmot's sanctions and incentives are not convincing. They will clearly involve new delays, new arguments between individuals, firms and departments, difficulties of relating supplies of raw materials to promises of export performance (particularly in an industry like engineering where individual items may take many months to complete) and greater difficulties of proving that the maximum effort has been put into increasing export business. Is the administrative machine competent to cope with these new planning responsibilities? There is little in the previous record of the Iron and Steel Control which suggests that it is. The engineering industry has meanwhile been put under notice that the Minister of Supply may in future require statutory returns (perhaps each quarter) of production and exports; he is also contemplating that the manufacture of engineering consumer goods should in future be permitted only under licence. The Minister is asking more than a little of industry in his latest proposals. They recall some of the reservations expressed in *The Economist* of September 6th on the policy of doling out raw materials for export only. The new system will not work without much friction, even assuming that radical improvements can be made in the efficiency of allocation of steel supplies.

The Motor Industry's Reply

Mr Wilmot's announcement of the new steel allocation plan for the engineering industry was followed on Thursday by a report to the Minister from the Society of Motor Manufacturers and Traders on his suggestion (which was also discussed in the article of September 6th) that the industry's aim should be one model per firm or factory. This proposal was made on August 28th and the industry has in consequence been able to take account in its reply of the official export target for motor cars announced in the intervening period. The Society's reply was presented to the Minister on September 30th, only 24 hours before the announcement of the new allocation scheme for steel, but the Minister may well have been already aware of the industry's views on steel allocation through the Engineering Advisory Council.

It was not expected that the Ministers' suggestion for a quicker cut in the number of models produced would get a hearty reception from the industry. The manufacturers are satisfied that an annual rate of production of 475,000 cars can be achieved by December, 1948, "without further abnormal capital expenditure" (which more rapid standardisation might entail) provided that adequate steel supplies are forthcoming. This figure of 475,000 compares with a present rate of under 300,000 and allows for meeting the end-1948 export target plus home requirements of 160,000 cars a year for three years. Essential home requirements are defined as the minimum desirable replacement rate of old cars. The Society points out that the imposition of a greater rate of standardisation than is at present being worked out in the production of models and components would jeopardise the export orders and the rearrangement of the labour force would be necessary. The import potential and research functions of the specialist producers are also considered at length.

There is a wide gap between the industry's preference for increased standardisation by raising production and the Government's decision to allocate steel supplies on the basis of export target requirements tying each firm's steel quota for home requirements to its export performance. The industry's emphasis on the need to maintain production of those models which have a proved export market—even at the price of a little less standardisation of models—is a point of substance. The industry has not given the impression that it is trying to evade the issue of a greater degree of standardisation, which is a question somewhat apart from exports. But it is not disposed to hurry, because it thinks haste at this juncture might be dangerous. So it might. But the obvious need is to bring discussion about standardisation within the discipline of a timetable.

Steel Prices and Costs

A year ago, basic steel prices were raised by 5s a ton—a modest increase which passed on only half of the increase in production costs for wages, transport, ore and stores. The balance was to be met from reduction of costs arising from increased efficiency of new plant and economies in fuel by the use of richer, imported ores. With the industry running close to effective capacity, the scope for further savings was bound to be small, and recent increases in fuel and freight charges have

suggested that a consequential increase in steel prices of 7½—10 per cent might be justified.

In the event, the increases have again been more modest than the rise in costs. Steel prices generally have been raised by 5 or 6 per cent from October 1st. Steel billets are increased by 15s a ton, heavy steel products by 18s 6d a ton and sheets by 23s 6d a ton. Greater use of foreign ores has reduced the coke consumption in pig iron production from 1.06 tons per ton of basic pig to a little over 1.05 tons during the twelve months to last July, but ore imports from Empire sources have declined this year and steel scrap has been increasingly difficult to obtain at home and abroad. Imports of richer ore from abroad can be maintained for the next few years—though there is a significant passage in the Paris report which points out that supplies will be adequate up to 1950 but will fall short of demand in 1951. Scrap supplies are more problematical; the postponement of less important capital extensions in many European countries is likely to reduce them for the next year or two. Some further economies may be expected from full-scale operation of iron and steel plants, from the starting of new furnaces and the gathering impetus of the Federation's development programme. But they they are not likely to be large, and they would be imperilled by any failure of coal supplies or transport.

Price Fixing and the Consumer

The President of the Board of Trade has appointed a Committee to inquire generally into the practice of resale price maintenance. The Committee have been given wide terms of reference to consider such practices as the fixing of minimum wholesale and retail prices or margins by producers, and the consequent effects upon the supply, distribution and consumption of goods. They are asked to report whether any steps are desirable to "prevent or regulate" the continuance of these practices in the interests of efficient production and distribution.

Such an inquiry is certainly long overdue. Too little is known about the composite costs which together make up retail selling prices, and this lack of knowledge will not be remedied until the new censuses of distribution have been operating for a few years. The Committee's report will be regarded as an essential supplement to this information. Their inquiries must inevitably cover the policies of manufacturers with regard to prices, discounts and "stop lists"; the methods employed by wholesale and retail trade associations to ensure that resale price maintenance is observed, and the repercussions of these policies on costs of manufacture and distribution. The only trade specifically excluded from the Committee's work is building materials, for which a Committee has already been appointed by the Minister of Works to report on distribution problems.

Wartime economies greatly compressed the distributive system and weakened its competitive elements. Before the war agreements for rigid profit margins, minimum prices and "tied discounts" were being increasingly required from retailers by producers of branded goods. Resale price maintenance received further impetus during the war, often as a result of official policy to keep prices down. Owing to wartime inflation and the depreciation of quality of many consumer goods, the cushion of manufacturers' profits which in many cases looked reasonable enough to gain official consent when retail prices were originally fixed appears, in the light of later events, to have been too generous in some cases. Since many of the restrictions of war will remain for a long time in peace, it is not too early to look at this particular aspect of "feather-bedding."

Thus the Committee will not suffer from lack of subject matter. It will be certainly important if they conclude that effective measures of regulation of resale price maintenance can be devised. Despite the rapid progress which has been made in the art of costing, the revision of fixed prices tends to be too late and too limited. But if the Committee were to propose the prevention of resale price maintenance, fundamental changes in the law would be involved which could hardly be confined to the retail trade.

Higher Prices for Canadian Wheat

With American wheat prices still advancing towards the \$3 per bushel mark, the recent negotiations under the Anglo-Canadian wheat contract were bound to concede an increase in the price to be paid by Britain for next year's supplies. Under the contract, the price for 1946-47 and 1947-48 was fixed at \$1.55

per bushel and the guaranteed minimum price for 1948-49, \$1.25—leaving the actual price to be negotiated. The new price for the 1948-49 crop is \$2 per bushel, and the quantity remains at 140 million bushels, including a minimum of 300,000 tons of flour. Considerable opposition to the contract was first voiced in Canada, though it came more from merchants than from the farmers, but it is now generally recognised as an important instrument in the stabilisation of Canadian wheat production. In present circumstances, the increase in the price for next year's supplies is unavoidable, and it is not immoderate, given the prospect of a continuing world shortage of bread grains.

From the British viewpoint, indeed, the contract has great advantages, for prices in the world market would undoubtedly be well above \$2 per bushel, and the supply of 140 million bushels is, within the limits of prediction, more or less guaranteed for next season. The International Wheat Agreement proposed by the United States last spring (which the United Kingdom did not support) set a maximum price for 1948-49 of \$1.70 per bushel, but under conditions of acute shortage of supplies it could certainly not have been kept at this level and supplies for Britain would not have been assured. Once again, expectations that the world grain position would regain normality in a couple of years have been belied; at the risk—and in the hope—of undue caution, it would be better to defer the prospect of equilibrium between grain supplies and requirements until the early 'fifties.

The Wages Spiral

It is a pity that the Ministry of Labour's innocent proposal to set up a special department to watch wage movements has incurred the suspicion of the TUC, which in the last week or two has shown a psychopathic fear that the Government might seek to exercise some influence over the course of wages. Mr Isaacs' famous letter may have been tactless in giving publicity to a proposition put by the Prime Minister two months ago, when he urged that workers should not press for increased wages at this time. But measurement of wages seems a fairly innocuous function of administration, which even the TUC might have been expected to admit. Given the current pressure for wage increases and the pattern of recent wage agreements, the collation of information on wages can hardly serve a harmful purpose.

There have been no major increases in wages since railway workers were awarded a rise of 7s. 6d. in July by the special Tribunal, but a number of workers in the distributive trades have secured advances in the past few weeks. There are, however, several outstanding claims—the most important, though it has yet to be precisely formulated, being from the miners, who appear to be seeking an increase which would raise the minimum wage of low-paid day wage workers by as much as £2 a week.

A decision on the building workers' claim for an increase of 3d. an hour awaits the result of the ballot on their attitude to payment by results. Their acceptance, however, can be taken as certain and already negotiations between the two sides have been opened on a national agreement; this will be a framework within which each firm can apply its own arrangements to suit the wide variations in local conditions. Building employers only agreed on the increase of 3d. an hour by a narrow margin, and before doing so they sought—but did not get—a lead from Mr Isaacs. But they regard payment by results as an essential step towards greater output and hope that the immediate price of an increased time wage will be justified by improved output later.

Meanwhile, boot and shoe operatives have tabled a claim for a £5 a week minimum, which is now under negotiation. Furniture workers are working out their claim for a "substantial increase" and for narrowing the gap between men's and women's rates. The Post Office workers' demand for a £5 minimum and higher maximum pay will be discussed with the Postmaster-General on October 15th. In all, it is estimated that the wage claims now under consideration or about to be presented affect well over 2,000,000 workers.

The Financial Half-Year

The Exchequer Returns covering the first half of the financial year show a surplus of ordinary revenue over expenditure of £219.5 million. This compares with the estimated surplus of £269.6 million for the full year—an estimate which, on the basis of the result achieved in the less favourable revenue half of the year, promises to be more than realised. This, however, is a year when estimates based on the normal seasonal rhythm of revenue.

and expenditure may easily prove to be falsified. One of the items on which doubt must be focused is the effect of the import cuts, and of the diversion of goods from the domestic to the export market, on customs and excise receipts. Among the items of revenue which have done particularly well are estate duties, which to date have yielded £12.7 million more than in the corresponding period of last year, whereas for the full year the increased yield was only estimated at £7,000,000. Customs duties are also running well ahead of estimates, owing to the high level of imports, but by contrast excise duties are lagging well behind schedule. The general revenue and expenditure position, including the "below-the-line" items, may be summarised in the following table:

EXCHEQUER RECEIPTS AND PAYMENTS

April 1st to September 30th, 1947

	In Million £		
Ordinary revenue	1,647	Ordinary expenditure	1,428
Net domestic borrowing (other than floating debt)	15	Sinking funds	8
Net external borrowing and gifts	614	E.P.T., Post-war Credits & War Damage payments (net)	106
		Capital expenditure	139
		Repayment of floating debt	593
	2,276		2,274

The second half of the financial year will show considerable and significant contrasts with this state of affairs. The net overseas borrowing, which has made possible the repayment of nearly £600 million of floating debt will dwindle to a small fraction of what it has been in the past six months. The capital expenditure items will, it is to be hoped, reflect the cuts in the capital programme which have yet to be specified and announced. Finally, there is the effect of the supplementary budget, the preparation of which is now confidently reported to be under way.

* * *

Lag in Small Savings

The savings movement has had an unhappy summer. At the opening of the autumn Silver Lining Campaign it finds itself £100 million behind its self-set target—a net total for 1947-48 of £366 million—for the yield of the first 25 weeks of the savings year has produced only £65 million net. Sir Harold Mackintosh's recent admission that the Savings Movement is badly behind its target and is "really up against it" is certainly justified. To the familiar explanations that the holiday season always produces a lull in savings and that the cost of living is now affecting the ability of many regular savers to maintain their contributions, Sir Harold added a third factor—the intrusion of political considerations into the movement. He did not express any opinion about the quantitative importance of this new factor, but it is sincerely to be hoped that it does not account for more than a small part of the savings lag. The stability of the movement as a whole is based on the avoidance of short-dated withdrawals of savings and in no earlier economic crisis have these been severe. But if the

aims of the movement were to become entangled in political quarrels, the results might well be disastrous.

These are timely warnings, but better progress in small savings should be made during the remainder of the year, given the assistance of savings weeks and of a new savings service which the movement is understood to have in mind. Of the small savings media, National Savings Certificates show, on paper, the best progress with an advance of nearly £47 million net. But this increase is, of course, largely due to the introduction of the new series of Savings Certificates with its extended limit for individual holdings. It seems probable that, in framing this year's net target, the National Savings Committee expected appreciably greater support from those two million savers who had already bought Savings Certificates up to the earlier limit, and might therefore be prepared to invest up to the new limit in the new issue. It is calculated, for instance, that if one in ten of these savers had bought the full amount of the new series, they would have provided £100 million of new money.

The failure of the larger type of investor to play his expected part is also reflected in the poor performance of 2½ per cent Defence bonds, the net proceeds of which have shown a fall of £87 million, compared with the first 24 weeks of the 1946-47 year. This issue has, of course, been left high and dry by the rise in gilt-edged yields to a 3 per cent basis and the movement is inhibited from taking a realistic course about it owing to the Chancellor's devotion to 2½ per cent. The fact is that the success of the savings movement in reaching its targets in earlier years has been a direct part of deficit financing, in which it has played the useful if economically menial role of mopping up some of the dormant cash and bank deposits. To expect in to-day's circumstances to produce net savings of £1,000,000 a day may turn out to be an error of heroic faith in the willingness of the population to face, for the first time, the necessities of genuine voluntary saving.

* * *

Switching Begins

The start of "switching" in foreign (mainly dollar) securities on Wednesday was marked by mild enthusiasm and some curiosity on the Stock Exchange. Prices of old favourites such as US Steel, Chrysler, and General Motors were shouted by dealers who had been silent for some years, but the first animation of the scene soon died away. This was hardly surprising to the large gathering of members who had come to celebrate the opening dealings, for the supply of foreign securities is small, especially of the more popular counters of prewar days which have been largely requisitioned, and most holders are either unaware of their new power to switch, or are quite prepared to hold what they have. In fact, the few transactions which were carried through were the subject of negotiation.

The accompanying table shows that London prices opened and settled down at a substantial premium over the sterling equivalent of prices quoted in the United States. The premiums are mainly attributable to the present over-valuation of sterling at the official rate against the dollar and to the hedge element in dollar stocks

STOCKS OCTOBER 1st PRICES

Stock	Closing London Price	Sterling Equivalent of New York or Montreal Prices	Stock	Closing London Price	Sterling Equivalent of New York or Montreal Prices
United States Steel	97-98½	88½	Electrolux	21½-22½	20½
General Motors	79-82	73½	Shell Union	39½-40½	36½
Chrysler New	79-82	74½	Woolworth	62-64	56½
New York Central	20½-21½	18½	Massey Harris	20½-22½	19½

against a further fall in the official or unofficial sterling rate.

There seems to have been no pent up desire of holders to sell their securities and buying inquiries received by brokers who formerly did a good business in United States and Canadian stocks were few. Of course the public appetite for "switching" securities may be greater than has so far been shown, for it has yet to be generally appreciated that purchases can be made by investors even where they cannot offer securities in exchange, while the higher yield available on US common stocks and their immunity from political risks in this country may eventually carry greater attraction for investors on this side of the Atlantic. But despite the importance which has been attached to switching, particularly by the few overseas brokers who still have connections in London, the freeing, upgrading, and development of the market

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in foreign securities will evidently be a slow job. And overhanging it is a precarious dollar situation which may call, once again, for further requisitioning of dollar securities, even though that course has been formally renounced.

* * *

2½ per cent for Transport Stock?

Last week-end produced an authoritative denial that the taking over of railway stocks on January 1st next year might be deferred. The denial itself was not surprising, for rumour had been very busy. That it spread in snowball fashion is a fact which the Chancellor might well ponder; notwithstanding the statutory authority of the vesting date and of the schedule of take-over prices in the Transport Act, a wide circle of by no means sensationally minded people were a week ago prepared to admit the possibility that the Government might seek to alter their undertakings in the Act.

Unfortunately, Mr Dalton, having laid down the general proposition that the proper long-term rate for gilt-edged borrowing should be 2½ per cent, proceeded to apply it in detail by taking 2½ per cent as the basis for his arithmetical demonstration of the profits which would result from the taking over of railway stocks. If there is any truth in the report that negotiators on the railway side would have been prepared to settle for 2½ per cent, the Government must now be regretting its rejection, for the Chancellor is now confronted with the cold market fact that 3 per cent, and even a little more, prevails on long-dated gilt-edged securities.

The Chancellor has undertaken that the new Transport stock will be redeemable "within this century." But a 2½ per cent compensation stock, issued at par, would have to be redeemable within this decade, and no one would suggest that the Transport Commission should be started off with the tremendous financial hazard of £1,100 million of short-dated capital. Some ingenious people have accordingly been working out various devices which might save the Chancellor's face but would fit the present market facts. Some have suggested a stock carrying 3 per cent for, say, 10 years and 2½ per cent thereafter. While this might have some attractions for the small rentier holder of railway stocks, because it would cushion his prospective fall in income, it would hardly appeal to large institutional holders. Others are toying with the possibility that the Chancellor might offer railway stockholders a number of options—a short-dated security of the Exchequer Bond type, a 2½ per cent issue which would be accepted at par in payment of death duties and a 3 per cent stock for the general run of stockholders. The Chancellor has the assistance of a free forum of advisers in his railway problem. Their discussions have somewhat narrowed the discounts at which railway stocks stand in relation to the take-over prices.

* * *

Coal Compensation Delays

The inadequacy of the "interim income period" of two years, provided in the Coal Industry Act 1946, has been the subject of general complaint at recent coal company meetings. Nine of the twenty-four months of the "interim period" have passed and at the end of next year the companies will receive no more "interim income"—under the Act this amounts to half the profits for income tax purposes for the year to June, 1946, or the average of the two years to June, 1945. The assumption was, of course, that by the end of 1948 the process of distributing compensation to the companies through the district valuation boards would have been completed. But the district valuation boards have just been appointed, and few colliery companies' spokesmen confidently expect that the compensation stock will be issued before the end of 1949 and some are even putting off the date to the 1950s.

This prospect of delay has raised the spectre of a gap in colliery company incomes from the end of 1948 until compensation is received. It has prompted the chairman of Manvers Main Collieries to demand a suitable extension of the interim income period since the industry is in no way to be blamed for the delays which have occurred. Once the district valuation boards start functioning, however, the process should be speeded up, if only because the companies will be eager to co-operate in a quick settlement. In any case, the fears of the companies lose some of their point since interest payments on the compensation stock will be dated back to the end of the interim period, though extended interim income payments for a further period, at the rate of half of profits computed for income tax in the datum year,

would be agreeable enough to the many companies whose compensation stock will yield a much smaller sum in interest.

It is unlikely therefore that pleas for an extension of the period will move the Government, even though the distribution of the global compensation sum of £164 million through the districts and thence to the companies is proving more cumbersome and lengthy than was originally assumed. Provided the delay is reasonably short, colliery companies will not suffer greatly, for most of them have adequate liquid assets from which dividends can be paid. At any rate, holders of good coal shares seem content to keep them in expectation of assets distributions well above current share prices. But is there any justification for the postponement of payment for consumable stores until December 31, 1948, which appears to have been decided by a Treasury ruling?

* * *

Eastern Telegraph Distribution

The announcement of a special 100 per cent tax free dividend on the £5 million ordinary capital of the Eastern Telegraph Company, which is very largely held by Cable and Wireless (Holding), took the market by surprise on Tuesday afternoon. It reopens the controversy between the preference stockholders, led by Mr Kavanagh, and the controlling ordinary shareholder, by which the former petitioned the Court last June to secure the company's liquidation and so to obtain their *pari passu* share in the division of the company's net assets. Preference shareholders have maintained that the alterations in the company's articles of association, under which the board has power to make this week's distribution, amount to a variation of the rights of the preference shareholders, and they may conceivably challenge the special distribution. The Court rejected their application for a compulsory order for liquidation on the ground that it was premature because the compensation to be paid for Cable and Wireless Limited, had yet to be fixed and because foreign concessions were held by Eastern Telegraph in trust for that company. The Court therefore held that the "Substratum" of the Eastern Telegraph Company still existed.

Preference shareholders were evidently anticipating the time when the winding up could be undertaken; now they are confronted with a special distribution which has the attributes of a capital transfer rather than a normal dividend and leaves, according to the latest balance sheet, only £763,000 of the general reserve fund to be distributed. Eastern Telegraph 3½ per cent preference stock fell 7½ points to 110 on the announcement; unless a successful application can be made to the Court for the recession of the payments, preference stockholders will have to be content with repayment at par, plus their share in the balance of the assets. By contrast, the ordinary stock of Cable and Wireless (Holding) responded with a rise of 21 points to 176, presumably on hopes that what the Eastern Telegraph preference stockholders may lose Cable and Wireless (Holding) ordinary stockholders may gain. But the latter have since become a little less confident and the price had fallen to 166 on Thursday.

* * *

Control of Engagement Order

The pattern of the Government's plans for the better distribution of manpower is beginning to take shape. Full details of the Control of Engagement Order, which comes into force next Monday, have been issued, together with a list of exempted categories. These will be followed by a statement on the essential industries and occupations which are to be given first call on the labour which offers itself for employment at the Employment Exchanges. Finally, when the Ministry of Labour's Joint Consultative Committee has met the proposals for dealing with "spivs and drones," which are important as psychological public enemies and not as a useful source of new manpower, will be announced.

From the information so far available, the measures are not very convincing. They may have a partial success, but they cannot produce the radical redistribution of manpower which is needed. The scope of the Control of Engagement Order is limited to men and women, within the prescribed age limits, who are unemployed or want to change their jobs, while the employers' freedom is restricted by the prohibition on advertisements for workers covered by the Order. At present about 200,000 workers are placed by the Employment Exchanges each month, but when labour is being transferred from less to more essential work the rate will be about doubled.

The Secretary of the Ministry of Labour, Sir Godfrey Ince, has himself given a warning against "expecting too much from the Order." Only in conjunction with powers of direction

could it become effective, but political and practical considerations alike suggest that these powers will not be widely applied in its opening stages. Although the Exchanges have power to direct single men and women (except women under 20) to work away from home, this will only be done as a "last resort," and lack of housing will in any event be a practical obstacle to any great improvement in the mobility of labour. Directed workers will be protected by the right of appeal; they cannot be dismissed except for serious misconduct, and they will get the rate for the job in whatever employment they are placed. Even so, direction in peacetime has been a bitter pill for the trade unions to swallow.

The exemptions from the Order cover those employed "in a managerial capacity" or "professional, administrative or executive" work. The accent is on capacity—for there are many who might regard themselves as "managers." Heads of departments, superintendents and head foremen are exempted; foremen or charge hands paid by the hour are not. The professional category is very wide; it includes actors, architects, "technical advisers," doctors, nurses, social workers, political workers, but excludes clerks, typists, salesmen and draughtsmen without executive responsibilities.

Many who feared that they would be included in the Order have recently hastened to better themselves, and some increase in part-time work (which, if less than 30 hours a week, is exempted) seems likely. The interpretation and administration of the Order will depend on the capacity and tact of local Exchange officials. Control of labour worked fairly smoothly in wartime, but opinion then gave full recognition to the need for industrial conscription. Under today's conditions it may be far more difficult to administer a diluted form of control, and its product of new manpower for industries which are understaffed will be problematical.

* * *

Fall in Bank Deposits

The September clearing banks statements show a modest drop of about £13 million in bank deposits which, at £5,615.1 million, are now about £43 million below the June 30th peak and £70 million below the all-time high record set up at the end of last year. There was no appreciable change in the total of cheques in course of collection and transit items last month, so that the actual fall in deposits is also a measure of the reduction in "true" deposits. On the assets side the fall in cash from £479 million to £464.8 million almost exactly balances the movement in deposits, with the result that the cash ratio has fallen from 8.51 to 8.28 per cent. The other movements among assets, which are therefore substantially self-balancing, are of no particular magnitude except for the continued transfer of resources from Treasury deposit receipts into bills, reference to which is made in a separate note. TDR's are down by £54.5 million over the month, whereas bills discounted have risen by £33.9 million. There has also been a rise of £17.6 million in money at call or short notice, reflecting the larger volume of bills held in the discount market. Investments are almost unchanged over the month, the latest total of £1,493.2 million being a mere £800,000 up on the figure for August. Although the total of investments is now levelling off, the slight increases are still carrying it to heights never before reached, and the latest total is about £100 million higher than it was a year ago. The rise in advances was also slowed down last month, their total at £1,148.5 million showing an increase of £2,500,000 on that for

August. It is interesting to note that despite the suspension of convertibility of sterling, the clearing banks' acceptances continued to increase, though very slightly, last month. This figure now stands at just over £248 million, which is nearly £88 million more than a year ago. Future movements in this item will be watched with interest as an indication of the extent to which London's international banking business, which is reflected in this total, will be affected by the new status of sterling.

* * *

Exchange for Foreign Travel

The first retreat the British Government have had to make from the defensive exchange measures taken after the suspension of convertibility of sterling was the reversal of the ban on residents of the United Kingdom who travel to and from this country using foreign planes or ships. This ban, announced on August 28th, was to take effect on October 1st. Tourists were, of course, involved by the abolition of their exchange allocations, but in addition were specifically banned from travelling on foreign lines in respect of journeys undertaken at the invitation of friends abroad and therefore involving no expenditure of foreign exchange. In the case of travel for business purposes no outright ban was announced, but it was stipulated that in order to obtain permission to travel on a foreign line, Form V would again have to be filled in and surrendered, a procedure which had been abandoned since March, 1946. It appears that some applications backed by this Form had actually been refused by the Bank of England, leaving would-be travellers with no alternative other than that of travelling on a British line. Foreign air-lines, who were mainly involved by this decision, lost no time in making violent protests against what they regarded as discrimination against them and these protests have proved successful. The authority for the issue of travel tickets without the surrender of Form V will now remain in force, whatever the purpose of the journey. Tourists will be allowed to travel by foreign lines that provide direct routes. This change of mind provides a small but significant example of the unconsidered haste with which some details of the retreat from convertibility were originally decided.

* * *

More Treasury Bills

The well-known preference of the banks for Treasury bills rather than Treasury deposit receipts—because six months TDRs are much less flexible instruments than the bills which the banks acquire at will through the bill market only after part of their three-month life has already run—makes them ever watchful for any change in official policy towards these two sources of floating finance. During the war the authorities kept the banking system on a minimum ration of bills, which bred in money market circles a chronic tendency to construe even temporary reductions in the bill issue as a portent of a more stringent policy involving still greater official reliance on TDRs. Now, it seems, opinion is in danger of swinging to the opposite extreme. At yesterday's Treasury bill tender the amount offered was again raised from £180 million to the new high level of £190 million—after some weeks of successive net repayments of TDRs. Although this is the sixth year in which the bill issue has been expanded in the autumn (so as to ensure that a larger proportion of the Government's float-



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ing borrowings mature in the "revenue" season when it has large sums available for temporary debt redemption), some observers have interpreted the Treasury's action as foreshadowing a further large switch from TDRs to bills, and have even begun to look towards the day when the TDR issue is extinguished.

This is altogether too fanciful a speculation. Certainly the authorities since 1945 have plainly recognised that the banking system in peacetime, as the emphasis in demand for credit shifts from Government to private borrowers, needs greater flexibility and therefore more bills. As Government deficit-financing diminishes (and, *a fortiori*, if the Chancellor should decide to budget for a genuine surplus) there will be a further trend away from TDRs. But it would be wrong to suppose that there has been any policy decision to accelerate the process in any dramatic fashion. The market's assumption may conceivably derive from the fact that in the three months from end-September, 1946, the total issue of tender bills was expanded by no less than £200 million—a much larger seasonal expansion than in previous years—and from the further fact that the weekly offering did not, as previously, relapse to its pre-autumn level. It would be unwise, however, to assume that the expansion will necessarily be as large this time.

There are reasons for believing that only moderate movements are in prospect; and the cessation of drafts on the US credit, unless these are replaced by comparable drafts upon the gold reserve, reinforces the argument—because the authorities will have smaller resources available for redemption of TDRs. Yet a more vigorous switch from TDRs to bills is probably desirable. Though the banks' money market ratio looks healthy, it must not be forgotten that, to achieve a stable day-to-day cash ratio a substantially larger supply of the most liquid assets is needed than was reasonable when cash balances could fluctuate violently. And, for the same reason, the case for instituting a 91-day Treasury bill to promote a smooth flow of maturities still seems unanswerable.

Smaller Firms and Exports

It has been estimated that one-third of the net value of industrial production in this country comes from firms employing fewer than three hundred workpeople. The share of total export trade which is provided by firms of this size is, however, far more modest and the decision of the National Union of Manufacturers to undertake an inquiry among the small and medium-sized firms which it represents to see how far they can increase their contribution to the export drive is timely.

Convenience of administration often leads Government departments to discuss their economic policy with large industrial units and trade associations and there is a consequent danger of a lack of "follow through" from the laying down of broad policy to its detailed application in the small factory. That danger is particularly real in the export drive. The small concern often gets

less attention from the departments than its bigger rivals in the supply of raw materials, manpower and new equipment. It is usually predisposed to sell as much of its output as possible in the home market and is frequently unused or unwilling to deal directly with export inquiries. Given the present ease of selling in the home market and the risks and expenses of selling abroad, this preference is natural enough. Unfortunately, the merchant concerns which played such a large part in establishing export connections for the smaller manufacturer before the war have lost much of their expert manpower and connections. To find a well-run export agency which has the knowledge and energy to find overseas markets for the specialised products of the small manufacturer is difficult—so difficult indeed that some of the smaller manufacturers who oppose nationalisation of industry at home are rather ruefully supporting the idea of "nationalisation of exports," by which they presumably mean the setting up of a Government department to get export orders for their products and to undertake their shipment abroad. But this emphasis on machinery is not the crux of the matter. Until the comparative ease and high profitability of production for the home market has been reduced, exports from small manufacturers as a whole are not likely to show the increase which is urgently required.

Sterling Copper Supplies

The price of copper in the New York market has remained surprisingly steady at 21.25-21.50 cents per lb. during the past two months, and future quotations have shown little change. This firmness appears to be justified by the statistical position. World output of copper during the first seven months of this year was running about 25-30 per cent higher than in 1946, but the different producing areas showed a wide variation of output. The United States, Canada, Chile and Mexico have all reported larger production, but output in Rhodesia has suffered sporadic interruptions owing to a shortage of coal and transport—average monthly output up to July was 2 per cent lower than last year.

American consumption has remained high and there are reports that the Government are again negotiating purchases for the strategic stockpile. Output as a whole is now more in line with world consumption than it was a year ago, but new possibilities of dislocations in supply to sterling consumers have arisen from the dollar crisis.

Consumption of virgin copper in the United Kingdom is running about 10 per cent higher than last year's level; for the first eight months total copper consumption was 223,000 tons compared with 203,000 tons in the same period of 1946, while scrap consumption increased to 123,000 tons compared with 107,000 tons. Stocks at the end of June, including quantities held abroad, were equivalent to about four months' supply. British copper supplies at the moment give less cause for anxiety than the

possible consequences of a coal shortage, for there is no assurance of priority fuel supplies for the copper manufacturing industry. But if copper consumption in the United Kingdom is maintained at the current rate of about 30,000 tons a month during the winter period, a shortage in supplies may develop next spring unless purchases from the dollar area are continued. Sterling sources of copper are limited and outputs in Rhodesia, South Africa and Australia have not increased sufficiently to cover full British requirements. In any case certain copper shapes can only be obtained from the western hemisphere, owing to lack of suitable refining capacity in Britain and Rhodesia.

Shorter Notes

The Board of Trade index of import prices rose to 254, in August (1938=100) from 252 in July. The main feature was a rise of 3 points, or 1 per cent, in raw material prices. The export price index rose by 1½ per cent from 230 in July to 234 in August. The main increases were in metal goods and textile prices—the latter in particular seems overdue. A single holiday month, which saw the first effects of the import cuts, affords no evidence of a decisive change in the terms of trade in Britain's favour, but it is worth noting if only as a rarity.

Telegraphed summaries of the agreement between the Mexican Government and the Mexican Eagle Oil, which provided the basis of a Business Note in *The Economist* of September 6th, have now been followed by the full text. This confirms that the Mexican Government have contracted to pay fifteen annual instalments of US \$8,689,257.85 to the company's agent in New York, the first to be made on September 18, 1948. In addition, interest in US dollars will be paid on the total compensation sum of \$81,250,000 from March 18, 1938, to September 18, 1948, at 3 per cent. The compensation covers properties in the government's physical possession and other properties not yet taken over, except cash and securities.

The trade and finance talks between the British and Danish Governments are continuing in London. Although no Danish farmers' representatives are taking part, food obviously cannot be excluded from the agenda. If many of the problems which frustrated the recent food negotiations were overcome on an official level, in particular agreement on the basis of fixing prices and export quantities, the prospects of agreement with the Danish Export Board would be greatly improved.

Higher coal prices due to the increased railway charges which came into effect on October 1st range from 6d. to 6s. per ton according to the distance from the pithead. The increase to the consumer in Central London is nearly 4s. This is in addition to the increase, at the beginning of September, of 4s. per ton in the pithead price, which was discussed in *The Economist* on August 30th.

Steady conditions have prevailed on the Colombo tea market during the past month, but there has been some signs of the reappearance of the "concertina movement" in prices, familiar before the war. Lower grades have been advancing and the better types have been steady. Export prices in Calcutta have also fallen during the past month; this may be connected with the Ministry of Food's absence from the auctions.

A Working Party has been appointed to investigate the Mauritius sugar industry. Mauritius normally produces 300,000 tons a year, compared with annual British requirements of 1.8 million tons, but this quantity, it is thought, could be increased to 400,000 tons. As the bulk of British supplies at the moment come from Cuba and St. Domingo, both in the US Dollar Area, an expansion of Empire supplies has become a matter of urgency.

SECURITY PRICES AND YIELDS

A fuller list containing 370 securities appears weekly in the *Records and Statistics Supplement*. Notes on the following company reports also appear in the Supplement: Coast Lines; Great Universal Stores; Metal Industries.

Prices Jan. 1-Oct. 1, 1947		Name of Security	Price, Sept. 24, 1947	Price, Oct. 1, 1947	Net Yield, Oct. 1, 1947 (%)	Gross Yield, Oct. 1, 1947	Prices Jan. 1-Oct. 1, 1947			Name of Security	Price, Sept. 24, 1947	Price, Oct. 1, 1947	Yield, Oct. 1, 1947
High	Low						High	Low	(a) (b) (c)				
Other Securities													
103½	100½	Conversion 3% March 1, 1948-55...	101	101	1 4 1	1 4 1	113½	99½	(d)	Australia 3½% 1965-69...	102½	103½	4 s. d.
103½	100½	War Bonds 2½% August 1, 1949-51	100½	101	0 14 3	1 18 8	105½	89	(d)	Birmingham 2½% 1966-71...	92½	93½	2 19 16
102½	98½	Exchequer Bonds 1½% Feb. 15, 1950	100½	100½	0 17 9	2 9 10	102	100½	(d)	Argentine 3½%	102	102	3 9 4
105½	98½	War Bonds 2½% March 1, 1951-53...	99½	100½	1 6 9	2 14 5	142½	113½	40 c	Anglo-American Corp. 10s...	131½	132½	3 15 6
105½	97½	War Bonds 2½% March 1, 1952-54...	98½	99½	1 11 7	2 14 8	80½	56½	10 c	Anglo-Iranian Oil £1.....	165½	165½	3 12 9
108½	101½	War Loan 3½% (after Dec. 1, 1952)	102½	103½	1 7 6	3 0 9	42½	25½	25 c	Assoc. Port. Cem. Ord. Stk. £1	61½	62½	4 16 0
106	97½	War Bonds 2½% Aug. 15, 1954-56...	97½	98½	1 10 8	2 13 8	95½	73½	7 b	Austin Motor 'A' Ord. Stk. 5s.	35½	37½	5 6 8
106	99½	Funding 2½% June 15, 1952-57....	100½	100½	1 9 7	2 15 21	245½	167½	120 b	Barclays Bank Ord. 'B' £1...	76½	78½	3 11 3
108½	99½	National Def. 3% July 15, 1954-58	100½	101½	1 9 11	2 17 4	115½	80½	12 b	Bass Rateliff Ord. £1.....	187½	195½	2 11 3½
109½	99½	War Loan 3% Oct. 15, 1955-59....	100½	101½	1 9 11	2 16 7	58½	40½	7 c	British Oxygen Ord. £1.....	92½	92½	4 6 9
108½	97½	Savings Bonds 3% Aug. 15, 1955-65	99½	100½	1 12 2	2 19 4	29½	22½	8 c	Cornwall Ord. £1.....	46½	48½	3 2 0
105½	95	Funding 2½% April 15, 1956-61....	95½	97½	1 12 5	2 15 21	81½	57½	12 c	Dorman Long Ord. £1.....	67½	72½	4 3 4
109½	98½	Funding 3% April 15, 1959-69....	99½	100½	1 12 1	2 18 11	55½	40½	7 b	Dunlop Rubber Ord. £1.....	46½	47½	4 3 9
122½	109½	Funding 4% May 1, 1960-90....	110½	111½	1 4 4	2 17 11	49½	39½	7 c	Imp. Chem. Ind. Ord. Stk. £1	46½	47½	4 3 9
110½	97½	Savings Bonds 3% Sept. 1, 1960-70	98½	100½	1 12 5	2 19 9	57½	45½	10 c	Lancs. Cotton Ord. Stk. £1...	45½	45½	4 8 11
104½	92	Savings Bonds 2½% May 1, 1964-67	93½	95½	1 12 11	2 15 11	77½	50½	10 c	Lever & Unilever Ord. £1...	50½	50½	4 0 0
123½	109½	Victory Bonds 4% Sept. 1, 1920-76½	111½	112½	1 6 10	3 0 1*	84½	73½	(d)	London Brick Ord. Stk. £1...	52½	52½	4 15 3
111½	96½	Savings Bonds 3% Aug. 15, 1962-75	99	100½	1 12 5	2 19 6	36½	32½	4 b	L.M.S. 4% 1st Pref. Stk...	73½	77½	5 4 3
117½	106	Consols 4% (after Feb. 1, 1957)...	107½	108½	1 4 8	2 19 9	68½	47½	5 a	N.Eastn. Elec. Ord. Stk. £1	33½	33½	4 3 9
115½	102½	Conversion 3½% (after Apr. 1, 1961)	103½	104½	1 10 6	3 1 2	39	29½	169-58c	P'ch'n. Insn. Ord. Stk. 10s.	55½	57½	4 7 9
100½	80½	Treas. Stk. 2½% (after Apr. 1, 1975)	82½	84½	1 12 8	2 19 4	63½	44½	12 c	Prudential 'A' £1.....	32	32	2 5 8
110½	95½	Treas. Stk. 3½% (after Apr. 1, 1966)	95½	98½	1 15 6	3 2 0	108½	80½	12 a	Stewarts & Lloyds Def. £1...	51½	53½	4 14 4
117½	97½	Redemp. Stk. 3% Oct. 1, 1986-96...	97½	99½	1 13 4	3 0 5	147½	108½	12 b	'Shell' Transp. Ord. Stk. £1	85½	85½	1 15 10
99	80	Consols 2½%	82½	84½	1 12 8	2 19 4	95½	68½	8 b	Tube Invst. Ord. Stk. £1...	120½	122½	4 1 8
Redemption yields on stocks optionally or finally redeemable within the next five years.													
							107½	71½	55 b	Turner & Newall Ord. Stk. £1	71½	71½	3 10 2
										Woolworth (F. W.) Ord. 5s...	82½	85½	4 1 10

Redemption yields on stocks optionally or finally redeemable within the next five years are worked out on the assumption that they will be repaid at the earliest date. Redemption yields on other dated stocks assume that stocks maturing over 3 per cent will be redeemed at the earliest date (these are marked 'a'), and those paying 3 per cent or less will be repaid at the latest date (marked 'b'). (n) Net yields are calculated after allowing for tax at 4s. in the £. (f) Flat yield. * Assumed average life 17 years 6 months.

(a) Interim. (b) Final. (c) Whole year. (d) Int. paid half-yearly. (e) To earliest redemption date. (f) Also a capital bonus of 2½ per cent free of income tax. Yield worked on 15 per cent basis. (h) Fifteen months to March 31, 1947 (yield basis 1.6 per cent). (i) To latest redemption date. † Free of tax.

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COMPANY MEETINGS

ANGLO-CYLON AND
GENERAL ESTATES
COMPANY, LIMITED

INCREASED DIVIDEND

The sixty-first annual ordinary general meeting of The Anglo-Ceylon and General Estates Company, Limited, was held, on the 25th ultimo, in London, Mr Francis W. Douse, the chairman, presiding.

The following is an extract from his statement, circulated with the report and accounts:—

The operations of the company for the year to March 31, 1947, have been not unsatisfactory. In Ceylon, with the exception of the ill-conceived "Hartal," to which I made reference at our last meeting, the year was marked by no more than the usual symptoms of political unrest which are the inevitable outcome of war and are in evidence throughout the world. I regret to have to extend my reference to the more recent deplorable general strike in Colombo. Fortunately estates were not directly affected. The Ceylon Government is to be congratulated on its handling of the situation.

Our tea crop for the year was 5,052,563 lb., realising 24.08d. per lb., against 5,154,961 lb., realising 20.60d. Yields, considering all things, have kept up well, but there is a pressing need for more fertilisers. Our cocoa estates gave us a better crop and price—3,338 cwt., against 1,856 cwt. last year—the price being 108s. per cwt., as against 80s.

In Mauritius, following the disastrous hurricanes of 1945, the Island was free during 1946 of any severe cyclonic disturbances and, as a result, there was a crop of 292,000 tons of sugar. For various reasons this was not as good as expected. Representations were made to H.M. Government for an increase in price for 1947, and as a result the price was raised by 4s. 9d. per cwt., with certain reservations, which gave the producer an increase of 2s. per cwt. on all sugars shipped in 1947. The balance of 2s. 9d. was withheld to be allocated to stabilisation and rehabilitation funds and welfare. 42,835 tons of sugar were manufactured by our interests, as compared with 20,477 last year, a welcome and timely increase.

STRONG POSITION

The operations of all our interests for the year resulted in a gross profit of £275,737, of which £270,910 was earned overseas. There is a net surplus of £101,168 accruing to the group. The directors have pleasure in recommending a final dividend of 15 per cent., less tax, making with the interim dividend already paid a total of 20 per cent., less tax, for the year, and leaving £57,110 to be carried forward. The consolidated balance sheet reveals a strong position, the reserves and undistributed profits applicable to your company standing at £628,803 and exceeding the issued capital by a substantial margin.

In paying an increased dividend, your directors have given full consideration to the remarks of the Chancellor of the Exchequer in his Budget speech, but the balance sheets put before you reveal a strong position, and it will be apparent that disregarding the liquid assets, your estates and holdings in subsidiary companies must stand in the books at considerably less than they are worth. The reason for this is that for many years profits have been ploughed back into the business to a considerable extent.

The prospects appear reasonably good, and it certainly seems that for the current year we ought to show results no less satisfactory than for the year under review.

The report was adopted.

GOLD MINES OF
KALGOORLIE, LIMITED

IMPROVED PROFIT

The thirteenth ordinary general meeting of Gold Mines of Kalgoorlie, Ltd., was held on the 30th ultimo, in London.

The following is a summary of the statement issued with the report and accounts for the year to March 31, 1947:—

The mill throughout was maintained at capacity, averaging 12,000 tons per four-weekly period and totalling 156,502 tons for the year, 39,901 tons more than for the previous year. The average net realisation was 38s. 5d. per ton, or 10d. less than for the year before. Working costs at 30s. 8d. were 3d. per ton lower, a reduction of 1s. 6d. per ton in the cost of treatment, due to the higher throughput, having been offset to the extent of 1s. 3d. by an increase in the cost of mining, owing to the greater tonnage of stope ore treated.

The net result is that despite an improvement of £15,411 in the profit, the amount available for distribution is £12,094 less than for the year before. This difference, due to the exceptional tax credit, represents the amount distributed as a bonus of 4½d. per unit of stock a year ago. The dividend proposed is at the same rate as for the preceding year, namely 5 per cent., or 6d. a unit, less income tax. The net cash position shows an improvement of £4,479 at £183,994.

The net improvement of 21,318 tons in the estimate of proved and probable ore represents an actual addition of nearly 178,000 tons of new ore, allowing for the fact that over 156,000 tons were raised to the surface during the year.

The report was adopted.

GOLD EXPLORATION AND
FINANCE COMPANY OF
AUSTRALIA, LIMITED

NET REVENUE DOUBLED

The thirteenth ordinary general meeting of the Gold Exploration and Finance Company of Australia, Limited, was held on the 30th ultimo, in London.

The following is an extract from the statement by the board issued with the report and accounts for the year to March 31, 1947.

Net revenue for the year at £73,092 was almost double that of the previous year. This improvement is largely made up of items of a non-recurring nature, being almost entirely due to the payment by Gold Mines of Kalgoorlie of a special bonus of 4½d. per unit in addition to the dividend of 6d. for the year ended March 31, 1946, the receipt of dividends from Victoria Gold Dredging Company totalling 4s. (A) and an exceptional profit of £10,246 on sales of Government securities. It is proposed to pay a dividend of 9d. per unit, less income-tax, requiring £37,662 and leaving £3,547 to be carried forward.

Central Norseman had a good year. The dividend was increased from 6d. (A) to 1s. 6d. (A) per share, making the total distributed to date 5s. 3d. (A) per 5s. (A) share.

The two major prospects now being investigated by Gold Mines of Australia are the Stawell goldfield in Victoria, and a large area near Mulcra in the Clermont district of Central Queensland. Gold Mines of Australia offered your company a 40 per cent. participation in each project, and this offer has been accepted. We are entitled to regard your company's present position as satisfactory.

The report was adopted.

THE TUNNEL PORTLAND
CEMENT COMPANY LIMITED

INCREASED TRADING PROFIT

The thirty-sixth annual general meeting of The Tunnel Portland Cement Company Limited will be held on the 6th instant in London.

The following is an extract from the speech which the Chairman, Mr N. M. Jensen, proposes to make:—

The wartime Pooling Scheme for the cement industry ended on December 31, 1945, and did not apply during the period of the accounts. It had been adopted reluctantly to meet wartime difficulties and its termination has restored a welcome incentive to efficiency in the industry. During 1946 there was a steady increase in the home demand for cement, coupled with very heavy demands for export. Towards the end of the year the demand in the home market had increased so much that the Ministry of Works requested the industry to limit the export of cement. This has considerably reduced the level of our exports since January 1, 1947, and has prevented us from playing a full part in the drive for exports. We hope, however, that in common with other exporting companies we shall now be allowed more freedom for export, for there is still an unsatisfied demand for cement in many parts of the world.

EXPANSION OF PRODUCTIVE CAPACITY

Throughout the period, shortages of raw materials, particularly coal, gypsum and kraft paper for packages, have hampered production and increased costs. These culminated in the fuel and power crisis last winter which virtually stopped production at our various works. We did not discharge our men but kept our labour force together. The stoppage, which was general throughout the industry, left stocks very low at the beginning of the building season of 1947. Good weather during the spring enabled builders to get well under way while we remained short of coal, though supplies have improved somewhat from about June onwards. These factors have led to a shortage of cement during the summer.

The erection of our new works at Padeswood, near Buckley, in Flintshire, has progressed steadily in spite of the many difficulties we are up against. This new factory is the eventual answer to the shortage of cement supplies in Lancashire, Cheshire and North Wales. Building work is well advanced and plant is being delivered, and I hope it will be possible to commence production before the end of 1948.

At our West Thurrock works we have scrapped some old plant and are proceeding with the installation of a new unit which will fully restore the works to its pre-war capacity and will increase its efficiency. This works is particularly well situated for conversion from coal to oil and we are therefore proceeding with the installation of oil-firing plant. We are planning to duplicate our Pistone works which from a labour and fuel point of view is one of the most efficient works in the country. Unfortunately, owing to the shortage of materials, we have not yet been able to put the work in hand, but I hope we shall do so before very long. Building operations for extensions of Ribblesdale Cement Limited, in which your company has a 50 per cent. interest, have started and plant has been ordered.

Favourable results during 1946 enabled the industry in November last to make a voluntary reduction of 2s. per ton in the price of cement. Subsequent events outside the control of the industry, including rises in the price of coal and in railway rates, have led to increases in cement prices approved by the Ministry of Works. The report of the Committee on Cement Costs was favourable. Its findings are welcomed by the industry which will implement its recommendations.

GOVERNMENT RETURNS

For the 10 days ended September 30, 1947, total ordinary revenue was £112,992,000, ordinary expenditure of £104,632,000, leaving a surplus of £8,000,000. Thus, the sinking fund allocations of £8,000,982 surplus accrued since April 1st is £8,000,982 against a deficit of £487,942,000 in the corresponding period a year ago.

PRIMARY AND SELF-BALANCING
REVENUE AND EXPENDITURE

Revenue	Estimate, 1947-48	Receipts into the Exchequer (£ thousands)				
		April 1 to Sept. 30, 1946	April 1 to Sept. 30, 1947	8 days ended Sept. 30, 1946	10 days ended Sept. 30, 1947	
Primary Revenue	107,300	413,028	376,133	15,953	8,625	
Income Tax	80,000	18,396	18,855	590	750	
Excise Duties	155,000	70,735	83,429	2,470	4,930	
Other	57,000	18,905	24,350	555	1,700	
Land Revenue	202,000	162,684	123,898	6,100	12,701	
Land Revenue	1,000	158	110	...	...	
Land Revenue	156,000	696,511	644,125	26,323	30,276	
Land Revenue	736,960	293,265	388,596	15,394	25,546	
Land Revenue	643,040	278,800	286,100	23,600	24,000	
Customs & Excise	138,000	572,065	674,696	38,994	49,546	
Duties	50,000	9,694	10,343	104	...	
War Stores	95,000	34,687	103,397	1	24,700	
Receipts	55,000	...	30,000	...	5,000	
Trading (Net)	11,000	3,070	3,910	620	780	
Licences	1,000	450	450	...	10	
Loans from	21,000	7,493	16,650	...	1,266	
Receipts	270,000	17,157	163,954	556	1,415	
Ord. Rev.	345,100	1,341,128	1,647,564	65,449	112,992	
Self-Balancing	144,230	61,650	67,880	3,450	2,100	
Self-Balancing	49,000	106,758	12,195	3,184	582	
Self-Balancing	594,230	1,509,535	1,727,659	71,954	115,674	

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Self-Balancing	594,230	1,509,535	1,727,659	71,954	115,674	

NET RECEIPTS (£ thousands)		
and Telegraph	.....	5,42
Trade Guarantees Act 1939, Sec. 4.	.....	24
NET ISSUES (£ thousands)		5,66
wards Act, 1946, Sec. 34 (1)	.....	71
erty Nationalisation Act, 1946, Sec. 34 (1)	.....	4,60
erty Nationalisation Act, 1946, Sec. 34 (1)	.....	5,00
erty Nationalisation Act, 1946, Sec. 34 (1)	.....	3,00
erty Nationalisation Act, 1946, Sec. 34 (1)	.....	3,96
erty Nationalisation Act, 1946, Sec. 34 (1)	.....	5
erty Nationalisation Act, 1946, Sec. 34 (1)	.....	5,66
erty Nationalisation Act, 1946, Sec. 34 (1)	.....	17,04

something tragic in this spectacle. It is tragic in the first place because, strictly speaking, it is not necessary. The figures of the Paris Report are the best estimates which Europe's best experts could assemble in face of the galloping crisis of Western Europe. They themselves would not claim infallibility for them. Some countries lacked the statistical apparatus. Many of the premises on which the figures were based disappeared while they were being drafted—for instance, the Report makes much of mutual trade, and week by week, the crisis is cutting it back. Many of the estimates of Europe's own contributions of food were made before last summer's devastating droughts hit the Continent. Even in the last revision of the Report, the potato figure does not appear to bear much relation to reality. The experts in Washington can and will discover all these things. Returning Congressmen will add a mound of information, relevant and irrelevant, about this and that country's readiness or ability to make its contribution. But their discoveries will not lessen the reality of the crisis or alter the fact that the Paris Report, rightly understood, is not so much a merchant's estimate of four years' normal trading under stable conditions, as a general's rough guess of what the battle will cost, a Chancellor's estimate of his war budget. The calculation must be made, but the crisis can never be held within the calculation. As one of America's elder statesmen said in Washington last week, "We really have all the facts we need about the crisis. We do not need more facts. We need more decisions."

Similarly, in the matter of "availabilities," in one sense, there are no American availabilities. The consuming power of the United States is such that it can devour everything its farms and factories pour out. In normal times, nothing could be more desirable or happy. But are the times normal? That is precisely the crux of the Paris Report, of the Marshall Plan, of Europe's crisis. If the Report is to be scaled down to meet the supplies that can be secured by Mr Charles Luckman's campaign of voluntary abstention, the result may be something Congress can pass with easy minds. But it will be irrelevant to Europe. Mr E. R. Murrow reminded the Americans last week that if they had relied on "availabilities" after Pearl Harbour, they would have lost the war. Now, as then, the surpluses have to be created—by controls and rationing if the history of the war is any guide. But no amount of examination will bring these controls about. While the examination continues, the wheat goes irretrievably into the hogs.

There is another sense in which the present prospect is tragic. Perhaps in the long run it may make economic sense. But it is likely in the next crucial months to make political nonsense. For in what is the process of examination almost certain to consist? The European experts will be hauled over the coals for false or over-optimistic estimates. Already they have been blamed for trying to revive Europe's livestock at the expense of grain and for assuming an end to petrol rationing. The European governments will be prodded, lectured, urged, and admonished on every aspect of their policy. Visiting Congressmen will not spare (or rather have not spared) their criticisms, and more than one has echoed Mr John Taber in reference to Europe's laziness and lack of serious purpose. Moreover, guarantees will be laid down, or at least proposed—American oversight of the aid, American trustees, political modifications in governments, abandonment of socialisation—as preliminary conditions to the granting of any aid at all. But in Europe, in the ear of every European government, will re-echo Mr Molotov's bitter jeers at their "loss of national sovereignty" and the local Communist clamour over "dollar imperialism." And all this time, while the political pre-conditions of aid are pressed, the aid itself will still lie in the future. It is no slur on American generosity in the past, or the possibility of American generosity in the future, to say that in the

next few months the combination of political intervention and economic inaction is likely to turn the European nations from grateful partners into sour clients and to intensify at every turn the irrational anti-Americanism already disastrously widespread. And who profits from this, save the Communist Party?

Yet the most tragic element in the whole tragic picture is the fact that it is perhaps inevitable. The American people, to meet this crisis, are being asked to behave in peace, in an abundant, an incredibly abundant peace, as nations have hitherto only behaved in war. Moreover, their political system, based upon a Constitution whose professed purpose is to prevent action, is designed at every point to favour the laggards and the "do-nothings" and to frustrate the responsible few. Paris is still a long way from the Middle West. It is inevitable that all the discussion in America should be about whether the European nations deserve help, or will turn to the best advantage whatever help is given them—when all the time the real question is what will happen if they do not get it. There would be no sense at all in the Paris Report on the Marshall Plan if it were not first assumed that America wanted to win the Battle of Europe as the first step in the longer struggle for Western society. But the present methods, however understandable and inevitable, will not win this battle. That is America's and Europe's tragedy.

This unhappy statement of fact is not written on this side of the Atlantic in any sense of superior wisdom or performance for Western Europe's inadequacy to meet the crisis has preceded America's. In London, in Rome, in Paris, in the Ruhr, we need no more facts. The facts are all assembled. We need decisions and results. No further examination of the British economic crisis will bring to light fresh facts about coal. What is lacking is the policy, the skill and the leadership to bring up the extra fifty million tons a year. No further research is needed to establish that Frenchmen are hoarding enough gold—and possibly even enough grain—to reverse the downward spiral of the French economy. What is needed is the courage to pursue a tough anti-inflationary policy. No return to the statistics will establish further the determination of wealthy Italians to avoid taxation or Italian peasants to deal exclusively in the black market. Only genuine penalties and incentives can resolve those deadlocks. It is not necessary to point out that a dismantled Ruhr cannot contribute its quota of coal and steel to the Marshall Plan. There is hardly a field of European policy of which it is not possible to say "The facts are known. What is lacking is the clarity, the audacity, the vision and the staying power to take the necessary decisions." Behind all other crises lies a deeper crisis of leadership; and this crisis stretches in full paralysis from the Elbe to Washington, D.C.

The gods of history are fond of irony, and doubtless when they survey the fumbings and the fears and the hesitations and the downright refusals of the Western world, as it now shivers before the necessary decisions and the necessary acts, they are looking into a future in which all those decisions and acts will have been achieved not by the choice of free men but by the iron compulsion of necessity. Dictatorship of the Right or of the Left will have shattered European democracy and broken the strikes and the spirit of the European worker. Mass unemployment and a starvation ration will have brought up the coal from the mines in Britain and set the workers to work under the lash of hunger and the dole. And in America, perhaps, at the end of the story, the most inexorable creator of availabilities, the most certain purveyor of rationing and control—war itself—will impose in their crudest and cruellest form the disciplines from which a leaderless America shrinks today.

Cabinet and Government

MR ATTLEE has one remarkable attribute; a talent for anti-climax. He deflates every issue—except, of course, the swollen finances of the country. For almost six months now rumours of Cabinet changes have been in the air. Hardly a Minister has not been talked into another office—Mr Attlee himself has not been exempt from rumour. This week what looks like the final instalment of change (although it would be wrong to dismiss the possibility of a postscript) has been announced. The result is an extensive, but still a minor, reshuffle. Immobility, however, can be as significant as movement; and the fact that it is still Mr Attlee who makes the changes is in itself a triumph of immobility.

The changes announced are a valuable index to the problems that beset the Prime Minister and to his attempts to solve them. The first problem, of course, was the elimination of what is usually termed the dead wood, and useful work has been done there. Mr Wilmot and Mr Bellenger return to the back benches. The lift conveying Mr Hynd's political career has now reached the ground floor again. Lord Inman's brief flight through the higher Cabinet levels—in itself one of the unsolved political mysteries of the decade—is now over. Room is thus found in the Government for a number of newcomers, and on the whole Mr Attlee seems to have chosen those who are both young and able. But these were the practical tasks facing any cabinet-maker. In themselves they throw little light on a capacity for creative design.

At the moment the two dynamic centres in the Cabinet are Sir Stafford Cripps and Mr Ernest Bevin, with Mr Attlee appearing somewhat as the resultant of their forces. The majority of the changes announced this week have been made in those offices which come within the orbit of a Minister for Economic Affairs and it looks as though Sir Stafford had had a considerable say in the new appointments. The offices within the orbit of Mr Bevin have suffered little change, and that may be the explanation—for it would be difficult to find another—of why Mr Alexander, Mr Isaacs and Mr Barnes still retain their posts—though it may still be possible that Mr Alexander will leave the Ministry of Defence for the House of Lords when the time for his successor is ripe. The third force in the Cabinet, at the moment largely a negative one, is Mr Aneurin Bevan, which adds significance to the appointment of Mr G. R. Strauss to the Ministry of Supply. Mr Strauss stands somewhere between Sir Stafford Cripps and Mr Aneurin Bevan—rather closer to the latter—and he has gained great experience in the drafting of nationalisation Bills in the course of the very competent assistance he gave Mr Barnes with the Transport Act. It may be that he has been given the Ministry of Supply as being

persona grata to Sir Stafford and as a reassurance to Mr Bevan that the nationalisation of iron and steel is not abandoned.

The remaining important figure to be moved is that of Mr Shinwell. Mr Shinwell has suffered more from his friends, though they are few, than from his many enemies. After the arrogant tone of voice in which the miners' leaders have recently insisted that he should stay where he was because he possessed their confidence, it was impossible for Mr Attlee to retain both his self-respect and Mr Shinwell as Minister of Fuel and Power. Mr. Attlee is to be congratulated on his courage in facing this issue with firmness—indeed, on rubbing it in by refusing to appoint an ex-miner but rather one of the most competent and promising of the young "intellectuals." Mr Shinwell should not be underrated as a Minister; he is not as bad as his own rancorous tongue makes out. But his interest in military matters has not hitherto been conspicuous, and it is a pity that once again the War Office is being treated, wrongly, as a post where continuity in ministerial control does not matter.

But when full weight is given to all these changes, the new picture looks very like the old. None of the changes in office-holders promises any change in the policy of the Government as a whole. In fact the reverse is more likely. Sir Stafford Cripps and Mr Bevin have established themselves more strongly. The Government are still in their old dilemma. Their declared policy of 1945 has been brought to a full stop. Nationalisation may or may not make an industry more efficient; over the next twelve months at best it will not increase output, at worst it will create enough disturbance or uncertainty to diminish the productivity of any industry threatened by it. Socialism has no contribution to make to the crisis in which the country finds itself. What is obviously needed is a policy—short-term maybe, but all the more urgent on that account—which is the exact opposite of all that the Labour Party has ever preached. The country needs more work for less money. The Government, particularly the trade union side, are still thinking in terms of more money for less work. If that policy is not reversed, the country will finish up by having less work and even more certainly less money. And, despite Mr Isaacs, it will not be the eels and the butterflies who will then suffer most.

If this Government, now slightly refurbished, cannot find a solution, can the Opposition? The answer to that must depend upon the outcome of a struggle within the Conservative Party that its Conference last week did not do very much to decide. The Conservative Party still has a choice. It can depend on the ebb of a reformist tide to carry it into office, and there is plenty of evidence that many Tories cannot think beyond 1931;

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they hope to be given a "doctor's mandate" to clear up the mess that Labour creates, and then to go on drawing a recurrent fee for prescribing a single catharsis. But the Brighton Conference showed that there is a greater number of Conservatives who want to pursue a positive policy and build up a real alternative to Labour Socialism. Mr Churchill may well be right in thinking that the details of Conservative policy will have little effect on the next General Election, which will be decided by the merits or demerits of the Labour Government. But if the Tories have no policy after they get into office, they will soon be out again. The balance of power in this country—the two to four million votes that decide elections—lies with the middle class. The evidence is that the British middle class today whole-heartedly accepts the need for some purposive direction of economic affairs; it wants the state to try to influence the economic environment in which it lives. But the evidence is also increasingly that the middle class dislikes the purely negative pull that the trade unions exert on the Labour Party and that it resents the element of mere malicious envy of the fortunate and successful which crops up so often in Socialist policy. But this same decisive sector of opinion, which turned against the Tories in 1945, has not yet turned back to them, and hesitates to do so. If the only alternatives to TUC selfishness and Shinwellian class prejudice that it is offered are FBI monopolies and suburban snobberies, then it will vote Tory only

when it is more than usually exasperated with Labour. If the Tories want to play a higher role than the jetsam of the ebb tide, they will have to work out a positive policy for the reconstruction of the British economy and demonstrate that they can impose it upon the vested interests among their own camp-followers.

The Labour Party is faced with the need of sufficient moral courage to suspend its long-term policy for a short-term policy which seems to go in a contrary direction. The Conservatives might be more at home in the necessities of the immediate moment. But thereafter they would need strength enough to change a congenial short-term policy for real national planning, to know when to switch from medicine to exercise. In both parties the struggle is between reason and instinctive prejudice.

At the moment, it is difficult for a conscientious outside observer to feel convinced that either Party has made the right choice—or, indeed, any choice, at all. Sir Stafford Cripps has yet to convince the TUC. The Conservative Party leaders are more shy of their Industrial Charter than their followers. But both parties have some members who see the light—and who can see in it other colours besides red. The coming months are bound to affect the balance of forces; in any event too many relevant factors are now outside the control of any Government. But it would be a grim picture indeed if it were necessary to despair of any victory ever being won by reason.

Counties and County Boroughs

ENGLISH local government grew up in the towns, and the all-purpose county borough—that is, the large borough which has conferred upon it the powers of a county and which therefore has neither superior authorities above it (other than the state itself) nor smaller subordinate bodies beneath it—is the most satisfactory of existing local government units. This is so for obvious reasons. The county borough runs all its own services, and there is thus no local division of responsibility to complicate administration and perplex the elector. Moreover, it usually comprises a compact urban area, simple to administer and held together by obvious ties of interest and tradition. The duties of its council are important and yet can be mastered (save in the largest towns) without undue sacrifice of time and travelling. It is worth serving on the council, and yet it is not too onerous to do so; and the same circumstances should make for an active and interested electorate. The structure of the county borough has strong appeal to local government officers, and to become a county borough is the hope of almost every town in England and Wales.

Indeed, the mystery is why, with these great natural advantages, the county borough is not a much more successful unit than it is. The average poll at local elections over the last decade, in so far as a few sample investigations enable it to be measured, does not seem to be higher in county boroughs than in non-county boroughs or urban districts. Polling for the county council, which only takes place every three years, and where a majority of the seats is normally uncontested, easily represents the nadir of popular interest—the reason lying in the scattered and dispersed character of most counties, the political passiveness of rural areas, and the difficulty and cost of standing for election. In fact, the typical county's disadvantages are the obverse of the typical county borough's advantages. Even so, there are rural regions where the county council, drawn from the leisurely and retired, the squirearchy and the professions, is far and away more progressive than the county borough, which may be under the narrow domination of a trading clique.

Whatever its disappointments in some directions, there can

be no denying the advantages which the county borough holds over other existing types of unit. It is, therefore, surprising, at first sight, to find that serious suggestions are being made for the extinction of the county borough over the whole country or large parts of it. In Lancashire, where the county borough is associated with strong local patriotism, and which contains 18 out of the 83 county boroughs in England and Wales, the questings of the Local Government Boundary Commission have gone so far as to cause the appearance of a purely defensive document, the "Case for the Retention of the All-Purpose Authority in Lancashire and Parts of Cheshire," signed by all the affected authorities except Liverpool, Manchester and Salford. As a case for the defence, the document is impressive; but it must be remembered that only a few months ago these authorities were arguing, not their right to exist, but their urgent need to make very large boundary extensions, even at the cost of almost swallowing the county.

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This *bouleversement* of local government tracts has been brought about by considerations which do not lie on the surface but which have never been absent from the minds of investigating Commissions. Three powerful arguments (to which there are two strong counter-arguments) suggest the dismantling of all or many of the county boroughs. The first is the simple test of what size of population is needed for administrative efficiency. On this test, there can be no case whatever for keeping county boroughs of under 100,000 population, which means that nearly half of them should go. The Ministry of Education has laid it down that the area of no Divisional Executive should contain less than 60,000 people; to get the best results, the education authority itself should probably cater for 200,000 to 300,000 population, a figure which is certainly requisite for the proper provision of further education. The new local health services need something like 100,000 as a minimum, and much more if close coordination with the new hospital authorities is the aim. Recent legislation strongly suggests that no local authority of under 100,000 inhabitants ought to possess

either its own fire service or police force. And so the catalogue could go on. Much will, of course, depend upon the character of the area, its administrative record, its financial resources, its community of interest. When these other tests are applied, some county boroughs of over 100,000 residents may be found wanting; but the tests would need to be very favourable indeed to justify the retention of a smaller authority.

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The second argument against the county boroughs contends that so sharp a distinction between town and countryside is bad and outmoded, and highly hurtful to the countryside, since it distributes the financial load unequally. There is also a strong argument for spreading major services over a mixed area, now that the physical integration between a town and its environs is so much stronger. But the argument cuts both ways. For if counties can claim their focal towns, so can county boroughs claim their rural environs. True, the counties' claim is the stronger and should probably be conceded in very rural or very poor areas. But there is the further point that to merge the better unit in the worse, for the latter's improvement, is a dubious proceeding.

The third argument against the county borough is that there is a number of major services whose proper range of operation is larger, in terms of population, and far larger, in terms of area, than should be conceded to any all-purpose authority—that is, to an authority without subsidiary local bodies. These services arise out of an enlarged conception of town and country planning and embrace as well the provision of "overspill" housing schemes, the building of new towns, and the principal public utilities—transport, electricity and gas supply, water and main drainage. This argument—especially as it relates to housing and planning—is particularly applicable to the large conurbations and is at the root of the proposals to carve out new counties, without any county boroughs inside them, round Manchester and Merseyside, which have caused such perturbation among the Lancashire county boroughs. The simple counter-argument is that many of the services mentioned have been or will be removed from the local government sphere altogether and managed by separate bodies. But the local government enthusiast will never accept—and rightly—that all the present arrangements are permanent or irrevocable. He will argue that, given the right local structure, the Government will allow local authorities to do the jobs.

European Socialists

THE announcement that the Communists have formed a new International to fight "Western imperialism" carries with it the threat that they will now intensify their attacks on those Socialist parties of Europe which are not subservient to them. The accusation is that these Socialists, in particular the French Socialist Party led by such "social fascists" as M. Ramadier and M. Léon Blum, or the Right Wing of the Italian Socialists led by Signor Saragat, are the agents of American capitalist domination and of its British junior partner and that it is owing to them alone that the unity of the working class in defence of real democracy has been destroyed. It may even be that the new "Cominform" presages a return to the Communist Party's tactics after 1929, when the Communists all but abandoned their opposition to the Nazis—with whom on occasion they made common cause in 1932—in order to concentrate their energies on destroying the "social fascists"—in other words, the moderate Social Democrats.

The violence of Communist propaganda does not lessen the interest of the question whether in fact they have something

Added up, these arguments against the county borough become formidable. If it is small, it is inefficient and if it were to be made large enough, by taking in the surrounding countryside, to administer the large-area services, it would be too cumbersome, lacking subsidiary bodies on which local affairs could be devolved. In sparsely populated areas, it obstructs the spreading of the financial and administrative load, while in the great centres of population it gets in the way of the proper integration of certain major services.

Should the county borough then be abolished? A provisional answer must be No, even though many individual county boroughs should be eliminated. Nothing that has been said destroys the desirability, or the practicability, of keeping what may be called the middle-sized county borough. This phrase has been conveniently defined by the protesting Lancashire towns so as to include all of themselves, but in fact the optimum range of a county borough lies between 200,000 and 500,000. Within this range there are 14 existing authorities, but some towns should be brought within it by the inclusion of their suburbs, while elsewhere county boroughs within the range may have to be extinguished. Thus, the solution for Merseyside and the other conurbations will have to lie between the creation of a new urban county and division of the whole area among several all-purpose authorities. It would be wrong simply to enlarge the existing county boroughs and yet leave a rump for the county council to look after as best it might. Which alternative is preferred should depend partly on the circumstances in the region and partly on the view taken of what services will eventually be administered by locally elected authorities.

The choice in the conurbations is difficult and needs further discussion. The point to insist on here is that there will in any case remain a number of large isolated towns—Hull, Leicester, Nottingham, Southampton, Plymouth, to risk a few examples—which are strongly suited to the county borough form of government and to nothing else. Their continued existence need not seriously weaken the reorganised counties, so long as the latter swallow enough of the smaller county boroughs. It is of the essence of this proposal that such county boroughs as are left should be permitted boundary extensions that are fully adequate for housing and planning purposes. In this way county boroughs, though far fewer than at present, should gain the full potential advantage of this form of local government, without remaining a drag on the rest of the system.

to fear, whether Europe's Socialists are, in an organised and coherent fashion, pursuing a policy of support for America and Britain and using their position to "weaken and disrupt" the working class. On the score of close association with America, Europe's Socialists can be immediately acquitted—indeed, a majority of Americans would probably like to make the scrapping of socialism a condition of American aid. But there may be more in the charge that European Socialists have closely associated with Britain. The Labour Government represents, after all, the solidest achievement of moderate Social-Democracy and it would be only natural if some links had been formed with the European Socialists. In fact, three conferences of European Socialists have already been held and another is in the offing. It is on the basis of these meetings that the Soviets base whatever is positive in their charge of anti-Soviet collusion among the Social Democrats of Europe. The two substantial charges against the Labour Party, as developed in *New Times*, the fortnightly Soviet encyclical, are, first, that a revival of some kind of Socialist International, with a professed anti-Soviet bias,

is in preparation; and secondly, that where the emissaries of the Labour Party have been unable to bring the Socialist party of a European country round to their point of view, they have worked to promote a split within it and to disrupt the unity of the working class. Needless to say, both charges hardly bear examination.

A Second International does not exist—nor is one contemplated for the time being. What has occurred has been merely a series of conferences. The Socialist Parties of Europe and other continents last year accepted the proposal of the Labour Party to hold conferences every six months, the first two were held in Clacton and Bournemouth, the third last June in Zürich, and the next will meet in Antwerp early in December. These conferences have confined themselves to the exchange of information and the election of new member parties. The only rules governing their work are that political decisions must be unanimous; that candidates for membership must receive the votes of two-thirds of the existing parties, and that procedural decisions are reached by simple majority. Since the conference has no policy, there is no permanent executive committee. A consultative committee meets in London between conferences to supervise the work of a tiny Socialist information and liaison office and to prepare the agenda for the next conference; political questions are explicitly excluded from its competence, and its chairmanship rotates among all the parties.

The nearest approach to political discussion in these conferences took place over the proposal to admit the German Socialists as members; it met the Polish veto last November and failed to obtain the necessary two-thirds majority in June at Zürich. The coming Antwerp conference, however, includes in its three-day agenda the whole problem of world peace and economic reconstruction, as well as the possible restoration of a Socialist International. But it would be unrealistic to expect that any common policy on these subjects will be framed. The time available is quite inadequate, and few of the delegates will be technically equipped for the type of study which any significant proposals would require. Moreover, most parties, including the Labour Party, would be unable to commit their governmental representatives.

The Labour Government in Britain is constitutionally unable to fit its policy to the decisions of an international party organisation. The Labour Party will only allow itself to be represented abroad by members of its executive committee or by permanent party officials. The most able members of the executive are inevitably, at present, Ministers who, for diplomatic reasons, may not travel abroad as party delegates. Thus the only members of the Executive who are available for foreign conferences are trade unionists who are not members of the TUC General Council, some of the women members, and Professor Laski, who has consequently become for Soviet propaganda the evil genius of European Socialism.

The existing limitations on the scope of the international Socialist Conferences have created dissatisfaction among more doctrinaire elements in the French and Belgian parties as well as among minority or émigré parties which hope to draw strength from membership of a formal Socialist International. But it is also clear that these parties would be content with the organisation of an international debating society, in which verbal victories could be gloriously won and magnanimously forgone by the construction of equivocal formulas for unanimity.

The formation of the Cominform is likely to strengthen this doctrinaire approach, but the experience of power and responsibility has turned most of the European parties firmly away from the attempt to cure a compound fracture by spells and incantations. The majority know that contact must be more flexible and informal than it was under the old Second International. No centralised organisation can attempt by more or

less public discussion to unify or co-ordinate the policy of parties working in every variety of circumstance. And even if such difficulties could be overcome, the basis for such an organisation does not exist among the European Socialist parties. There is no unquestioning deference to a single state party—the deference which kept all Communist groups subservient to Russia in the Comintern. The doctrines, methods, traditions, experience and environments of the various parties are widely diverse; their unity is partly a verbal coincidence.

This diversity can of course be overstressed. On the whole the European Socialists have beliefs in common which they do not all share with other parties in their own countries; they combine a faith in economic planning for social justice with a faith in the dignity of the individual and his right to an area of freedom from state control. Above all, they have today certain common problems, common dangers, and common interests. Many of them are embarrassed in holding the balance of power between extreme parties whose policies are irreconcilable without Socialist mediation. All of them dread the necessity of choosing finally between an American or Soviet bloc, or between junior partnership in a "bourgeois" or in a Communist-controlled government. The moment of choice on either issue—which may indeed have arrived—is all too likely to split the various parties, and to destroy a popular appeal which is based on the denial that such a choice is necessary. For this reason, the parties have in the past realised that their own survival depends primarily on the survival of Labour Britain as an independent world power. It is this fact, and not any international organisation, which has explained the potential solidarity of the Socialist parties in Europe behind British policy. The tragic dilemma forced on the genuinely independent Socialist groups in Poland and Czechoslovakia by the Communist decision to set up a Cominform lies precisely in the compulsion on them to choose between East and West, whereas they have hitherto sought to keep a foot in both camps.

This point meets the Soviets' second charge—that Britain has sought to weaken the working class in Europe. On the contrary, the main interest of the Labour Party is that a foreign Socialist party should retain its organic independence, and extend its effective political influence through an increasing membership and efficient organisation; it is only in the survival of the party as a legal entity that the possibility of a future initiative under more favourable circumstances can be preserved. The limitations imposed on an independent British foreign policy by the economic crisis and the world situation have taught the Labour Party to sympathise with, for example, the Socialist parties of Eastern Europe in their present difficulties. In fact the position of Britain in world politics and the position of many Continental Socialist parties in internal politics are identical in form. So the Labour Party, whatever Soviet propaganda may say, has consistently tried to discourage disunity in foreign parties and has, where splits have occurred, ignored the dissidents and remained in relations with the majority party, even when very critical of its policy.

In fact, when the facts are examined coolly, it becomes obvious that it is the Communists, not the European Socialists, who have taken the decisive step in destroying the last vestiges of "working-class unity." Europe is still full of men of the Left who would regard a permanent division of the Continent as the last disaster and have sought by "common fronts," by "united action," and by every expedient at their disposal, to bridge the growing gulf. But now Moscow has put them on the spot. The only unity permissible is unity imposed by the Communists and aimed directly against the West. The bridges must be broken and European Socialism must accept "brotherhood"—Soviet version—even if the process involves knocking in every Socialist head from Warsaw to Penzance.

NOTES OF THE WEEK

On the Eve

Sir Stafford Cripps, speaking at his first press conference in his new office, fully lived up to his reputation for austere realism. Unless additional dollars were made available "within the quite near future" there would have to be further cuts in imports, including food and essential raw materials. This, he said, would be the beginning of a descending spiral of depression which, unless it was rapidly arrested, would lead to gradual economic strangulation. These statements, though they contained nothing that has not been perfectly obvious for a very long time, were treated by the popular press as a sensation.

The incident prompts two reflections. The first is that, since Sir Stafford's words were still couched in the future tense, the Government are evidently still gambling on getting some additional dollars this autumn, although they have been given the plainest of warnings from Washington—reinforced by Mr Snyder within an hour of Sir Stafford's statement—that the gamble will not come off. Meanwhile the last reserves are running out painfully fast.

The second reflection, derived from the newspapers' evident surprise at the strength of Sir Stafford's statements, is that the British public still has no idea of what is coming to them. It will not be long now.

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"Cominform"

In one sense, there is nothing new in the formal promulgation of a Communist International, grouping the Communist Parties of Poland, Hungary, Czechoslovakia, Rumania, Bulgaria and Yugoslavia with those of France and Italy round an information bureau in Belgrade. Nobody has been under any illusions about the closeness with which the political strategy of Eastern Europe has been co-ordinated with the wishes of Moscow, and two such experienced pillars of the old Comintern as M. Thorez and Signor Togliatti certainly carried their old habits of collaboration into the postwar era. The only question is why such an announcement should have been made now. Is it a declaration of war? Or is it a declaration of defence, springing from a sense of isolation and a desire to close the ranks in a formal, signed and sealed alliance?

These alternatives go to the root of the Western world's difficulty in understanding Soviet strategy. It is possible to interpret the miserable record of the last year in terms of a terrified Russia throwing up improvised defences. Marxist theory compels the Russians to believe in an America which is by definition a bloodsucking imperialist only awaiting the favourable moment for intervention (and armed with the atom bomb). From this conception everything follows. Control of Eastern Europe is a defensive *glacis*. The murders—judicial or otherwise—of Eastern Liberals and Socialists, and the bitter attack on Western Socialists, are the checkmating of capitalist spies. The fight against the Truman Doctrine and the Marshall Plan is simply, as the new Cominform claims it to be, the defence of the European working class against imperialist penetration.

Equally, however, every line of this strategy can be interpreted in the exactly opposite sense. Marxism is a worldwide orthodoxy and basically believes itself incompatible with any other. With Marxism as their fighting creed, the Russians are imposing their rule on Eastern Europe. They eliminate all opposition in its name, but with particular virulence when it is a question of attacking Socialists who will not accept Communist leadership—just as a religion persecutes heretics more vigorously than non-believers. They oppose the Truman Doctrine and the Marshall Plan fiercely because they set boundaries to their ambitions and offer alternative principles of economic organisation. Finally the Cominform will use every instrument of propaganda and pressure to ruin any efforts of non-Communist reconstruction.

But which version is true? The difficult fact is that both are true. In the world dear to dialectical materialists, Russian policy is "ambivalent" and no useful guide to Russian intentions will therefore ever be yielded by analysis. The only policy for the West to pursue is to offer the equal ambivalence of fearing the worst and hoping for the best—fearing the worst and therefore yielding not an inch to Communist pressure, but hoping for the best in that its genuinely non-aggressive intentions will finally abate the war hysteria and the defensive follies of Eastern Europe.

Extremism Grows in France

The news of the setting up of the new Communist Bureau has had a more profound and a more disheartening effect in France than in any other European country. The French situation trembles on the knife-edge of disorder and each new shock, from whichever side, whittles away the narrow margin of stability. The general background is one of increasing economic stringency. Vital orders for coal and raw materials to keep the factories at work in November and December have had to be postponed for lack of foreign exchange and over the immediate horizon looms the spectre of mass unemployment. Meanwhile the cost of living has leapt up, and each week the ordinary family budget grows more inadequate. This state of affairs has not been accepted with any resignation. The riots in Verdun, where for ten days crowds battled to keep a consignment of sugar for the American Zone of Germany from leaving the country, have been only one in a series of major and minor disorders in the cities of France.

This angry undercurrent of discontent spells disaster to the moderate parties in the Government, both because they are moderate and because they are the Government. The only hope of restoring them to some measure of prestige before the municipal elections this month—in which everyone predicts a growth of the extremist vote—would lie in a speedy and generous response to M. Bidault's desperate appeal for dollars. But the urgency felt in Paris cannot communicate itself to Washington, and the chances of the Socialists and the MRP wane in proportion. The elections are thus likely to be the battlefield of extremist parties.

It may be argued that this is nothing new. The Communists have been the largest party in France for some time now. Yet it has, in fact, proved possible to govern without them. The new factor is, however, the emergence of a leader on the Right. Both in France and Italy, in the first two years after liberation, the Right was splintered and discredited. The old Right voted with the Moderates for the centre parties and gave de Gasperi in Italy and Bidault and Ramadier in France the voting balance they needed to govern without the extreme Left. This situation is now ending in France. General de Gaulle has everything a Right-wing leader needs. His *mystique* is genuine, his programme is vague, and his bogey is obvious—the Communists, who have even provided a new Comintern to justify his taunts that these "secessionists" are the agents of a foreign power. If last Sunday's address at Vincennes is typical of his election campaign, the General can sweep together a great vote of negative force—anti-Communist, anti-rationing, anti-controls, anti-Government. The one voting strength he will not invade is that of the Communists, who in part compete in the same market of fears and negations. After the October elections, France may see the division of East and West and the shadow of war reflected in microcosm in the irreconcilable duel of Thorez and de Gaulle.

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Conservatives at Brighton

The Conservative Party held its annual conference at Brighton at the end of last week, and on the whole it is fair to say that a good time was had by all. The weather was magnificent and the hospitality, naturally enough in Brighton, considerable. The standard of speaking was high. There were no doctrinal rifts in the scene itself and if the conference lacked the tension of conflict it had the charms of custom. The affair concluded with a speech characteristic of Mr Churchill's present-day view; it is pleasant to have your worst suspicions reinforced, provided you are not absolutely convinced of their truth.

There were two significant features of the Conference. The first was a remarkable outburst from a Norfolk delegate on the subversive activities of Communists, coupled with more than a tinge of anti-semitism. The incident was not well handled by the Chairman of the Conference. It was left to Mr Quintin Hogg and Sir Ian Fraser to deflate the gust of passion that swept the mass of the delegates. But the outburst is a warning. The British are not a people without passions, but it has been greatly to their advantage that they have kept passion out of politics for a considerable period. Those who introduce it must answer for the fact that passion on one side creates an immediate and similar reaction on the other and any constitutional party which tolerates

it in its own ranks is thereby digging the grave in which it will ultimately be buried.

The other outstanding event was the absence not only of any foreign policy but also of any real discussion of foreign policy. The Conservative Party seems to have retreated further from the Fulton Speech than has Mr Ernest Bevin. The last year has not aligned the Conservatives alongside the Americans in the cause of free enterprise. It has driven them far more towards a defensive Commonwealth Allegiance with an uneasy feeling that probably they ought to have a policy about Western Europe, too. This should be an additional proof to visiting American Congressmen that free enterprise à l'américaine is not an exportable commodity.

But the Conservative Party as a whole is over its defeatist phase. It is fair to say that the austerity of the last two years has done it good. It is still entranced by the spectacle of a Conservative trade unionist; but it is no longer hypnotised by a public school accent.

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The Government and Wages

Whatever hopes Sir Stafford Cripps may have cherished that, as Minister, he might be able to induce the unions to forgo wage claims until higher wages could be balanced by greater production appear to have been dashed to the ground, at least for the time being. The Trades Union Congress, which feared that Mr Isaacs's letter to joint industrial councils, reminding them of the Prime Minister's appeal not to press for higher wages, was the thin end of the wedge of Government interference in wage matters, came away from their meeting with Mr Attlee last week completely reassured. The Minister of Labour received an implicit rebuke, and the Prime Minister reaffirmed the Government's intention to leave wage questions to the two sides of industry. Nobody had ever suggested that there should be any departure from the established practice of collective bargaining. All that the much misunderstood advocates of a wages policy had proposed was that there should be a more conscious influence over wage movements, as a means both to improve the distribution of manpower and to prevent inflation. Even this limited interpretation, however, is too strong meat for the sensitive trade unionists to stomach.

Sir Stafford, however, appears determined not to abandon the struggle to keep wages in line. At the week-end he gave a short lesson in elementary economics to the tinplate workers of Swansea, pointing out that unless production rises higher money wages bring no real gain to the workers and moreover cripple the export trade. Meanwhile, the Ministry of Labour reports an increase of over £800 millions in the weekly full-time wages of 2,600,000 workers, and substantial reductions in hours affecting 4½ millions; and further increases have been won or are being demanded by another two million, including most conspicuously the miners. True, the upward trend has considerably slackened since last year, but the Government's exhortations have evidently produced little effect.

It may be perfectly true that a revolution in relative wage scales is overdue. It was always social and economic nonsense, on the assumption of full employment and a modicum of industrial mobility, that coal mining, at once the most vital and the least attractive of occupations, should pay wages near the bottom of the national scale. It no longer does so; but are miners' wages even yet relatively high enough? Mr Horner thinks not. That is what it is his business to think; and he may be right. But since what the miners get (in real value) someone else will have to forgo, and since it is not at all proven that higher wages will elicit more coal, their claim is not merely a matter between Mr Horner and the Coal Board, but between the miners and the whole community.

The argument holds good for other and less essential claimants. One way or another, wage levels must be co-ordinated with what must by courtesy be called the Government's plan. By their negative attitude the TUC are skewing the economic foundations of democratic Socialism.

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Mr Williams on Agricultural Expansion

The Minister of Agriculture, in two speeches this week, has clothed his programme for expansion with a few new details. He stressed the need for farmers to apply for, and to retain, all the regular British labour they needed, warning them that the amount of gang labour supplied by the agricultural committees would in time get less. For obtaining the new labour, and replacing German prisoners, he appeared to rely—optimistically—on tapping labour exchanges. He did not contemplate any cut

in rural housing, pointing out that 20,000 Airey houses were on order by the Government for rural purposes. The one positive statement was that the steel allocation for agricultural machinery had been restored to the maximum that the manufacturers could use, and that exports would also be encouraged in order to build up production to an economic level. This is a wise move. On feeding stuffs, Mr Williams said the aim was two-thirds of prewar imports from 1951 onwards (why not more?) and was cautious about obtaining even this goal. He relied on farmers getting half a million acres more wheat, and maintaining the potato acreage for next year without resort to direction.

Mr Williams also dealt, briefly, with economic criticisms of his target. He pointed out rightly that the abolition of food rationing, for which the Government was working, would require budgeting for dietary standards that would ultimately be very much higher than those of 1938. He assumed that half the nation's food would always need to be imported, and hoped for some fall in world prices, but argued that even so there was urgent need of greatly increased output from home sources. This also is sound. But the Minister then overreached himself by boasting that, if the 1951 targets were secured, agriculture would have replaced £202 million (at postwar prices) of imported food and have "done so in large measure by an increase in efficiency." This is a strange conception of efficiency, a word which Mr Williams several times employed in similar contexts. For it appears to have no relation whatever to the calculation of cost—or if there is one, it was not vouchsafed. The Minister underlined his aberration by repeating the doctrine that the new capital equipment, which is certainly necessary, is best got by inflating farm prices.

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Wooing the Indian States

The settlement which left the Indian States free to choose whether to adhere to India or Pakistan is now producing, as was to be expected, some very knotty problems. For the great majority, geographical location and the religious persuasion of the rulers and their peoples have determined the choice without much difficulty, and the recalcitrance of states such as Bhopal and Travancore has been overcome after a little bargaining. For Moslem rulers within the geographical orbit of India the choice has been harder. Hyderabad has avoided it by claiming full independence without adherence to either India or Pakistan. On the other hand, the small state of Junagadh in Kathiawar, which has a Moslem ruler and a mainly Hindu population, has caused a turmoil by opting to join Pakistan. The Indian Government has openly declared its refusal to permit this to happen, has sent troops to Kathiawar to overawe Junagadh and has demanded a plebiscite of its people to decide the issue. Meanwhile a Hindu "provisional government" of Junagadh has been set up outside the state to organise opposition to the will of its Moslem monarch.

Pakistan has asserted the legal right of the ruler of Junagadh to join Pakistan, but has declared its willingness to discuss a plebiscite to be held there. The plebiscite proposal, if accepted on principle, would be applicable also to Hyderabad and Kashmir, and Pakistan would stand to gain by its general application, for, whereas Hyderabad is not in any case going to join Pakistan, and probably cannot remain independent for long, surrounded as it is by Indian territory, Kashmir, which is ardently coveted by the Moslem League leaders, could presumably be brought in by the votes of its Moslem majority, and an adverse decision in the small and isolated state of Junagadh would be a small price to pay for Kashmir. If it is going to be consistent, the Indian Government may, therefore, find the plebiscite principle inconvenient, for the Hindu Maharaja of Kashmir is believed to incline towards accession to India and would probably take this step sooner or later if the right of the autocrat were to be recognised as the only rule. So far indeed he has been sitting on the fence—or on the elephant's trunk, if a more Indian simile may be used—and the supporters of the Moslem League among his subjects have already started a rebellion against him in anticipation of his coming down on the wrong side. The Kashmir situation has not yet reached its climax, and before the crisis is resolved, it may yet impose a severer strain than any other conflict so far on relations between India and Pakistan.

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More Talks on Germany

The talks which open in Washington this week between the British and the Americans to discuss further aspects of their German policy are not intended to prejudice the outcome of the Four

Power Conference later in the year, but in the present division of Europe, it is difficult not to feel that more binding decisions are likely to issue from Anglo-American than from quadripartite discussions. Two issues which visiting American Congressmen have urged on General Clay do in fact trespass on Four Power territory; nevertheless, they may be discussed. Lack of a government and of a stable currency are generally felt to be two of the root causes of Western Germany's continuing collapse, and the establishment both of a separate parliament at Frankfurt and of a separate currency in the West—with the probable adhesion of France to both—are likely to appear on the agenda.

The most immediate problem remains, however, the financing of Bizonia. Dollar imports for 1947 may amount to as much as \$800 million and the British are still responsible for financing half of them. Such a position is so obviously intolerable that the Administration has tried to persuade the Appropriations Committee of the Senate to sanction the transfer to Germany of money allocated to occupation costs elsewhere, but there is no evidence yet that Senator Styles Bridges has been convinced. A further difficulty lies in the possibility that the figure, high as it is, may be inadequate. The cost of food is rising. At the same time, the productivity of Western Germany continues to decline. In spite of direct individual incentives, the crucial output of coal in the Ruhr has fallen again. The average daily figures in recent weeks have been: week beginning September 21st, 240,367 tons; September 28th, 239,850; October 5th, 239,672. (The highest daily figure ever achieved was 244,080 tons on September 4th.) Now some observers are inclined to argue that since work is a social as well as an individual effort, the complete destruction of a functioning German community—visible daily in the ruined cities and paralysed administration—is perhaps the first cause of the constant fluctuation in the miners' output.

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The "Holmag" Affair

It is this problem of social and psychological environment that makes it literally impossible to understand the latest twist in Anglo-American policy. For some months now, and with increasing certainty in recent weeks, the people of Western Germany have begun to realise that a large and undefined number of factories are to be removed as reparations. Week by week, the publication of the actual list has been postponed, so public rumour has been free to boost the figure of condemned factories from the probable 1,800 to tens and tens of thousands. The prospect of transferring some 30,000 workers from the zones' meagre labour force at the onset of winter to the demolition of factories where some of them at least have been at work for two years, was so revolting to the German authorities and to the trade unions that Military Government has received a series of appeals and protests. To these General Clay has replied, in the idiom of the conqueror, that if German workers refuse to dismantle their factories, food shipments to Germany will be cut.

It is a weary business to attempt to follow the logic of Anglo-American policy in Germany. Even if Potsdam were sacrosanct and every claim for reparations justified, it should be clear that dismantling cannot be undertaken now. Some "Category A" war plants could be shut permanently and demolished later. Western claims could perhaps be met at a future time by some reparations from current production. But demolitions and dismantlings now will spell the end of any constructive Allied policy in Germany.

The "Holmag" affair in Kiel has come to underline the warnings of the German authorities. The Holmag factory, which was converted to war production under the Nazis, returned to its previous civilian output in 1945 and for two years now has been working, with 1,800 workers, on machines needed by the railways, the mining industry, agriculture, fishing and other sectors of the industrial front. Early in September (by irony, immediately after Kie's Reconstruction Week) the order came to demolish the works. The workers refused and the factory was occupied by British troops and German police—a fact which led to the strongest protest from the German administration, who believed themselves responsible for the police force. When the workers arrived to work next morning, they found the factory shut and barred and the rumour spread through the town that "the British had sold the whole plant to India." There the matter rests; but the case only needs to be extended to a dozen towns and a score of factories for the Allied authorities to produce complete political and industrial paralysis in their zones.

Enter Labour Control

The Control of Engagement Order came into force on Monday with remarkably little fuss or bother. It will indeed be possible to gauge the effectiveness of this measure, and the extent to which it will need reinforcement by the use of direction, only during the next few months when Sir Stafford Cripps's policy of cutting down less essential production and reducing capital expenditure is put into force. The Order itself affects only people who are actually unemployed—at present a tiny proportion of the working population—and, even so, with its long list of exempted categories it allows a large number of loopholes. Sir Godfrey Ince himself recently warned an audience of industrialists "not to expect too much" from the Order. This is both because there are physical limitations in lack of housing in areas short of labour and because, in the existing state of full employment, it becomes increasingly difficult to find for particular jobs well-qualified men who are not already occupied.

For obvious reasons the Government is anxious to avoid using its powers of direction and to "persuade" rather than compel workers to take on essential jobs. Employment exchanges have been informed of what the Government regards as the priority industries—the list is discussed in a Note on page 615. In the interpretation of the term "essential," as in the administration of the control, much will be left to the discretion of local officials. They have been briefed with two unexceptionable principles—to make the best use of a man's skill and experience and to place him as rapidly as possible.

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Rounding Up the Spivs

In the meantime, the Government's plans for dealing with spivs and drones are shortly to be discussed with the Ministry of Labour's Joint Advisory Council. Here again, Sir Godfrey Ince talked good sense. As he pointed out, the contribution which men and women of this type can make to production is bound to be negligible—"I have yet to meet an employer who is prepared to take on a spiv." It is not hard to understand why. You may take a horse to water or a spiv to a workbench, but where do you go from there? What sort of work is he likely to turn out? What sort of moral effect is he going to produce on his workmates? No doubt a good deal depends on what sub-species he (or she) belongs to: the wide boys, the born-tired, the reclaimable misfits, or the incorrigible individualist. How deplorable and unmitigable a spiv, for instance, was Mr W. H. Davies, the Super-Tramp; and into what essential industrial category would Mr Isaacs have fitted him?

There is some danger, as a matter of fact, of this handy little term of abuse being applied a great deal too widely. The spiv of only a few years ago was a hanger-on at racecourses, fun-fairs, billiard saloons and such; at his most amiable he was something out of Damon Runyon, at his worst, one of the less attractive characters of Graham Greene. There cannot have been very many of him, and certainly he did not constitute a national problem. Now it is almost easier to define him negatively. Anyone of working age, sound in mind and body, who is neither a Civil Servant, a member in good standing of a trade union or professional association, or a *bona fide* working housewife, is a potential spiv. Greengrocers hurl the epithet at their grower-to-consumer rivals. Novelists, artists and students are suspect. To be a free-lance of any kind is perilous. A pessimist looking ahead might discern, without much strain on the imagination, a Britain divided into two categories only: the smugly *gleichgeschaltet* and the hunted, harried, but still defiant, spivs. It is impossible, as Mr Isaacs marshals his posse for the roundup, not to feel a certain sympathy for these irreconcilable mavericks; nor indeed to spare a little for those responsible, in the immediate future, for breaking them to harness.

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Controlling the BBC

The pother about the new machinery of survey of the BBC's expenditure, announced in a Treasury memorandum last week-end, turns out to be very much of a storm in a teacup; there is no substantial threat to the Corporation's vaguely delimited independence. In so far as its overseas broadcasts are financed not from its own revenue but from Exchequer grants-in-aid, it is proper and inevitable that the Auditor-General should exercise his usual powers. The more general functions of the proposed standing committee of representatives of the Treasury, the Post Office and the BBC, in checking the Corporation's estimates and forecasts against actual expenditure, are eminently elastic, and likely to become a matter of convention and precedent rather than

of cut-and-dried precept. The BBC in effect regains its prewar independence, but at the end of a long leash which could, in certain circumstances, be twitched by remote Parliamentary control.

On the financial side there is no ground either of logic or of anything but the narrowest expediency on which to defend the Treasury's grabbing of a considerable proportion of the BBC's licence revenue, instead of contenting itself with whatever sum is needed to recoup the Post Office for administrative services rendered; the Treasury rake-off is merely a disguised, inequitable and arbitrary tax. But this is, of course, nothing new nor peculiar to the BBC. It reproduces the Treasury's relationship with the Post Office and—to cast further back—the Road Fund. Any profitable public enterprise may be called upon to serve as a Treasury milch-cow, just as any unprofitable one may be a Treasury pensioner. There may be, in any particular case, excellent reasons for taxing the one and subsidising the other; the economic theory of public institutions has for the last fifteen years or so been occupying some of the brightest brains in the country. But actual practice has always followed the line of least political resistance and most immediate financial expediency; it is hard to feel much confidence in the soundness of an expanding "public sector" the resources of whose component parts bear no relation either to their own efficiency or to the public's demand for their products, because the Treasury has no guiding principle other than to slap down the profitable by appropriating their profits and to bolster up the unprofitable out of the general revenues. To formulate and apply such guiding principles is not easy, but it ought not to be impossible. It is a pity that a beginning could not have been made on the BBC.

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Voting in the Saar

The Saarlanders have voted in a general election which will not only decide the Government which will rule them but also the international status under which they will in future live. The voting* gave a clear majority to the Christian People's Party, which can now, if it wishes, form a single-party government to administer the territory.

But the significance of the voting lies not so much in the predominance of the Christians as in the fact that only the Communists—who received a fraction of the vote—are opposed to some form of union of the Saar with France. A few days before the election a constitutional committee, composed of the four parties, passed by eighteen votes to the Communists' two a Constitution which is in part a sort of separate peace treaty with France and in general paves the way for the territory's economic and political incorporation in France, for the introduction of French law and for the transfer to France of the Saar's defence and diplomatic representation. Since the parties which passed this draft will now dominate the Constituent Assembly it may be assumed that, with only the Communists dissenting, it will become both law and the "freely expressed wish of the Saarlanders."

This, then, is the justification of annexation which the French can take to the London conference of the four powers. In fact, some of the phases of incorporation have been carried through already. A new Saar mark has replaced the German currency. A separate customs frontier was introduced last year, and the industries are organised under French direction. The only matter for doubt now is not the fact of incorporation but the form—autonomous area, department in Metropolitan France or membership of the French Union.

The die in the Saar is clearly cast—yet one cannot but wonder why a community which twelve years ago voted by a 90 per cent majority for incorporation in Germany should vote now with equal emphasis for union with France. The French have been skilful. They have increased the food ration and given priorities to the Saar's coal and steel industries. The present state of Germany is so obviously unattractive that, like Bavaria in 1921 and Austria in 1923, the Saar for the moment finds its nationalist fervour damped. It is also true that the Saar has been for so long on the margin of geo-politics, dumped now in one direction, now

in another, that a strong strand of opportunism runs through local politics. Yet herein lies a lesson and a warning for the French. When National Socialism raised its head, its representation in the "autonomous" Saar was doubtless minute, but the full flood of triumphant nationalism finally swept it to power. Are the Communists to-day a similar portent, another cloud no bigger than a man's hand?

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Denmark Before the Polls

The Danish Parliament last week passed a vote of no confidence in the Liberal Left (*Venstre*) minority government of Mr Knud Kristensen, which on several occasions in the past few months seemed on the point of being brought down by its leader's policy on South Schleswig. And it is the problem of South Schleswig which, with the economic crisis and housing policy, will be the main election issues. On this matter the Prime Minister, like his opponents, has based himself on the compromise "October Note," agreed between the parties a year ago. This Note, which was sent to Britain on October 1st, 1946, avoids an open demand for a plebiscite on the issue of re-uniting South Schleswig and its predominantly German population with Denmark, but says that Denmark would welcome the union if the people voted for it of their own accord. But the Prime Minister has consistently sought to interpret this Note in a more positive sense by openly demanding the holding of a plebiscite. This unpopular "forward" policy would not, however, have been enough to bring the Government down, had not the growing severity of Denmark's economic position brought the necessary extra strength to the Opposition. Criticism became sharper when the negotiations with England for revising the prices of Danish food supplies were postponed and then failed. And as the economic outlook worsened everywhere the Government faced increasing opposition. Attempts to form a broader-based coalition foundered on the Prime Minister's insistence that his policy on South Schleswig should be that of the Government. Accordingly, it was no surprise that, when Parliament re-assembled at the beginning of last week, the Government immediately came under the heavy fire to which it eventually succumbed.

The Social Democrats, who with 48 out of 149 seats in the present Lower House (*Folketing*), are the largest party but lack an absolute majority and hold no portfolios, have for some months sought to force a new election. They are now virtually certain to return to power and their leader, Mr Hans Hedtoft, will be the next Prime Minister of Denmark. Yet it may be doubted whether their representation will increase spectacularly. True, the party has grown since the previous elections in October, 1945, and had cause for jubilation in the results of the municipal elections in the spring. On the other hand, the different bases of voting qualifications in municipal and general elections makes it necessary to treat cautiously any prophecies based on the results in the towns. Also, although the retiring Prime Minister has raised up some opposition by his South Schleswig policy, he has equally gained some support. The chances are, therefore, that the Social Democrats will gain some seats—mainly at the expense of the Communists, who now have 18 seats compared with 3 before the war—and will head a coalition government.

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Fruit and Vegetable Prices

Some three months ago Dr Summerskill announced that an inter-departmental committee would be set up to investigate the distribution of fruit and vegetables, but nothing further was heard of it publicly until last week, when Mr Strachey told Labour housewives that a small Fruit and Vegetable Organisation would be set up with the function of improving marketing and distribution. There is no question, as was at first suggested, of the new organisation itself engaging in direct—or presumably indirect—trading. Mr Strachey is not to run his own barrow boys. It will rather be responsible for the activities of "a team of experts" who will investigate projects, in consultation with local authorities, for improving the marketing and storing of fruit and vegetables and for eliminating waste in periods of heavy supply. It will also examine costs and profits of importers, wholesalers and retailers.

Hopes of any spectacular developments from the new organisation are officially deprecated, and since its functions are not apparently executive but mainly investigating and recommending, this modesty is wise. Supposing that it finds that retailers' profit margins are excessive, what then? Is price control, the relaxation of which is, in the Ministry's opinion—and rightly so—an essential condition of cheap and efficient distribution, reimposed? In any case, the season of glut is nearly over; next summer, by when

any of the organisation's activities may have come to something, there may be a shortage of fruit and vegetables. The organisation's work will, in fact, be more effective in the technical sphere, in encouraging methods of processing, storing, canning and freezing to eliminate waste in periods of abundance, than in any direct attempts to reduce retail prices. It is difficult to see how there can be any real fall in these so long as there is the present huge demand for food and the money in hand to satisfy it. "The masses," on whose behalf Dr Summerskill, so frequently and with so much distortion of argument, takes up the cudgels, have the remedy—to refrain from buying. And if they cannot, as they naturally will not, pass this self-denying ordinance, the Chancellor of the Exchequer must impose it for them.

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Amber at the Ministry of Health

Mr Bevan is one of the few Cabinet Ministers about whom rumour was rife, but who has nevertheless kept his place unchanged. It remains to be seen whether this is due to stubbornness or tractability. Has he won his case for keeping housing priority number one in the building programme, or has he been persuaded into a less clamant frame of mind? Presumably this will not become apparent until the revised programme of capital expenditure is announced. Meanwhile the lights are at amber for new housing plans.

It is inconceivable that some adjustment downwards has not been agreed; the danger is that it will not be large enough. Politically, housing is a major issue and the Labour Government have in the past trumpeted their intentions about housing so energetically that the counterblast is likely to be very loud when the public realises that it will have to endure an additional three or four years of overcrowding and domestic friction. And Mr Bevan has pledged himself so unreservedly to bigger and better houses in ample numbers that a reversal of policy would come as a severe shock. Shocks are not what this Government have so far been willing to produce deliberately, but perhaps they have learned wisdom. It would serve them and Mr Bevan far better to cut drastically now and to improve upon these cuts later. Nothing is so disheartening to the public than a steady whittling down of expectations.

It is to be hoped that the lights will not be left at amber for

long, for whatever restrictions in the plans are thought necessary, the truncated version should be pursued without delay. Too much personal misery is involved for it to be tolerable that avoidable delays should aggravate the unavoidable. At Tuesday's meeting of the London County Council it was reported that the Ministry of Health had informed the Council that the Government was reviewing the country's building programme and that until this review was complete no new tenders for houses would be approved. A similar statement is being given to any other local authority which seeks to proceed with new building plans. One of the secrets of success in building is to produce an even flow of work from start to finish. The sooner local authorities can readjust their starting plans to the new situation the better.

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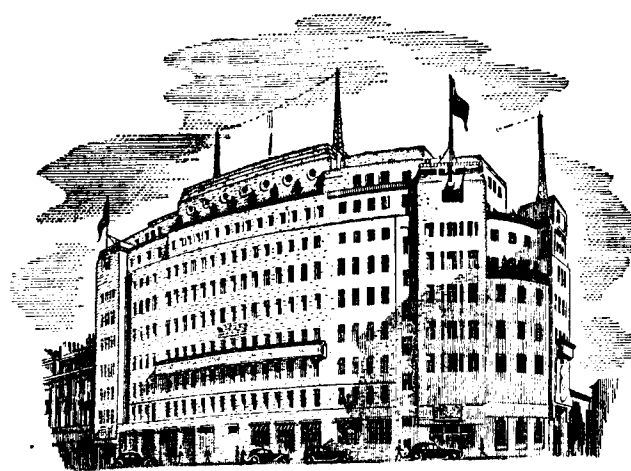
Future of the New Towns

Four new towns in the London region—Stevenage, Crawley, Hemel Hempstead and Harlow—a new town at Aycliffe and another at Kilbride in Scotland, have now been designated, development commissions appointed, and preliminary plans made. The immediate future of the new towns is in peril now that drastic housing cuts have to be made. On economic grounds new towns are among the worst places to build during the next few years. Extensive outlay on utility services in advance of housing is necessary even where the nucleus of the town already exists. In particular, building labour is scarce at the new sites and accommodation for it must be first provided. The new towns are in rural areas and compete with agriculture for building labour. The logical place to concentrate urban housing, when the cuts come, is in the vicinity of existing towns where a reservoir of labour exists which cannot easily be transferred elsewhere. From the viewpoint of minimising the investment programme while maximising the output of houses, new towns have a poor claim on national resources at the present time.

This is the economic case against new towns. The planning case for them remains as strong as ever, but it cannot of itself be allowed to outweigh the economic arguments. However, their very predicament gives the planners a chance. Extensive suburban building plans, such as the LCC's Chessington scheme, have been sanctioned on the plea that the building of new towns will be too slow to satisfy immediate housing needs. Now suburban housing

METAL WINDOWS

in the Life of the Nation



Broadcasting House



More than 180,000,000 copies of books are printed in Britain every year. The printing of those millions of books accounts for but a small part of the vast tonnage of paper used in this country each year. Monsanto manufacture a wide range of chemicals for the British paper and printing and publishing industries.



SERVING INDUSTRY . . .
WHICH SERVES MANKIND

as well will be held up. If, when the housing drive reopens, the new towns programme is all ready to go ahead without any delay, then there is good hope of turning it into an effective instrument of urban decentralisation and making town and country planning effective.

It is therefore desirable that plans and preliminary preparations for those new towns already designated, and others as well, should proceed without interruption. As far as it can be done, basic engineering works should be undertaken and there may be sites where housing can be started without difficulty. Much will depend upon how drastically the national housing programme is to be cut. The creation of new towns seems due, however, for a chrysalis stage.

The Right of Judicial Murder

The Bulgarian Government has now replied to the British Government's Note on the trial and condemnation of Nikola Petkov, asserting that the trial was fair and that the protest is an "encroachment on Bulgaria's judicial authority." Meanwhile the Agrarian Union has been dissolved as a sequel to the trial and a new batch of alleged "conspirators" are being tried for their lives. From other countries in the Russian zone of Europe come reports of similar manifestations of judicial activity of the kind we are now accustomed to associate with the Communist conquest of political power. In Belgrade, Mr Jovanovitch, leader of the Serb Peasant Party and distinguished as the solitary opposition member of Tito's packed parliament, has been sentenced to nine years' imprisonment for trying to form "a peasant bloc" within the People's Front, having been instigated thereto by a former British Press Attache and by Mr Hugh Seton-Watson. In Yugoslav Istria a "People's Tribunal" has just imposed sentences of only three and five months' imprisonment on two men who brutally murdered a Catholic priest, but sentenced to six years for "provocation" the local parish priest, who himself narrowly escaped assassination, and to terms up to eight months several peasants who had tried to prevent the Communist mob from forcing its way into the church. In Rumania the veteran leader of the National Peasant Party, Mr Maniu, now faces capital charges of conspiracy. Even in Czechoslovakia, the hardest political nut to be cracked by Communism in Eastern Europe, sensational plots are being discovered daily, and political trials of far-reaching importance are apparently being prepared.

It cannot be asserted in advance that there are no real plots against the new regimes in Eastern Europe. But the outside world can only judge of the reality of the alleged offences for which prominent public figures are imprisoned or put to death by the conduct of the trials in which they are convicted, and when the misconduct of the trial is as scandalous as it was in the case of Petkov, it can only be inferred that the prosecution's evidence was not such as to stand up to cross-examination and that the whole business was a "frame-up" designed to get rid of a formidable political opponent.

An EAM correspondent in a letter published in *The Economist* last week compared the case of Petkov with those of Partsalides and other Communist leaders who have been condemned or are on trial in Greece. It will be agreed that, though this country and the United States have no legal ground for intervention such as they have in ex-enemy countries on the basis of the terms of the peace treaties, they have a moral obligation in view of the support they are giving to the present Greek Government to observe political trials and censure any irregularities in their conduct. It is to be hoped that steps have been, or will be, taken for observation of these trials. It must be pointed out, however, that there is a difference between the cases of Petkov and of Partsalides, as is explained in a letter from the side of the Greek Government which appears on page 597.

Russian Initiative in Korea

The Russians have recently made a proposal for the settling of the Korean problem, which, if it is meant seriously, may resolve the Russo-American stalemate on the 38th parallel. General Shtikov, the head of the Soviet delegation to the joint American-Soviet Commission for Korea, has proposed that the United States and Russia should simultaneously withdraw their occupation forces from Korea by the beginning of next year. Under the Potsdam agreement, the USA and the USSR were to occupy Korea for a period of five years after the armistice. Until quite recently the Russians treated the agreement on the occupation of that country as sacrosanct. So much so that they summarily denounced as disloyal elements all Korean groups and parties which were opposed to the occupation and declined their right to any share in the Korean administration. General

Shtikov's proposal is therefore a new departure which deserves examination.

What is not quite clear yet is whether the Soviets propose that the withdrawal of the occupation forces should take place regardless of whether a central Korean government has been formed before the date of the withdrawal or whether they suggest that a central government shall be set up within the next three months and that only then shall the withdrawal take place. If it is proposed that a government should be formed first, then there is little hope that the stalemate will be resolved, because it has been precisely on the composition of such a government that the Americans and the Russians have stubbornly failed to agree. Russian sources vaguely suggest that the armies should withdraw first and that the formation of a central government should be left to the Koreans themselves.

The Russian initiative in Korea, startling as it appears at first sight, might be an extension of Russia's general military withdrawal behind its own frontiers in Asia. The process started with the evacuation of Persian Azerbaijan early last year and was continued with the evacuation of Manchuria. In the course of this year, the Russian attitude in Asia has been one of increasing passivity; and this has newly been illustrated by the lack of any Russian reaction to the reverses of the former Yenan regime in China. Against this background, Russian anxiety to terminate the occupation of Korea and thus to eliminate a potential storm centre from Asia might be genuine. On the other hand, the Russians are reported to have built up a Korean Communist army in their zone and they may believe that simultaneous Russian and American evacuation would enable this army to dominate the whole country and determine the composition of Korea's future government. There can be no doubt that the propagandist effect of General Shtikov's proposal has had repercussions favourable to Russia in the whole of Korea, since this sort of "championship of independence and sovereignty" is bound to evoke response in any occupied country. It is also certain that, when the Korean issue comes up for discussion before the United Nations, the Russians will make the most of their proposal, which has probably been put forward in the hope that it will effectively block the debate in the United Nations.

Road Accidents

The Committee on Road Safety, appointed in December, 1943, has now submitted its final report to the Minister of Transport and the report has been published (HMSO 2s. 6d.). It is a long document, containing 144 pages—no one could say that the committee have left any avenue unexplored. Yet its continued effect is, rather surprisingly, one of vagueness and uncertainty.

It is possible to pick out many recommendations of value. It is advisable, as the committee suggests, that pedestrians on busy roads should be placed under more specific duties, particularly that of obeying traffic signals; the careless pedestrian may himself escape injury, but he may leave behind an angry, and possibly temporarily a more "accident-prone" motorist. Similarly the committee's proposals that cyclists shall be subject to driving duties and penalties similar to those imposed on the motorist is no more than common sense. Possibly most valuable is the suggestion that all vehicles on the road should undergo periodic inspection. Defects likely to cause danger would result in either a temporary or a permanent stop being placed on them. All of the committee's recommendations, if adopted, would reduce the total of road deaths. None of them solve the real problem, which is that the motor vehicle is far more lethal a weapon than either driver or pedestrian will admit.

Shorter Note

Recommendations for increasing the salary scales of school teachers were made last week. This week similar proposals are made for the teachers in technical colleges and schools. For the grade of assistants the recommendations are the same: that is, the maximum is raised to £555 for men and £444 plus additional increments for a university degree. Scales for senior assistants are increased from £750 to £800 for men and from £600 to £640 for women. Similar increases of £40 to £50 for heads of departments will do little to improve the relative positions between heads of departments in universities and in technical colleges doing work of university standard. Such a leveling up was one of the recommendations of the Parliamentary and Scientific Committee for improving the quality of teaching and research in the technical colleges.

Letters to the Editor

Patent Law Reform

SIR,—Your article on the final report of the Departmental Committee on Patents and Designs, touching as it does the important subject of invention, recalls the great value to the nation of new ideas, and especially those possessing patentable novelty.

It is a distressing fact that the particular incidence of taxation levelled at inventors should operate to stifle rather than encourage invention. It is probably not generally realised that in this country the purchase consideration payable for an invention embodied in a patent is taxed in many respects as if it were income. Although a lump sum payment for a patent is spread equally over the inventor's tax assessments for six consecutive years, this hardly excuses the arbitrary conversion of a capital asset—a patent—into income the moment it is replaced in the hands of the patentee by a sum of money. It would no doubt serve as a valuable stimulus to invention if some proportion at least of this consideration could be treated as capital.

Inventions spring from two main sources: (a) organised research and (b) inherent inventive genius. Research has now been given some degree of official recognition in that, for example, an industrial undertaking may be permitted to spend up to an agreed sum annually out of profits upon fundamental research and such sum is exempt from tax. This, however, does not help the individual who is not employed in some commercial undertaking and who works on his own. This class of inventor, who may not be amenable to organised routine, is nevertheless a national asset whose contributions should be recognised.

No doubt many inventions lie dormant either because the inventor does not fully appreciate the existing or potential demand or because he lacks knowledge of how to set about investigating markets. Generally speaking, the patent agents' usefulness ends when a patent is granted and the lawyers' usefulness does not arise until a purchaser or licensee has been found and some form of agreement is required. What the inventor frequently needs is advice on the commercial utility and possibilities of his invention and the way to set about its exploitation. A comprehensive service of this kind could be of immense use to inventors.

It would be interesting to learn to what extent the Government have considered invention as a contribution to, say, our export trade. Some practical encouragement to inventors from official quarters might well have valuable consequences. At the present time there is often more incentive to develop an invention abroad than to exploit it here for the full benefit of this country, and some inventors have already followed this course. Others prefer not to apply for a patent at all and to leave their ideas unproductive.—Yours faithfully,

DOUGLAS JOHNSON

The Death of Petkov

SIR,—Mr Doganis's comparison between Mr Petkov's execution and the death sentences passed by Greek Courts on "resistance fighters," as Mr Doganis euphemistically calls them, is somewhat naive.

Mr Petkov was sentenced on evidence and in circumstances which the Western democracies have denounced as "judicial murder." In Greece, on the other hand, guerilla bands have taken up arms against the State in open rebellion against the legally-elected Government and this is a capital offence in any country. I hope Mr Doganis is not propagating the theory that participation in the resistance movement during the occupation automatically renders one immune from subsequent crimes.

With regard to Mr Partsalides, the case is *sub judice* and any advance comment would be contempt of court. But I think Mr Doganis and your readers can rest assured that his trial will bear very favourable comparison with that of the late Mr Petkov.—Yours faithfully,

A. A. PALLIS,

Department of Information, Greek Government.

34, Hyde Park Square, W.2

Agricultural Expansion

SIR,—The National Farmers' Union has no desire to enter into argument on the two recent articles on agriculture which appeared in your paper. There is one point, however, which

we must ask you to correct, namely, that the NFU cheerfully accepts the concept that "high farming" means higher average costs.

It is well known by agriculturists, and certainly by the NFU, that high farming means, to use grain as an example, lower costs of production per cwt., although of course higher costs per acre. This applies up to the stage where the law of diminishing returns reverses the trend.—Yours faithfully,

45 Bedford Square, W.C.1

JAMES TURNER,
President, National Farmers' Union

[*The Economist* equally cheerfully accepts Mr Turner's assurance, and hopes that his Union will be equally ready, at the next price review, to accept his thesis that increased output means lower rather than higher average costs.—EDITOR.]

The Export Drive

SIR,—British bicycle manufacturers, who are playing a vital part in the present export drive, are gravely concerned at the circulation in your columns (in *The Economist* of September 20th) by Mr. G. O. Canning of a story that a British bicycle in Denmark "broke in two." Obviously such a story should be investigated before circulation, but when I asked Mr Canning for details he replied "the story of the bicycle which fell apart might be quite apocryphal." Reports of this character can do a great deal of harm to British export interests.

I have visited Denmark twice recently and have had conversations with most of the leading figures in the Danish bicycle

From *The Economist* of 1847

October 9, 1847

THE great sensation caused by the explosion of the *Cricket* testifies to the rarity of such occurrences. Were they as frequent on the Thames as on the Mississippi, we should treat them as matters of course, and pass them by unnoticed, like the ordinary dispensations of Providence. But coming seldom, when one accidentally happens, it is the parent of prodigious alarm, and of much foaming eloquence, almost as alarmingly as the occurrence.

From the first application of steam to navigation, low pressure engines have generally been employed, which consume so much fuel as greatly to lessen the efficiency of steam for long sea voyages. The danger of high pressure engines applied to ships, from which there is no means of escape when at sea, was considered too great to allow them to be used. Latterly, however . . . a distinct and clear proof has been obtained by experience [on the railways] of the safety of high pressure engines: they have been accordingly applied to the oscillating marine engine to impel boats, and the application constitutes a great improvement in steam navigation. . . .

The invention has in the first instance been brought into use on the river, where, should danger arise, rescue is possible. It has been applied to comparatively small boats, and its advantages and safety tested in the presence of great multitudes of people. In the course of nearly three years those boats have carried backwards and forward about 5,000,000 persons without a single mischance; but at length an explosion has taken place, and five human beings have unfortunately perished. Immediately it is inferred that the whole service is one of great danger; and even those journals which condemn hasty conclusions . . . adopt and enforce the opinion that the whole steam navigation of the river must be placed under the supervision of the Government. . . . Considering, in fact, the immense number of persons who are carried by steamers . . . the accidents on the river are amazingly few. More lives, probably, are annually lost above bridge by the upsetting of wharves than by all the casualties of steamboats. Compared to loss of life by small boats, steam navigation on the river seems almost infinitely safe. Its comparative novelty has caused it to be watched, and all its accidents to be faithfully noted. Nothing of importance, however, can be alleged against it; and except, perhaps, the supply of our markets . . . we are not acquainted with any part of the business of society which has been more successfully and safely managed, under the influence of competition and under the eye of the Press, than the steam navigation of our noble river.

industry. Not once did I hear complaints of the quality of British bicycles or the British components which are so largely used by the Danish manufacturers. The great regret of the Danes is that for some time they were compelled to import French bicycles—whilst we alas may not now export bicycles to Denmark at all.—Yours faithfully,

H. R. WATLING,
British Cycle & Motor Cycle Manufacturers and Traders Union
Warwick Road, Coventry

A Hungarian Democrat Wonders

Sir,—The letter from Mr Basil Davidson with the title "Turning Point in Hungary" in your issue of July 20th was one of the most enlightening comments on the Hungarian situation I have read in the English press after World War II. May I explain some of the reactions of the ordinary Hungarian democrat to the official attitude of the English-speaking world?

The British and American diplomatic representatives in Hungary protested against the withdrawal of the right to vote from certain people. The allegations were disposed of by the Hungarian Government, but one wonders:

(1) Why the British and American Governments did not take similar diplomatic action two years ago in Prague, when about half a million Czechoslovak citizens were deprived of their right to vote merely because they were of Hungarian extraction?

(2) Why the same Powers did not find any cause to protest as late as 1938 when, by the introduction of anti-Semitic legislation in Hungary by a pro-German, Fascist Government, several hundreds of thousands of Hungarian citizens of Jewish extraction were denied access to the polls?

(3) Why Britain, which is likely to be forced to play only the role of a "brilliant second" because of America's predominance, makes everywhere, especially in Central Europe, common cause with Uncle Sam against Russia, instead of being, where possible, a mediator between these contending world powers?

(4) Freedom-loving people wonder too why British foreign policy in Hungary, as well as in other Danubian countries, does not recognise the obvious fact that precisely those persons who, under Nazi domination, were loudest in their vituperation against Britain and America, are now the leaven of anti-Russian feeling. Those elements believe that, just as Horthy could rise to power and co-ordinate his counter-revolutionary regime—which was Fascist even before Italy became Fascist—by the help of British backing and American loans, Britain and America will again come to their aid.

The present Hungarian regime, even if a Communist advance after the elections is discounted, is broader-minded than any previous government in this country. It is not doctrines that count, but only practical solutions. The sole object which was—and had to be—obtained at the start was land reform. In the religious field, the first clerical misgivings were not justified. Although the Church has lost its big estates, it has recovered the freedom of speech which it had lost under Horthy, when it was dangerous even for the highest prelate to protest against racial legislation which persecuted—on fundamentally pagan grounds—scores of thousands of innocent people, many of whom were of the Christian faith.

Every Hungarian democrat desires to be on good terms with Britain as well as America, and acclaims trade agreements such as those recently concluded with Great Britain. Yet they expect their country's economic, democratic and social achievements to be esteemed and her difficulties considered. Hungary is on a good path; of course, loaded as she is with the heavy burden of the past, she sometimes stumbles. Those—are there any?—who are without sin among the nations, let them cast the first stone at her.—Yours faithfully,

Ponty utca 4, Budapest, Hungary

ANDOR KARÁSZ

Equality and the Budget

SIR,—The remark, in your article in your issue of October 4th, that, as a result of cuts in the food subsidies, the wage-earners would have less money for football pools and betting, for drink and tobacco, but they would suffer no diminution of the things that are scarce,

is less than honest. A saving on working class expenditure on circuses is not going to redress the national economy; neither the saving of labour or of imports would be sufficient. The main point of the cut you propose would be to make them consume less bread—including in this food, clothes, household needs and fuel, so as to release labour and goods for more urgent needs, including exports.

I am not arguing whether this is, in fact, necessary or just—I am condemning your putting a false colour on the argument—it is a little too reminiscent of the days when a wage increase could be resisted on the grounds that the wage earners would only spend it on beer anyway.—Yours faithfully,

D.

Books and Publications

Cole on the Universe

"The Intelligent Man's Guide to the Post-war World." By G. D. H. Cole. Gollancz. 1,143 pages. 21s.

THIS encyclopædia of current events is an extraordinary feat, no less of publishing than of journalism. More than usual, of course, it confronts the reviewer with the perennial problem of the quart and the pint pot. One might deal faithfully (given adequate expertise) with Mr Cole on Indonesia, or on the inner contradictions of capitalism, or on education (almost his best section) or on the Ruhr, or on the American Labour movement; but not on all of these and dozens more. One can only indicate and comment on the policy and characteristics common to them all.

Mr Cole's guiding principle is of course Socialism. He reels off the familiar indictment of things-as-they-are with the slickness of a very old hand; where a genuine argument (e.g. on the lines of Keynes) lies ready to his hand, he expounds it like a first-rate teacher; failing such, he is never at a loss for a debater's trick. If the inexperienced reader—"intelligent" but uninformed—fails to distinguish the two, who cares? Where Socialism itself is under discussion, the same technique serves a different end; if the solution to a difficulty is plain, if not easy, difficulty and solution will be admirably expounded (how excellent, for instance, is the paragraph on *Workshop Opinion and the Climate of Industrial Democracy*!). Where the difficulty is fundamental and the solution uncertain, a quick twist of the conjurer's wrist will whisk both out of sight. Having established that capitalism is evil and doomed to collapse, while Socialism is good—a task which occupies about a quarter of the book—he is ready to discuss practically every specific political and economic question agitating the postwar world, from Palestine to the Peckham Health Centre, from the Danube to Bretton Woods, from Beveridge to Uno; and very well and illuminatingly he does it, providing that the reader shares in his labours by constantly

correcting the course to allow for a drift to the Left. Dealing with Russian policy, Mr Cole has sympathy, objectivity, and so nice a diplomatic turn of phrase that the most sensitive comrade could hardly take offence. For America he has quite a different vocabulary, of petulant sneers and snarls expressing a personal spite only less than that elicited by the British "governing class." Possibly the latter was unpleasant to him at school; but what can America have done?

Mr Cole is in fact rather a pity. There is so much of value in these pages; not only so much clarity, so competent a marshalling of complex and inchoate facts, so apt a style, but also so genuine an idealism, so strong a sense of human solidarity, so lively and realistic a vision of the better things that might be. He belongs on the side of the angels. His final chapter on *Morals and Politics* is an admirable manifesto of human decency. But the hallmark of an honest democrat is objectivity in argument; not a superhuman impartiality, indeed, but a sense of responsibility to the truth. Any other form of government may rest on a lie, a myth, an incantation; but not democracy. The slickly disingenuous debaters, the darkeners of counsel with carefully selected witchwords, are unfit to be its champions, however admirable and however sincerely professed their ideals. To watch Mr Cole stating his case and drawing his picture of the postwar world, with all the bluff man-to-man persuasiveness of honest Iago, is to feel that the democratic idea, upheld by such methods, is heavily handicapped indeed.

Documentary Russia

"The Foreign Policy of Soviet Russia." By Max Beloff. Vol. 1. 1929-36. Issued under the auspices of the Royal Institute of International Affairs. Oxford University Press, 1947. 15s.

THE more sympathetic discussions of Soviet foreign policy today fluctuate between two extreme schools. The school of devotees

holds that the USSR has behaved consequentially as the only Socialist state in a hostile capitalist world, and that all its actions flow from that. The eternal Russia school, taking a more historical view, regards Soviet policies as in continuation of Czarist and pre-Czarist Russian policies under a new, more dynamically integrated regime. The truth seems to lie not so much between these two extremes as in a proper appreciation of the nature of power politics. There are patterns or tendencies of behaviour common to all powers, regardless of their ideological structure. But the methods they employ, and the manner in which their individual representatives explain their behaviour, may vary much more, according to their ideology. The representative of one power may seek to justify an act of power politics apologetically as necessary in the circumstances, while that of another will claim it arrogantly as right in itself.

"The Foreign Policy of Soviet Russia" by Max Beloff will not solve these problems, but it will provide more of the material for a solution than any book yet published in English. It is a work not of analysis but of that selective documentation in which Chatham House specialises. The present volume covers the period from 1929 to 1936 in no more than 261 pages, including an essential index—a notable feat of summarisation. The numerous footnotes are evidence of the vast amount of ground that has had to be covered.

The period up to 1929 has been covered in other works, and has therefore been reserved by Chatham House for later treatment. During that period the Soviet Union was growing up, out of the nothingness of revolution and civil war, into power status. By 1929 it was still "peculiar," but indubitably a power. The fact that *de jure* recognition was still withheld by a number of states, in and outside Europe, was an aftermath of revolution which did not much affect the general picture. More than half the volume under review is given to the 1933-6 period when the Soviet search for security against Hitler led it to join, and to play a challenging part in, the League of Nations. By 1936 the USSR was no longer a weak power. Its international prestige, which had not yet suffered the shock of the 1936 purge and treason trials, was at a high level, never to be reached again until the heroic days of Stalingrad raised it to a new peak.

One point of detail—the habit of referring to powers as "she" perpetuates the illusion that powers are like people, rational and moral. This is the source of much confusion in political judgments, and it is to be hoped that in a second edition Russia, Great Britain and the rest will be described uniformly as "it."

The Seventh Age

"The Real Lloyd George." By A. J. Sylvester. Cassell and Company. 322 pages. 18s.

MR SYLVESTER, then a confidential shorthand writer in the Civil Service, first met Lloyd George in 1915. He became his confidential political secretary and remained with him until he died. He arrived at the peak of his career and he watched it decline. This book is a record of those years.

It is not a good book. It is disconnected and not sufficiently selective; there is far too much in it that is purely superficial. Yet it has its own fascination. It is about Lloyd George, and Lloyd George, even in the days of his decline, when he had ceased to be the leader of his nation and had become an old man incapable of making up his mind, never lost his power to fascinate and entrance. He had some quality of genius. Mr Sylvester believes this and there is sufficient evidence of it in this book to confirm it.

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The powers that Lloyd George possessed were instinctive, not reasoned. He was a showman, with all a showman's care for the detail that his public will see and contempt for that which it will not. He reacted to people, not principles (and thus was unfortunate when he encountered Hitler). He needed success to make him believe that he could be successful. Above all he needed to be successful. When the spell was once broken, as it was with the collapse of his Coalition, he could never recapture it. He was a great tempest, turning some windmills, destroying some landmarks, wrecking a hostile armada, and leaving a legend behind him.

Some of this is in Mr Sylvester's book. The rest must wait for a biography yet to be written, a biography which will be the most difficult literary task of this century.

Money Matters

"The Gold Standard in Theory and Practice." By R. G. Hawtrey. Longmans Green and Company. 280 pages. 9s. 6d.

"The Meaning of Money." By Hartley Withers. John Murray. 324 pages. 8s. 6d.

THE reprinting in a revised and up-to-date form of these two prewar classics will be welcomed with relief by students, teachers and all those interested but frustrated individuals who once felt that they knew something about how the financial system worked but have since 1939 despairingly ceased to do so. Mr Hawtrey's book is perhaps more interesting to the historian than to the student of current affairs, though the latter also will find it useful, and his account of the Bretton Woods institutions, set in perspective against such previous stabilising efforts as the Genoa Conference of 1922, is a valuable aid to understanding the present. Mr Withers's inside view of City institutions, both in their day-to-day functioning and in their wider economic significance, is as invaluable as ever—more so, indeed, for he used to have competitors and now he has practically none. He is not, of course, merely a guide to City procedure; he is also a shrewd judge of, and cogent reasoner on, economic policy in general. One enormous gap, however, will strike the reader; he makes no mention whatever of the relationship between monetary and employment policy. Even if (as well he might) he had decided that his book would be pushed completely out of shape by any full discussion of that relationship, he might at least have pointed out its existence. A minor criticism is that revision has left here and there—particularly in Chapter XV—a confusion of tenses which makes it hard to tell whether any given statement refers to 1937 or to 1947.

Shorter Notice

"Blue Pencil Admiral." By Rear-Admiral G. P. Thomson. Sampson Low. 216 pages. 15s.

REAR-ADMIRAL THOMSON, rather to his surprise, was appointed to the press censorship section of the Ministry of Information at the outbreak of war and, again probably to his surprise, remained there as Chief Press Censor for the whole period of hostilities. It is generally agreed that Admiral Thomson made a good chief censor; his record in this book shows why. He was practical, ready to learn, willing to make decisions, to justify them and to stand by them, all of which are qualities proper to good admirals and good editors. Admiral Thomson must have enjoyed his job, in retrospect. He certainly saved many in Fleet Street from having a worse one.

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AMERICAN SURVEY

The Problems of Eating

(From Our US Editorial Staff)

THE immediate food problem with which the American Government is very painfully struggling is how much grain the United States can export this year without causing domestic food prices to be at levels destructive to the economy and to the political situation. The export goal of the Department of Agriculture has been 470 million bushels, the Cabinet committee has suggested 570 million bushels, and good international relations and humanitarianism both suggest more—Congressman Taber's outrageous Berlin statement that he could find no one in Europe ill-fed to the contrary notwithstanding. Food prices are already dangerously high, with only about half of the Department of Agriculture's programme accomplished—dangerously high for future economic stability and dangerously high for the fate of whichever political party is tagged with the blame in next year's election. And dangerously high for foreign relations, though the effect of American prices abroad is often exaggerated, since so large a proportion of food is obtained at prices having no relation to those here. The level of prices received by farmers on September 15th was 18 per cent above a year ago, 22 per cent above the highest point reached after the first war, and 286 per cent of the 1910-1914 average.

In this situation, President Truman has appointed a Citizens' Committee headed by Mr Luckman to devise a programme, and, working with other governmental groups, to get it into effect. Discussions of what the programme may contain when it is formulated cover a wide range of subjects. Emphasis will almost certainly be given to less waste of food, and this has decided potentialities, as one bushel saved per head would make an enormous difference. The programme may not go so far as Mr Taft's thoroughly valid but politically inept suggestion that the American people should eat less. It will almost certainly include substantial efforts to curb the feeding of grain, especially of wheat, to livestock; the threat here to supplies and prices is very great owing to the short corn crop and the very high prices and great demand for meat. A programme to curtail the use of grain by the distillers is already under way. And efforts are also under way to curtail speculation, with the Chicago and other main exchanges agreeing to a new variable scale of margin requirements. Export controls will also be tightened.

Whether these moves will be sufficient remains to be seen. Voluntary efforts, including the late Newburyport plan, have a scant record of success. This doubt has led some people to urge the reimposition of price controls and rationing, at least for certain items. But quite aside from political doubts, based on grounds both of domestic and of international relations, there is a very great question whether price control and rationing would work. The hypothetical case for them is very strong, but planners are learning, as physical scientists long ago learned, that what goes well on paper too often goes very badly in life. The great risk of price controls and rationing now is that they would reinstitute the black market in meats at once and on a large scale, and result in more, not less, feeding of grains to animals.

But while the immediate task is to obtain 100 million bushels or more without inordinate price dislocation, the food problem has very long and complicated roots. The problem is not one of small production, for total food and agricultural output in the United States this year will be 35 per cent to 40 per cent above prewar and, despite the short maize crop, only a very little below each of the past two years. What is happening is

enormously high consumption in this country as the adjoining tables, taken from a Congressional document, show. And within this apparent consumption there is undoubtedly much waste and not a little literal overeating. And the real root of this is in turn, inflation. The enormous and still expanding money supply overruns even the greatly enlarged production. And it is not foreign demand, for exports take only about 7 per cent of agricultural output and only about 8½ per cent of those types of production which are exported.

But agricultural policy has made its own contributions to the present plight. During control days it established price relationships which encouraged the feeding of grain to livestock and depleted storage supplies, so that this year's short maize crop

FOOD CONDITIONS IN THE UNITED STATES AND BRITAIN
Apparent Per Capita Civil Consumption

	UNITED STATES			UNITED KINGDOM		
	1947	1947 as % of		1946-47	1946-47 as % of	
		1946	1935-39		1946	Pre-war
Total	100	100	118	100	100	100
Meats	155	101	123	95.3	104	85
Eggs	47.2	101	127	21.1	100	86
Poultry	23.7	94	132	4.0	129	89
Milk	810	100	101	318.3	100	144
Fats and oils	42.5	108	95	33.4	96	74
Fresh fruits	148	105	107	54.3	117	80
Canned fruits	19	92	128	16.3	96	63
Fresh vegetables	260	95	111	85.6	96	108
Potatoes	122	100	93	292.0	100	166
Refined sugar	92.8	124	96	77.6	103	75
Corn meal	19	112	83	...	...	...
Wheat flour	150	96	98	217.3	98	112
Canned soups & baby foods	10.4	90	200	...	...	...

NUTRIENTS AVAILABLE FOR CIVILIAN CONSUMPTION
Per Capita—Per Diem

	UNITED STATES			UNITED KINGDOM		
	1947 lb.	1947 as % of		1946-47	1946-47 as % of	
		1946	1935-39		1946	1935-39
Food energy, calories	3,450	101	106	2,880	100	96
Protein, grams	99	97	111	89.4	99	112
Fat, grams	144	100	109	110.6	99	85
Carbohydrates, grams	438	104	102	380.8	100	101
Calcium, grams	1.07	95	119	1.03	100	149
Iron, milligrams	18.6	98	135	17.7	104	143
Vitamin A, internat. units	9,400	97	116	3,763	101	94
Thiamin, milligrams	2.17	95	141	1.87	101	155
Riboflavin, milligrams	2.46	95	132	2.02	102	125
Niacin, milligrams	21.2	99	138	16.7	97	125
Ascorbic acid, milligrams	135	96	117	107.6	99	122

was the more serious. Last year it led to government purchase and destruction of vast amounts of potatoes in price-support operations, instead of letting prices go down to increase consumption of a plentiful and cheap food; this was coupled with official efforts (successful) to reduce potato acreage this year. Consequently, now potatoes, which might otherwise be a real boon to those who are being squeezed by high prices, are scarce and expensive. In the same far from beneficent way, eggs were bought and made unusable last year and poultry production discouraged. Now poultry is scarcer than last year (as the table shows) and eggs almost no greater. And with scarcer and dearer potatoes, eggs and poultry, consumption is turned even more to meats, to the impairment of the consumer's budget and the curtailment of grains.

The United States is not, of course, the only nation whose food problem has been grievously aggravated by monetary

management and agricultural policy. The Paris report of the sixteen nations to Secretary Marshall is fluent on the former subject and the great reduction in French wheat acreage this year as a result of price policies is a classic example of the latter. It is the terrible misfortune of Europe and the world that, in addition to this vast human mishandling in the United States and abroad, the weather also reduced output.

American Notes

An RFC for Europe?

The President's decision to play a waiting game with Congress on stop-gap aid is viewed more charitably and more hopefully in the United States than was possible in the first days of indignant disappointment. Without minimising the dangers of delay, it is felt that to call a special session without first securing the agreement of the Foreign Affairs and Appropriations Committees would be even more risky than the gamble that Congress will, by December, see the light unaided. Mr Roosevelt himself fully appreciated the dangers of getting too far ahead of public opinion, under political conditions never as awkward and explosive as those which confront his successor.

It is possible—as is argued in a later note—that by the time the Marshall plan is in operation the peak of the American inflation, which mops up all surpluses, may have subsided. For the moment, however, the realisation reached by the Harriman committee, that in many directions an effective scheme of aid will require the institution of relative priorities between European needs and American demands, foreshadows not only a lengthening of Congressional debate, but the creation of some new agency to act as permanent arbiter. Mr Winthrop Aldrich, chairman of the Chase National Bank, in a speech last week, called for a Reconstruction Finance Corporation for Europe to handle this winter's relief appropriations as well as the longer-term programme. In his view such a corporation should be completely non-partisan and expert; it should have wide discretionary powers within the limits set by Congress and also be subject to Congressional review. The Corporation would not only have the power to determine how much and what kind of aid was to be granted to each area, but to negotiate agreements concerning measures of self-help to be taken by the recipient countries. Foremost among such aims should be the discouragement of inflationary trends abroad. The pressure on American prices should be relieved by abandoning the depression-minded demand that all funds should be spent in the United States and all goods carried in American ships.

The creation of such a corporation would satisfy the demand for more vigilant administration of American loans; it would also meet the criticism that funds voted by a Republican Congress were to be administered through a Democratic Administration through a multiplicity of agencies not really fitted for the task. President Truman is so evidently determined not to go any faster than the whole bi-partisan convoys, that he might well welcome a scheme which would permit the appointment of Congressmen and outside experts, and thus tie the opposition firmly to the Marshall plan.

Industry's Cupboard

The more closely that European needs are examined in relation to the estimates which followed from the Paris Conference, and in relation to prevailing US demand, the more pessimistic do most American trade experts seem to become. Beginning with such purely technical problems as differences in measurement and specifications, which can delay, but can scarcely obstruct urgently needed shipments abroad, the list of import requirements has aroused anew the Lend-lease controversy concerning the availability of exported goods and materials for re-export from the

receiving nation, and on the broader issue, the argument over domestic supplies.

In terms of foodstuffs, and more especially grains, this concern rests upon a very solid foundation. President Truman's campaign for "wasting less" may well be spectacular, but it is scarcely likely to bring the very substantial economies which are needed just as much because of the uncertainty of future crop yields as because of the precise pressure of European and other demands in 1947-48. Similarly, it is argued, the shortage of steel may be a basic obstacle to full assistance under a Marshall programme, the argument being that demand this year, in terms of finished steel products, will be from four to seven million net tons above supply. A similar gap is noted over a much wider list. For this reason, quite authoritative observers are now solemnly reviewing the controls which could be devised by an Administration acting under "emergency conditions."

Continuance of the domestic demand for industrial products at the peak all through 1948 is by no means assured. Notes in these columns over recent weeks have contained details which show quite clearly that, while exports have exerted a formidable marginal pressure on price levels within recent months, they have not assumed unwieldy proportions in relation to domestic demand. This is borne out by a recent survey undertaken by the Office of International Trade which reveals that very few industries show any exceptional gains in overseas shipments when measured against current output. Over a wide list of machinery manufactures, for example, the only group to export more than 10 per cent of current output in the first half of 1947 was the machine tool industry, with 42 per cent. But this industry has always enjoyed large export markets, and was in 1939 exporting an even larger percentage. After the tremendous retooling effort of recent years by American industry, it is now said to be "capable of meeting every home and foreign demand." Indeed, the industry's leaders are now complaining that dollar shortage is hampering markets. One other industry which has shown a tremendous gain in export volume has been that for freight cars, where 41 per cent of 1947 output has so far gone abroad, against a negligible foreign shipment in 1939. The gains here are due in the main to heavy French orders, built to specifications given more than two years ago, and now largely complete.

The Domestic Picture

It has never seemed possible that Congress would meet European and foreign pleas for assistance on a scale that would sustain exports at the peak levels of 1947, and current reports suggest that such a result is even more unlikely to-day. Stop-gap aid, or a full Marshall programme, will no doubt cushion any setback which occurs, but it can scarcely stay a recession springing from domestic sources. It is interesting, therefore, to examine supply in relation to 1935-39 over many of the items upon which Europe is now placing emphasis:—

	Pre-war† Average	1938	1946
Automobile trucks (000's)	709	488	1,250
Electrical motors and generators (1936-100)	100	66	416
Farm equipment (\$000's)	425	444	721
Machinery production (1937-9=100)	100	...	240
Foundry equipment (1937-9)	100	...	494
Pumps and steam power mechanism (\$ million)	1,300	...	3,100
Locomotives	295	272	690
Freight cars	38,200	16,470	41,200
Steel output (000's net tons)	46,700	32,400	684,500
Fertilisers (000's tons)	7,400	7,500	17,000
Crude oil (million barrels)	1,170	1,213	1,733
Motor fuel (million barrels)	550	570	776
Fuel oil (million barrels)	430	447	719
Bituminous coal (million tons)	400	350	600

* Or latest available rate. † 1935-9 unless otherwise stated.

Any precise forecast of domestic demand is at this stage a quite impossible task, and comparisons are complicated by the fact that a deficiency in capacity was undoubtedly developing throughout the whole of the 'thirties in relation to any condition approaching the full employment of labour and resources and by the fact that some of to-day's demand no doubt represents an effort to regain the ground then lost, apart from meeting extraordinary post-war demands.

But there can be no doubt of the extremely high level of current domestic demand. And however powerful may be the longer-term forces affecting industry, it seems at least reasonable to suggest that the present phase of an intense industrial effort may now be very near completion.



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ASSETS		
Cash and Due from Banks		\$1,208,876,854
United States Government Obligations (Direct or Fully Guaranteed)		2,183,146,029
Obligations of Other Federal Agencies		30,529,300
State and Municipal Securities		244,767,711
Other Securities		78,798,334
Loans, Discounts, and Bankers' Acceptances		1,144,278,147
Real Estate Loans and Securities		2,955,770
Customers' Liability for Acceptances		18,039,851
Stock in Federal Reserve Bank		6,900,000
Ownership of International Banking Corporation		7,000,000
Bank Premises		28,714,293
Other Assets		3,409,828
Total		\$4,957,416,117
LIABILITIES		
Deposits		\$4,622,164,738
(Includes United States War Loan Deposit \$27,896,868)		
Liability on Acceptances and Bills	\$31,397,641	
Less: Own Acceptances in Portfolio	12,056,091	
		19,341,550
Items in Transit with Branches		5,747,315
Reserves for:		
Unearned Discount and Other Unearned Income		5,231,674
Interest, Taxes, Other Accrued Expenses, etc.		34,345,337
Dividend		2,325,000
Capital	\$77,500,000	
Surplus	152,500,000	
Undivided Profits	38,260,503	
		268,260,503
Total		\$4,957,416,117

Figures of Foreign Branches are as of September 25, 1947.

\$273,436,706 of United States Government Obligations and \$3,395,011 of other assets are deposited to secure \$206,640,344 of Public and Trust Deposits and for other purposes required or permitted by law.

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PAN AMERICAN WORLD AIRWAYS

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This line of argument does not, of course, suggest that in the near future the world will be confronted with a United States bewildered by a complete collapse of the sellers' market and by an overwhelming need for exports to sustain prosperity. In some items there is bound to be a continuing shortage. Nitrogenous fertilisers, for example, are even now under rigid export control and look like continuing to be scarce for a long way ahead. And other items, such as freight cars, mine machinery, rail equipment and some farm machinery, may not react very quickly to any sharp fall in earnings prospects, simply because consumers are now financially much stronger than in prewar years and have large deficiencies to meet even by comparison with relatively "normal" years. But it is by no means difficult to imagine a very appreciable change within a very short space—it is not difficult, for example, to imagine a level of business at which the demand for steel ingots would be no higher than, say, 70 million tons. Such a change would not only simplify to a most encouraging extent any allocation problems before which Washington now stands in dread, it would no doubt bring a decided, if not decisive, change in the temper of many Congressmen. Unfortunately, it would probably be too late to affect the prospect of stop-gap aid.

* * *

Reserve Board Warning

For the immediate future, there are widespread rumours that the Truman Cabinet will press for revival of the Second War Powers Act, which lapsed at the end of 1946, and of direct price controls on certain basic raw materials, with perhaps, fixed prices for grains and other foodstuffs. Such moves, however, would arouse intense political antagonisms, and the Administration is altogether unlikely to move fast or far unless and until Congress gives a solid indication of the eventual line-up on the Marshall proposals. It is more probable that an attempt will be made to extend export controls under present powers—steel export regulations are tightening almost daily—and some assistance may be given both by the State and Commerce Departments which, under limited priority authorities, may certify that individual export items are both vital to foreign consumers, and that shipments will not damage the domestic economy.

At this stage, however, political sentiment towards the reimposition of drastic controls finds an ample reflection in a recent statement by Mr Chester Bowles who, as Price Administrator, last year struggled to retain ineffective price control powers until the moment that Congress refused absolutely to continue the game. Mr Bowles says that all recent clamour for price controls is quite unrealistic and "the task of restoring proper balance by arbitrary government action within a reasonable period has become quite impossible."

In the absence of direct controls, there is a growing demand for a much sterner monetary policy to replace the timid steps by which the Treasury has sought recently to harden short-term money rates and prevent the further "monetisation of debt." Here again, however, there are no signs of drastic action, and the situation has prompted an unusually forceful speech by Mr Marriner Eccles, the chairman of the Federal Reserve Board. The Reserve Board has pressed consistently for rigid controls on member bank credit, but the proposals have never reached Congress, which is now strongly opposed to an extension of the Reserve Board's powers, and which recently showed its distrust of that institution by the removal of its remaining authority over consumer credits.

Mr Eccles, in reviving the demand for further powers of control says that "economic collapse" must follow from the continuance of recent price movements, and that the sooner the United States faces a sharp readjustment, the "better it will be for the nation and the world." He contrasts a postwar figure of \$16.5 billion for aid to foreign countries, with \$25 billion spent on the services, and declares that it might be better to place spending "to maintain peace" above spending "to prepare for the next war." He also wants rationing—though again only if voluntary action fails—and a return to other direct controls.

The Reserve Board's warning follows a new burst of expansion

in bank loans, assisted by easier credit conditions which have followed from substantial gold imports. But while many believe that they indicate a new wave of expansionist pressure which may last through until the Spring, they are also widely regarded as a culminating phase in the present industrial boom. Mr Eccles is unlikely to secure any extension of Reserve Board powers.

* * *

The Eisenhower Boom

The routine political round-ups of Senator Taft and Governor Dewey have been dimmed by the bright new star of the Eisenhower boom. A Gallup poll pitting General Eisenhower against Mr Truman is both recognition and confirmation of his popularity. Of those questioned, 48 per cent would vote for the General, running as Republican candidate, and 39 per cent for Mr Truman as the Democratic candidate. The sensational result of this and other recent polls is that General Eisenhower emerges as the only Republican candidate who, if the election were taken today, could defeat the President.

Such a poll is, as President Roosevelt used to say, decidedly "iffy." The Eisenhower boom is being stage-managed by influential Republicans like Mr Landon, the candidate of 1936 and former governor of Kansas, and Mr Roy Roberts, of the *Kansas City Star*; but the average voter is still mystified whether General Eisenhower is a Republican or a Democrat. It is far from certain that he would consent to run, though he has never taken the opportunity of quoting General Sherman's famous "if nominated, I shall not accept; if elected, I shall refuse to serve."

On other scores it would be wrong to give too great a weight to such a poll. Much of General Eisenhower's strength may be due to the very fact that he is still above the party battle. Among the Democrats polled, 27 per cent said they would prefer General Eisenhower to Mr Truman. But many of these would cross a real party line with much greater reluctance than the imaginary one drawn by Dr Gallup. The Institute of Public Opinion itself points out that in the past samples of party affiliation have proved a sounder basis for forecasts than the ephemeral showing of individual candidates.

The latest test of this kind put Democratic strength at 55 per cent of the total and Republican support at 45 per cent. In this fact lies the only hope that the leaders of the Republican party may be led to accept an independent of great personal prestige, however reluctant they might be to fasten their wagon to five stars uncharted in their political course. They still remember with distaste the Willkie victory at the 1940 convention. The Eisenhower boom has come too early to make a repetition of the Willkie eleventh-hour strategy possible. There are more than six months ahead in which the Eisenhower candidacy will be tested to see whether it is boom or bubble.

Shorter Notes

The seasonal peak of employment has recently tested a civilian labour force which has remained above the sixty million level for many months. Though unemployment remained nominally above the two million mark in August, employers in many key industrial centres are now reporting extremely tight conditions, with numerous plants forced to curtail output to some degree, and with many local authorities forced to curtail publicity programmes designed to encourage new factory development.

*

Mr Beardsley Ruml, famous as the author of the American pay-as-you-go plan of taxation, has produced another Ruml plan. This is to finance the productive loans contemplated under the Marshall plan—estimated at about \$5 billion—by the sale of savings bonds. This scheme would have the advantage of drawing off purchasing power, making taxes lower, and not taxing those who cannot afford to contribute to European aid. Like Mr Truman's plan for voluntary rationing, it seems to have every merit except that of certainly producing the wheat—or in this case, the cash.

*

Senator McGrath of Rhode Island, has been appointed to take Mr Hannegan's place as director of the Democratic National Committee and, the Democrats hope, the architect of victory in 1948. Mr Hannegan was a convinced exponent of the view that the Democrats must concentrate on winning the labour vote, and he consequently alienated many conservative Democrats. Senator McGrath has held the Truman line, and he is acceptable to labour.

THE WORLD OVERSEAS

Comintern to Cominform

(From a Correspondent)

"I CHANGE, but I cannot die. . . . I silently laugh at my own cenotaph." Thus the ghost of the Comintern which was laid in Moscow four years ago reappeared in Warsaw last week; and the western world is once again haunted by it. Reports on the reappearance have filled the columns of the press and produced a spate of anxious speculation and grave comment. What sounds like a ghost story is in fact a serious political event.

What has happened in Warsaw? Delegates of nine Communist parties met in conference and decided to set up a permanent International Information Bureau which is to function in Belgrade. The nine parties were those of Russia and of the countries of the Russian sphere. Western Europe was represented only by the Communist parties of France and Italy. Mr Zhdanov, member of the Politbureau of the Soviet Communist Party, made a report on the international situation, after which the conference passed a resolution in which it explained the motives that impelled it to set up the International Bureau. The declaration can hardly be said to contain any sensational features. It merely sums up the stock arguments of Communist propaganda which have become familiar in the course of the last year or so. It emphasises the new alignment of international forces that has developed since the war and the opposition of two "political lines":

At one extreme the policy of the USSR and the democratic countries, aimed at disrupting imperialism and consolidating democracy; at the other extreme the policy of the USA and Britain, aimed at strengthening imperialism and strangling democracy.

The setting up of the new organisation is explicitly treated as a counter to the recent campaign against the USSR and the countries of Eastern Europe, a campaign which is "reinforced by the threats of a new war on the part of the most zealous imperialist politicians in the USA and Britain." It is in this context that the leaders of Right wing Socialism, especially those of Britain and France, have been singled out for attack, on the ground that

they by their grovelling and servility are facilitating the task of American capital, provoking its exactions and pushing their own countries on to the road of vassal dependence on the United States.

The task of the parties associated in the International Bureau is to organise the defence of peace and resist the war psychosis which is fostered in order to intimidate those "with weak nerves and the waverers" in the ranks of the "new democracies." The Communist parties warn the world against the making of concessions to the war-like trend of United States' foreign policy since, in their view, such concessions no longer serve any purpose; instead of facilitating agreement, they merely stimulate the aggressiveness of American imperialism.

War of Nerves

All the i's in the statement have been dotted; and nothing has been written between the lines. The call for strong nerves *vis-à-vis* the "anti-communist crusade" has been the most significant motif of the declaration and suggests that the Communist move ought to be regarded as an incident in the present "cold war" of nerves between east and west. It is an old truism that in such a war the side with stronger nerves is most likely to win; and the Soviet bloc is out to demonstrate that it possesses that strategic advantage. The mere hint of a revival of the Comintern, in one form or another, was certain to be taken as a provocation or a challenge by the Western Powers—this much, at least, must have been clear in advance to the initiators of the Warsaw conference. Yet the awareness of this did not prevent them from making the move. On the contrary, probably the hint of the revival of the Comintern was thrown out precisely because of its provocative implications. Moscow seems to say: "If you mean to put our nerves to a test and if you look for the signs of our weakening—well, then we shall show you the signs of our militant self-confidence. If it pleases you to indulge in an anti-Communist crusade, then we shall give you something to crusade against. . . ." In the light of this, the rump Comintern is Moscow's direct answer to the Truman doctrine.

It may be said that the event has no significance at all; that the Communist parties have anyhow been acting on Russian orders; and that the disbandment of the Comintern in 1943 was never meant to be more than an empty pretence. However, the problem has hardly been as simple as that. In the light of the Comintern's history, it appears almost certain that its disbandment in 1943 was not originally meant to be only a tactical trick. It was rather the natural epilogue to a long process in the course of which the Comintern had been withering away. Mr Stalin then seemed to have made a sincere attempt to rid his regime of one of the legacies left over from the Leninist period, a legacy which he found embarrassing but which he could not, because of the traditions of his regime, give up under normal pre-war circumstances.

Stalin and the Comintern

The Comintern was founded in 1919, when the Soviet leaders of those days, Lenin, Trotsky, Zinoviev, Bukharin and others, banked on imminent world revolution. Unlike the Second International, the Third International was not to be a loose association of fraternal parties, but a single militant world party, whose national branches were to work under a unified strategic leadership. As the hopes for world revolution gradually faded, the role of the Comintern steadily declined, until in the thirties the once dreaded organisation was little more than a meek and more or less insignificant auxiliary of the Soviet Foreign Office. Throughout the 24 years of its existence the Comintern held seven Congresses, at which its political line was formulated. Five of these Congresses were held in the first six years of its existence, 1919-1925, before Mr Stalin's ascendancy to undisputed power. The statutes of the Comintern provided for a Congress to be held every year. Yet, in the next 18 years, under Stalin's leadership, the Comintern held only two Congresses, in 1928 and in 1936. The stronger the Stalinist isolationist mentality grew in Russia, the more did Russia shut itself off not only from the outside world at large but even from foreign Communism. The decisive reason why the Comintern was not disbanded before 1943 was that the institution had been of Lenin's own making; and its formal dissolution would then have seemed to offend against the official Leninist cult. Extraordinary circumstances were needed—a state of emergency and the wartime upsurge of nationalist Russian traditionalism—for the *coup de grâce* to be delivered to the International.

The moment chosen for this was highly significant. It was May, 1943. The battle of Stalingrad had been victoriously concluded, and it was followed by a series of sweeping and successful Russian offensives. The tide of war had definitely turned in Russia's favour. Mr Stalin's motive in disbanding the Comintern could not possibly have been his desire to secure military assistance from the western Allies, as is sometimes suggested now. If that had been his motive, it would have been more natural for him to dissolve the Comintern much earlier, in 1941 and 1942, when Russia's military situation was most critical and before the great alliance of the war was firmly established. It is nevertheless true that the disbandment of the Comintern was ordered with an eye to the Western Allies. That was the moment when the mind of all Allied leaders was beginning to turn to the issues of the future peace settlement; and Mr Stalin hoped that his gesture would facilitate the working out of an agreed settlement. The present partial revival of the Comintern is a measure of the extent to which this hope has been dashed. Thus it is in a sense a gesture of frustration. Yet nobody who has had an inkling of Mr Stalin's profound contempt for the old Comintern will suspect him of much enthusiasm for the new Information Bureau. If he has given his blessings to it, he has certainly done so *contre cœur*, in the belief that the Truman doctrine leaves him no alternative but to try to reassemble the old instrument of ideological warfare.

In spite of its provocative implications, the initiators of the Warsaw conference have been curiously careful not to transgress certain limits of provocation. The statement of the nine Com-

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munist parties, for all its customary abusive verbiage, has refrained from expounding any offensive policies. It is *fortiter in modo, mediocriter in re*. Its avowed purpose is defensive. It is to rally "forces that will remain staunch and firm in the defence of peace," and to create a barrier against increasing American pressure. The declaration contains not a single appeal for revolutionary action and not a single call for class warfare in the traditional Comintern style, although in view of the very great strength of the French and Italian Communist parties such appeals might have been effective. By any normal Communist standards, an utterance of that sort would be thought mild.

The same curious combination of offensiveness and of an anxiety not to be offensive can be seen in the organisational side of the Warsaw Conference. The absence, for instance, from that conference of any representative of the Greek Communist party sheds light on the cautiousness with which the venture appears to have been planned. The Greek Communist party is the only branch of the European Communist movement at present engaged in a civil war. It would have been quite normal for any international Communist gathering, taking place now, to invite the Greeks and acclaim them as the heroes of the day. (During the civil war in Spain Dolores Ibaruri was hailed in Moscow, without any inhibition.) What has prevented the Greeks from attending is probably the anxiety of Russia, Yugoslavia and Poland not to add

fuel to the controversy over Greece in the United Nations. It is for similar tactical reasons that the Communist party or the Socialist Unity Party of Germany was not invited either. Nor was the other party embattled in civil war, the Chinese Communist Party, represented in Warsaw. Unlike the Comintern, the new organisation has so far not been universal but purely European.

"International Letter Box"

The new organisation has assumed the modest name of an Information Bureau in order to stress that it is not a real International with rigid discipline and centralised leadership though it may be the forerunner of a real International. The irony of this circumstance will be grasped if one remembers the Communists' sneers at the Second International, which, precisely because it did not effectively direct the activities of its members but merely kept a sort of an information bureau for them, was ridiculed as the international "letter box" for the various Socialist parties of the world. Even more eloquent in its way is the fact that Moscow is not to be the seat of the Bureau, undoubtedly because the Soviet Government does not want to burden itself with the full responsibility for its day-to-day activities. Thus the centre of the Stalin Church has now been moved from Moscow, the Third Rome, to Belgrade—a second Avignon?

The Politics of Western Germany

(By a Correspondent recently in Germany)

WITHIN a few weeks the four Foreign Ministers will go to London for a last attempt at reaching a unified settlement for this unhappy country. Unless they succeed to an extent far beyond the present dreams of British and American military government—and, one cannot help suspecting, far beyond their present intentions—those responsible for the combined zones will proceed with the establishment of a state of western Germany—with or without the French zone—having its capital in Frankfurt on the Main. German party leaders are now busy plotting the likely outlines of this new member of the European community.

German calculations have changed a great deal since the end of the war. The two great certainties that the invading allies would impose their will and that their will was democracy no longer stand so clear and high upon the political horizon. If at the end of the war the German people were prepared to receive presented, they were probably so no longer. In the western zones, the blessings of democracy in whatever alien form they might be at least, there are signs that many energetic and intelligent Germans have begun to see the road to their salvation along lines specifically German—and not necessarily democratic.

The reason for this is not hard to see. Each of the occupying powers—except, perhaps, the French—has attempted to reproduce a German administration in the likeness of its own image. Where the image is sharp and clear, as in the Soviet and French zones, the reproduction is easily recognisable. Both the French and the Russians have been consistent and coherent. They have carried out their policies. But with the British and American zones the image has been far less sure, and the reproduction shows signs of touching and retouching until it has almost ceased to have recognisable shape and content. The Americans wanted to reproduce the American way of life, and the British a kind of liberal social democracy; and even if any two or three people gathered together could be got to sign a simple definition of either, it is likely that some entirely new brand of German would have to be invented to understand the definition. In fact, of course, neither military government has been consistent with itself. The Americans, more empirical by nature and less wedded to doctrine by government, have far outrun the British in simple contradiction, so that Germans in the American zone now understand that, by and large, their first and only duty is to cause no trouble, feed themselves without a riot, and get on with the business of living in any way they can. It would be rash to suppose that this must lead in the direction of democracy, much less of the American way of life.

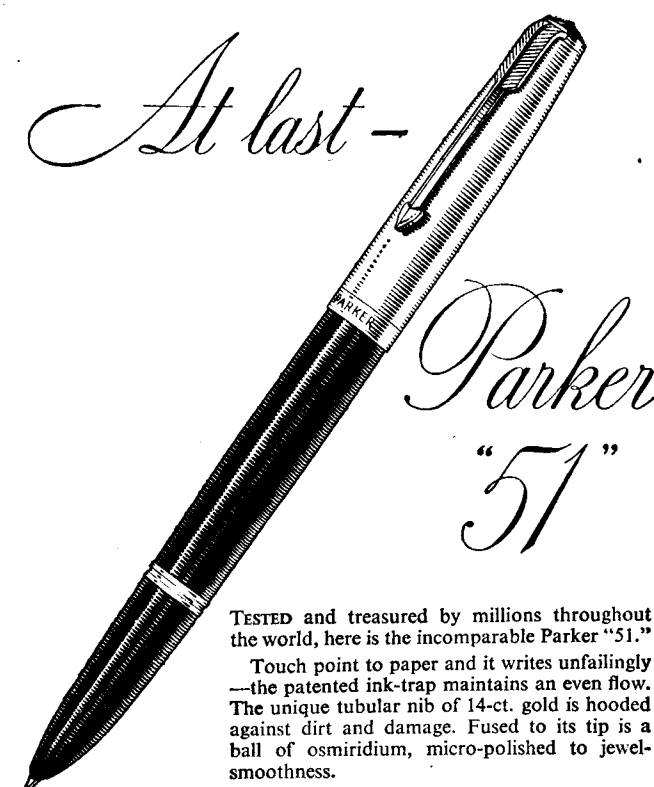
The British have done a good deal better than this, for they have had longer intervals of lucidity, a stronger, more efficient and perhaps more conscientious control commission, and problems so tough as to enforce intelligent solutions. But on consistency the record is the same. Even supposing the Germans were capable of acting as liberal social democrats—and there is no precedent for suggesting that they could—the encouragement of social

democracy must have called for a control commission which both understood and wanted this development. It is no fair criticism of the present Control Commission to say that 90 per cent of its members have no intention of hastening the Germans towards this Fabian state of grace. They dislike intensely the efforts to that end now being made at home, and for the life of them they cannot see why "their" Germany should be subjected to a similar fate. No great statements of policy by visiting Ministers or commanders can alter this. There has been nothing to stop the British from introducing long ago all those reforms proclaimed necessary by Labour leaders: land reform, the transfer of basic industries to public ownership, removal of important nazis or Right-wing nationalists from key positions, decartellisation of the big monopolies. Two and a half years after the end of the war none of these has been done, or done decisively, and few of them have now any hope of being done. American officials grow savagely indignant when they find that the British begin to blame them for this. Why haven't you got on with it, they ask, if you're so keen about it? The answer, of course, is that the commission as a whole is not keen about it, and the government at home has been content to let things lie.

Readjusting Their Position

Gradually German politicians have come to understand the nature and the depth of these uncertainties. They may not understand why the British failed to grow fat upon victory, but they see the consequences clearly enough. How carefully they are likely to watch the latent interplay of British and American rivalries is shown by Dr Schumacher's acceptance of an invitation to the United States by the American Federation of Labour. Dr Schumacher is a good enough politician to know that the compromising effect of such an invitation—for the reputation of the A F of L is well known to Left-wing Germany—could be accepted only against the promise of large and positive returns. With the whip hand for the combined zones passing to Washington, it is absolutely vital for the German Social Democrats to readjust their position—just as it is vital for the Americans to thread another string to their bow besides the Christian Democrats. The resignation of the Social Democrat Ministers from the Bavarian Government is another evidence of new-found confidence. In Bavaria the Christian Democrats have 104 seats in the Landtag out of a total of 180 and the Social Democrats only 54. Hitherto the Social Democrats have been happy to accept a coalition in which they had only seven ministries against the CDU's 15. Now they want more.

The second great lesson now being drawn from British and American examples in Germany is that the business of the majority parties in the west—the Social Democrats and the Christian Democrats—is to present a solid and aggressive front against "reaction to the right or to the left." Since reaction to the right was beheaded by the internment of a large number of



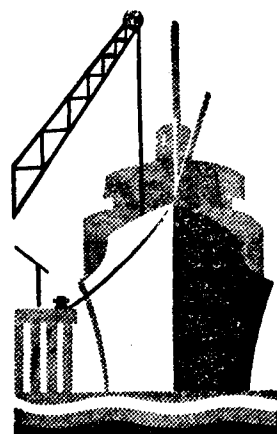
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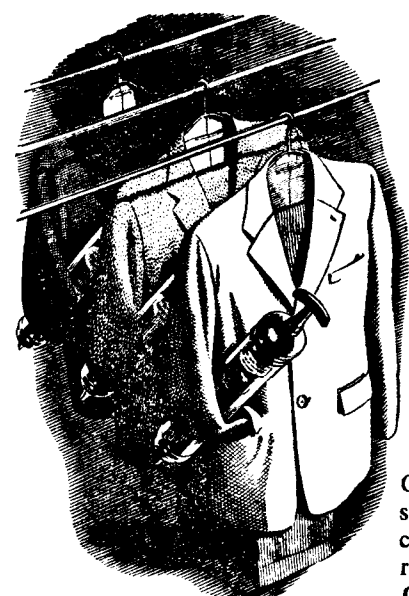
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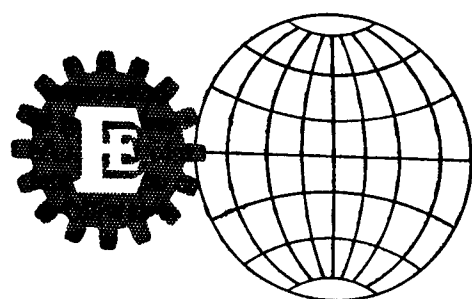
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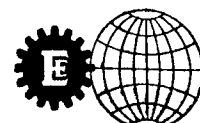
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Nazis, and even former Right-wing Nationalists like Dr Schlange-Schoeninger, British nominee for food administration, are careful to play down their past, this means joint action against the Communists.

It is against this background that the parliament of Frankfurt will come together. If the French zone is included in the state of western Germany, the lion's share of influence will go to the Christian Democrats, since they hold eleven ministries out of the 25 which compose the three governments of that zone. It is even possible that the Christian Democrats would have an absolute majority in the Frankfurt parliament—with the Right wing of the party in strong ascendancy—and it may be that Dr Adenauer, the likely leader of this great party, will want to try his hand at single-party government. If the Americans listen to Dr Schumacher—and the political situation in the Ruhr will make this obligatory—they will encourage a centre coalition without the Liberals (who, with a number of splinter separatist parties, form the present German Right wing) but also, of course, without the Communists. By the same token they will probably choose to forget some of their insistence on "states' rights." The government which may be expected to emerge will bear an unpleasant resemblance to the coalition governments under which the Weimar Republic slid nervelessly into dictatorship.

The policies upon which this unhappy parliament will join issue will not necessarily be those of good government and efficient administration so dear to the occupying Powers. It may be wrong to look up the record of Stresemann and guess that Schumacher or another will blackmail the British and Americans into one concession after another in order to avert this or that supposed disaster. But it is as plain as a pikestaff that the one issue upon which no German party can afford to show weakness is the primary duty of reuniting eastern with western Germany. Federalist tendencies within the CDU may be expected to prove no barrier against the pressure for all-German unity and for rescuing from isolation the great segment of the party left in the eastern zone. The Social Democrats will act at their peril if they allow a monopoly of patriotism to be seized and openly defended by the Communists. In the eastern zone, each of the three great parties (the SED, the CDU and the LDP Liberals) is doing its utmost to persuade the electorate that it, and it alone, can achieve unity. It seems inevitable that the political fight in the west, once the Frankfurt rump state is erected and Allied control is largely withdrawn, should move along the same lines.

Mexico's Programme—II

[FROM OUR CORRESPONDENT IN LATIN AMERICA]

IN the programme of "reconversion" to which Mexico is committed, irrigation and the development of industry are the chief hopes of the planners. (Their hopes of securing American capital for the expansion of oil production have been described in a previous article.) They believe they can maintain not only their export outlets but their domestic market, in the face of rising competition. The country is undoubtedly rich in some important raw materials of industry. There is a proved abundance of iron, lead, zinc, copper, mercury and antimony. Timber reserves are plentiful, and domestic cotton surpluses became during the war an embarrassment to the Government and an anxiety to the growers, as well as a boon to the mills. Mining has inevitably slowed up following the decline of "strategic" demand; but the iron and steel industry is now said to be capable of meeting almost all home needs. The cement industry, which also blossomed during the war, is to add 64 per cent to its present capacity by 1948, but has lately been working to only two-thirds of its present capacity. For cement and steel, production and imports combined have been insufficient to meet building demands, which in turn have lost momentum after their wartime boom.

Transport and power shortages, rather than productive "capacity," are determining industrial output. Railways, in "make-do and mend" basis under the guidance of a United States mission; they now require both extension and re-equipment if the industrial pace is to be maintained. Hydro-electric schemes provide the obvious solution to power problems, since Mexico has only scanty resources of cheap coal. This year's electricity target of 55 per cent more power than in 1942 seems likely to be attained, but further demands are already showing themselves.

It is to manufactures—particularly food-processing, for which the outlook seems bright—that the planners look first of all to the outlook seems bright—that the planners look first of all to consolidate these wartime industrial gains. In them expansion has been greatest, and in them competition now becomes the

greatest threat. According to an industrial census of 1945, the number of factories in Mexico grew from 13,510 in 1940 to 28,513 in 1945. The rise in exports of finished manufactures from 1½ per cent of total exports in 1938 to 12 per cent in 1944 points to the expansion of the textile industry which, with a contribution of some £7,000,000, represented virtually the whole of the 1944 percentage. Stiffer protection for the industry appears likely to accompany stiffening competition, a phase which has its parallel in Brazil. At a recent industrial congress vigorous protests were made against the "unfair competition" of foreign branch factories set up in Mexico; the Government was asked to "impede the entry of foreign capital which operates to the detriment of sound national industries"; and resolutions were passed—endorsed by Mexico's two powerful trade union groups—asking for higher tariffs and subsidies to basic industries. In his inaugural address, President Alemán had already promised "wise protection of national industry against ruinous alien competition."

The growth of industrial activity, with economic nationalism as its offshoot, barely touches Mexico's abiding problem and the central theme of its revolution. This is to break down Mexico's "dualism," to knit together two economies, one active, the other passive. Or—to change the metaphor—the gearing into the commercial economy of Mexico's unproductive population. This segment—largely *mestizo* and Indian, comprising at least 70 per cent of the whole population—is unproductive in the sense that it subsists by self-sufficing village agriculture.

The broad picture is that, of the total population of over 21 million, only 6,200,000 are classified as gainfully employed. Of these, 3,800,000 are engaged in "productive" farming, and only 600,000 in industry. The remaining 14 million contain the tremendous hard core of Mexico's "disguised unemployment." They toil and spin; but they exert no real influence on consumer demand. Informed Mexicans estimate that the incomes of even the "productive" peasantry average no more than £70 per family per year. And social welfare has not advanced far beyond reconnaissance of the formidable difficulties: the Carnegie Institute found in 1942 that 77 per cent of the inhabitants in a remote region of Yucatán died before reaching the age of 15.

Mexican TVA

The Government holds that the future of Mexico lies first, in distributing to the peasantry larger smallholdings than the 2½ acres that is the basis of the *ejido* (communal grant); secondly, in drawing the rural population from the densely populated but waterless central plateau to coastal districts where irrigation would make for economic farming beneficial to the whole nation. Some, at least, of the implications of this vast scheme of agrarian reform may be grasped when it is realised that Mexico grows only half the wheat it consumes, and that (according to reliable estimates) 17 million acres would have to be placed under irrigation to make the country self-supporting in basic foods. President Alemán's inaugural bill provided for enlarged *ejidos*, and about 2,500,000 acres of land have been irrigated—1,750,000 of them since 1940. During his six-year term, Alemán hopes to make available a further 3,500,000 acres of irrigated land.

Only by taking into account the progress and prospects thus broadly sketched can one judge the importance to Mexicans of the Papaloapan irrigation scheme—and the store they set by its financing. Here in the southernmost lowlands behind Vera Cruz, the Papaloapan river and its tributaries have been surveyed, and work has already started on a real and promising development project—a sort of Mexican TVA—estimated to take four years and to cost from \$300 million to \$400 million.

From his two immediate predecessors, Cárdenas and Avila Camacho, Alemán has inherited, and appears to be consolidating, a new and promising degree of political stability. To it he adds his energetic approach to the fundamental problem of Mexico's "dualism." But the Mexican economy demonstrably needs capital as well as political stability. The time—predicted by a Mexican writer—when "democratic Socialism" takes over where Capitalism leaves off, is not yet. What will take its place should foreign capital not flow fast enough remains to be seen.

Meanwhile, the present administration is clearly in the market for private risk capital of the type indicated by Mr Truman, as its oil negotiations show. Equally clearly, it considers that it has a good case for a long-term "development loan" on a scale which could only be provided by some such entity as the Export-Import Bank or the United States Treasury itself. It is this case, and the programme that supports it, that will be put to the test in Washington in a few months' time. In the interim—and afterwards—the Government's liberality towards private investors may provide a measure of the concessions which the Mexican Revolution is willing to make in the interests of Mexican progress.

THE BUSINESS WORLD

Europe's Dollar Needs

MUCH is made in the general report of the Committee of European Economic Co-operation on European self-help and economic integration, and chapter 3 is optimistically littered with production targets designed to breathe conviction into these hopes. But on the estimates of Europe's balance of payments the report comes down to more solid realities. Its essence is an appeal to the United States for assistance in a task of rehabilitation which could not be attempted on the scale here set out without that assistance.

Chapter 7 of the report, which deals with the problem of payments, offers estimates of the scale of assistance which is needed. It may be possible to quarrel with the data on which these estimates have been made, including the somewhat optimistic assumptions about the future behaviour of the terms of trade. The assumption is that export prices will remain unchanged at current levels until the end of 1951, the period for which the estimates are made. For import prices the assumptions are that as compared with levels ruling on July 1, 1947, there will be no change in 1948, but that falls will later occur of 7½ per cent in 1949, 10 per cent in 1950, and 12½ per cent in 1951. What matters is not that each of these views of the level of export and import prices respectively must be realised, but that the relative movement between the two series of prices should produce this net result. The basic assumption on this score, at least as far as the immediate future is concerned, would seem to err decidedly on the side of optimism. There have already been indications, as for example in the negotiation of the 1948 Canadian wheat price, and in the breakdown of the food talks between Britain and Denmark, that 1948 may see a further shift of relative prices in favour of agricultural produce (which form the bulk of Europe's import requirements) and against those of manufactured goods.

The specialised committee set up to look into the balance of payments problem drew up a common account showing the deficits of the 16 participating countries (together with their dependent territories) and Western Germany in their trading

relations with the American continent and with other non-participating countries. This account was not the sum of individual balance of payments estimates submitted by these various participating countries. In order to avoid inconsistency which that procedure would have involved, the estimate was made on the basis of a common import programme and, on the other side of the account, on the basis of export estimates submitted by the participating countries. The analysis deals with the American continent and not merely with the United States, since Canada and Latin America must in large part insist on being paid for their supplies in American dollars or their equivalent. This may also be true of some of the supplies derived from other non-participating countries, but this group has been shown separately in the estimates. The scale of the dollar problem in 1948, as revealed by this common account, is shown in Table I below.

*

This is the immediate gap to be filled before "self help" can have much chance of showing its paces, and the report points out that "unless means can be found of filling this gap Europe will be unable to receive the flow of goods and services which its recovery requires and a catastrophe will result." The deficits of the main participating countries with the American continent in 1948 are shown in the next table. The figures are not strictly comparable with the global figures given in Table I; and adjustments have been required owing to the inability of certain countries to supply estimates and because certain supplies which are taken into account in the separate import estimates will not be forthcoming.

The fact that there should be a deficit between the participating countries and the American continent is no new phenomenon. The comparable deficit in 1938 amounted to no less than \$1,450 million. Before the war this adverse trade balance was offset by earnings on invisible account, by the sale of colonial produce to the United States and by earnings of dollars from sales to the rest of the world. This normal pattern

TABLE I—BALANCE OF PAYMENTS—1948
PARTICIPATING COUNTRIES AND WESTERN GERMANY
(\$ Billion)

	American Continent	Other Non-Participating Countries
Imports	9.17	4.70
Exports	2.16	4.30
Net invisible account	-0.57	+0.38
Dependent territories' net deficit	0.45	0.22
Total Deficit	8.03	0.24

NOTE.—If imports of certain equipment were financed by loans from the International Bank or other credit operations, the deficit would be reduced to \$7.11 billion.

TABLE II—DEFICITS WITH THE AMERICAN CONTINENT—1948
CERTAIN PARTICIPATING COUNTRIES AND WESTERN GERMANY
(\$ Billion)

Belgium	0.32	Italy	0.93
Denmark	0.21	Netherlands	0.63
France	1.76	Norway	0.05
Br-Zone of Germany	1.15	Sweden	0.15
French Zone of Germany	0.12	United Kingdom	2.63
Greece	0.51		

TABLE III—DEFICITS WITH THE AMERICAN CONTINENT—1948-51
PARTICIPATING COUNTRIES AND DEPENDENT TERRITORIES
AND WESTERN GERMANY
(\$ Billion)

	1948	1949	1950	1951	Total
U.S.A.	5.64	4.27	3.28	2.62	15.81
Rest of American Continent ..	1.94	1.82	1.30	0.91	5.97
Deficit of Dependent Territories ..	7.58	6.09	4.58	3.53	21.78
Total Deficit	8.04	6.35	4.65	3.40	22.44
Less Equipment assumed to be financed by International Bk., etc.	0.92	0.89	0.72	0.60	3.13
Net Deficit	7.12	5.46	3.93	2.80	19.31

* Surplus.

TABLE IV—EXPORTS TO THE AMERICAN CONTINENT—1948-51
PARTICIPATING COUNTRIES AND WESTERN GERMANY
(\$ Billion)

	1948	1949	1950	1951
U.S.A.	0.85	1.11	1.23	1.48
Rest of American Continent	1.31	1.72	2.14	2.46

of multilateral and payments has, however, been distorted. As the report points out

The foreign investment income is gone; there is a big dollar bill for shipping services; tourist income has not yet recovered. At the same time the loss of other sources of supply has forced Europe to turn to the American continent for essential supplies on a much greater scale than before and prices have increased heavily. . . . The destruction in the Japanese war has turned the net income from sales of rubber, tin and other dollar earning colonial products into a net expenditure. Finally, the shortage of dollars generally has made it hardly possible for Europe to earn dollars by sales to the rest of the world. The size of the deficit results from the cumulative effect of all these forces.

If, however, European recovery progresses according to plan, the dollar deficit will be on a steadily diminishing scale. Yearly and total figures up to 1951 are given in Table III.

Of the overall total of \$22.44 billion the report estimates that \$3.13 billion in respect of equipment and capital projects will be financed by loans from the International Bank or other agencies, leaving a net total of \$19.31 billion. The assumption made in the report that such imports, apart from agricultural and mining machinery to which special considerations apply, will be so financed may also be ranked as one of its disputable passages. It is certainly known to have caused surprise in International Bank quarters. It might, therefore, be better to regard the global figure of US aid as \$22.44 billion and leave for later discussion the distribution of that total between the various lending agencies that may be mobilised in the task. These are all net figures but the report gives some estimates of the exports by participating countries and Western Germany to the American continent, which were taken into account in calculating net requirements from the United States and are reproduced in Table IV. The experts have taken decidedly cautious views both of the exportable surplus of Europe and of the absorptive capacity of the American continent for these exports in the next four years.

This, however, is not the sole source from which Europe will derive dollars. There is, in addition, the surplus on current account which the 16 countries and Western Germany will

have with non-participating countries other than the American continent. For the year 1951 this surplus is estimated at the equivalent of \$1.8 billion. If by then there is a sufficient flow of dollars to the rest of the world this surplus will in fact be available as an offset against the participating countries' dollar deficit with the American continent. The return of such conditions would signify a restoration of the normal pattern of payments by which Europe balanced its dollar deficit before the war. Given such conditions, the participating countries and Western Germany would, by the end of 1951, be very close to a global balance of their international accounts. Any deficit that might still be running by then would, on these calculations, be such as to lie well within the scope of normal commercial banking and lending operations.

The Committee conclude this part of their report by asserting that on the basis of their research, the problem of Europe's deficit with the American continent cannot be solved in less than four years, and that even then a solution depends upon the disappearance of the basic maladjustments of which the deficit is a symbol.

The action which the participating countries can take is limited. The power to correct the maladjustment is not theirs alone. The maladjustment can never be corrected on a basis of expanding trade unless market conditions in the American continent permit Europe to sell goods there in steadily increasing quantities and permit other countries to earn dollars there and use them to purchase from Europe.

This is not the first time that the United States has been told that international trade must be two-way if it is to endure and to lead, as it should, to the enrichment of the countries which participate in it. The further reiteration of this axiom may not be particularly relevant to the problem of the next four years which is essentially that of finding the wherewithal to finance the abnormal surplus of exports from the American continent which the rest of the world needs for its rehabilitation. But that emergency assistance will be largely wasted unless the United States also accepts all the implications of the longer term principle that as a country wishes to sell, so it must buy.

Food from the Empire

BRITAIN'S dependence on overseas food supplies, to cover even its basic requirements, is unique. It was willingness to accept this dependence which made Britain the world's greatest trading power until 1914, and the most vulnerable belligerent in the two world wars of this century. This dependence greatly helped, and was in turn assisted by, the economic development of the Dominions and colonies. But until the institution of the Ottawa agreements in 1932, Britain still bought more than half of its food supplies from foreign sources. It was not, however, until the later nineteen thirties that the import pattern changed in favour of Empire countries, and the war accentuated this trend. Of the main foodstuffs listed in Table I, the Empire supplied 57 per cent of British imports in 1938; by 1946 the proportion had risen to 67 per cent, a change which was due largely, but not entirely, to the reduced scale of imports.

At the outset, it can be laid down dogmatically that the British Commonwealth cannot be self sufficient for food supplies. The first stage in examining the extent to which the Empire countries can supply Britain with food is to measure British requirements for the different items. In Table I these requirements are based on consumption and alterations in stocks have been allowed for in the import figures. The wheat figures have been recalculated in terms of flour (using average extraction rates for the periods concerned) and consumption of wheat (and also of sugar) has been taken as total disposals less exports and re-exports. In

1946, the total consumption of all foods listed, except flour and cheese, was well below the prewar level, although the population increased by 4 per cent between 1939 and 1946. Home production of wheat for milling almost trebled during the seven-year period, and sugar output expanded by nearly 15 per cent; but production of other foodstuffs generally showed a serious fall.

To assess the extent of the Empire's contribution to British food supplies in the long period, however, neither the 1938 nor 1946 patterns of consumption provide a satisfactory datum. The figures for 1946 show the effect of the increase in population, but the present scale of rations could hardly be continued for a further four or five years without affecting the health and productivity of the nation. Some idea of "normal" requirements can be obtained by taking the prewar figures of consumption, and then allowing for the increase in population, and for the aggregate effect of the changed pattern of food consumption between income groups. At present the lower income groups, as a whole, are purchasing larger quantities of some rationed foods than they did before the war. This is due partly to their relatively low prices, after they have been subsidised, and part to psychological compulsions that "the rations must be bought." Any attempt to estimate this aggregate effect can only be a guess, because so many unknown political and economic factors are involved. It is quite certain, however, that

if consumption by the higher income groups were to regain its prewar level, the burden of subsidising basic food prices, which is already too heavy, would become quite insupportable for the Exchequer. But if progressive steps are taken to remove the subsidies, will the present level of demand be maintained? For the purpose of this article, "normal" postwar requirements have been calculated on the basis of 1938 consumption, with a total increase of 10 per cent for meat, bacon and hams, butter, cheese, eggs and sugar—equivalent to little more than a 5 per cent increase in demand per head of population—and only 4 per cent for preserved milk, flour and tea. These figures are more or less arbitrary, but under present conditions they are likely to err more on the low side than on the high; the potential increase in demand for certain foodstuffs, particularly meat and butter, may well be about 15 to 20 per cent—increases of this order have occurred in Canada and the United States.

This potential expansion in requirements is considerable. Leaving wholly on one side the problem of paying for it, to what extent can it be provided by increased production at home and within the Empire? Under the £100 million scheme for the development of British agriculture, it is intended to expand wheat production to about 2,550,000 tons in 1951, compared with 1,967,000 tons in 1946; an expanded output of this order would give a flour supply of about 800,000 tons at the prewar extraction rate of 70 per cent. The meat target as a whole would restore the total output of beef, veal, mutton, lamb and pork to the prewar level. Although a higher milk yield is an essential part of the plan, the larger output will be mainly required for the liquid milk market; cheese production may regain the prewar level, but butter output is likely to remain as low in 1946. The home production of shell eggs is to be increased to 52 per cent above the prewar level, while sugar-beet will expand by 31 per cent. These targets form the basis of the estimates of postwar home food production included in Table I.

In the Dominions and colonies agricultural output can be expanded, but in many cases expansion might take longer than is assumed under the British plan. In Canada, for instance, the peak wheat acreage was attained in 1940; the pig population reached its highest figures in 1943 and has subsequently declined quite sharply; in poultry, on the other hand, the wartime expansion has been more or less maintained, and cheese production is still 50 per cent above its prewar level. New

Zealand butter production is still some 20 per cent below the prewar average and cheese output has expanded by only 3 per cent; the dairy population has steadily declined since 1936, even though total numbers of cattle and sheep have increased. Australian experience has been similar, except that the sheep population was seriously reduced in 1944-45 owing to the severe drought, while the wheat acreage which fell to a low level in 1943 has since recovered to its prewar extent. Information relating to South Africa is incomplete, but output has evidently been barely maintained. Tea production in both India and Ceylon was adversely affected by the war, whilst Empire sugar output has only been kept at prewar levels in the colonies.

The level to which Empire production can be expanded within, say, the next five years is limited. Even during the war agricultural output was impeded by lack of labour. The response of Dominion volunteers to the armed services was beyond praise, but it had repercussions on agricultural expansion even during the war; and, as a result of wartime unsettlement, many demobilised agricultural workers have not returned to the land. Australia and New Zealand, in deference to British requests, expanded meat output rather than dairy produce and put cheese before butter. In all Dominions, consumption of food per head of population has increased during the war period, although in Australia and New Zealand it has latterly been restricted by rationing—a point which emerges clearly from Table II.

Agricultural expansion would have to be achieved by both intensive and extensive means. Labour efficiency in the Dominions was already at a very high level before the war and there is not much scope for improvement unless radically new methods can be developed, and these would be conditional on the supply of capital equipment. More intensive methods would yield greater returns in many of the colonial areas, but apart from sugar and vegetable oils, they are not likely to yield an important increase in the supply of basic foodstuffs. The opening up of new agricultural areas in the colonies is dependent on an adequate supply of machinery and skilled European supervisors; in the Dominions it would require, in addition, a larger agricultural labour force, presumably drawn from immigrants; but even so, the supply of suitable land and transport is limited.

Nor are these the only problems to be faced. For example, Canada has been included as a Commonwealth supplier; but if world trade becomes increasingly constricted into a bilateral pattern, and the trade balance between Britain and Canada can-

not be brought into equilibrium, Canadian dollars will be no less scarce than American dollars, and the Canadian contribution to the British larder may be materially reduced through Britain's inability to pay in dollars. Again, serious political considerations arise in the Dominions of India and Pakistan, Burma and Malaya. These areas have normally played an important part in the British food economy directly by their supplies of wheat, tea and vegetable oils, and indirectly by their trade in rice. Political instability will undoubtedly reduce their agricultural output and so long as the Western World undertakes moral responsibility for their welfare, food supplies which might otherwise come to Britain will continue to be diverted to them.

The development of production and exports of staple foodstuffs in certain Dominions is shown in Table III. The figures given are not strictly comparable but at least they show past trends and future possibilities. The estimate of the Empire supplies in the postwar period (shown in Table I) is based on the reversal of the current downward trend and on the resumption of the rate of advance in output which was achieved in the early years of the war. In the case of wheat, the estimates of exports assume that a larger proportion of Empire supplies will come to Britain, but the calculations of potential exports of other food-

stuffs follow the prewar pattern fairly closely, so that any optimism in the estimates of potential expansion of output should, to that extent, be compensated.

The deficit in British food supplies when postwar "normality" returns, will, on the basis of Table I amount to 2,600,000 tons compared with 3,500,000 tons prewar. This quantity must be purchased from foreign sources, and it will be increased as home and Empire supplies fall short of the outputs estimated in that table. It is not suggested that Empire production should, or can, expand to this extent. But this analysis (which in many respects is cast in optimistic terms) does at least portray the size of the problem which would face Britain in the feeding of its peoples, in a bilateral trading world. "Normality" will depend on the world food situation as well as on the action taken in the Commonwealth, and it would be surprising if the objectives examined (though not proposed) in this article could be attained within 10 years. The cost would be great, in financial and real terms. And the expansion of Empire agricultural production would involve, on Britain's part, the offer of a guaranteed market, based on long-term contracts which might only be justified on the assumption of a perpetual deficit of world food supplies.

Business Notes

Chancellor and Governor

The Bankers' Dinner traditionally provides the occasion for a review of the nation's economic health by the Chancellor of the Exchequer and the Governor of the Bank of England. It was natural and inevitable that important sections of their speeches on Thursday should have dealt with the gallant attempt to maintain sterling convertibility. The duty was imposed by the American loan agreement, and honoured until it was impossible to sustain. Nor was there any apology for making the attempt. It might, said Lord Catto, have succeeded but for the undermining of confidence by Britain's balance of payments crisis. And the Chancellor observed that it would be a poor future for us and mankind at large, if sterling ceased to be a world currency. The sentiments are unexceptionable; but the underlying factors which caused the suspension and will impede the resumption of free payments are formidable indeed.

Uncertainty about an Autumn budget is now at an end. The "exceptionally favourable" budgetary position for the first half of the financial year will have to be further strengthened early in the new session—the first open acknowledgment by the Chancellor of the necessity to curb increasing inflationary pressure resulting from the import cuts and the export drive. As for the gilt-edged market, the Chancellor adheres to his view that present levels represent no more than "a temporary lapse" from the cheap money peak, which has been caused by exceptional discouragements and a period of monotonously bad news. In that case, what are the grounds for regarding the fall as temporary? Does the Chancellor know of good news just round the corner? And why did Mr Dalton emphasise that this was a period when the Government had not found it necessary to borrow, unless to suggest by inference that borrowing would have been accompanied by active intervention (to choose a polite word) in the market?

If the Autumn Budget is to be a realist affair, the Chancellor can hardly dispense with some assistance, at least, from the deflationary forces of higher interest rates. He claims, of course, that higher rates would not serve any useful purpose as a screen for capital projects and places complete faith in physical controls. If this is to be the guiding principle of the Autumn Budget—that financial policy makes no difference—it will hardly be worth the Chancellor's labours or the country's sacrifices.

Loan from South Africa

Yesterday's formal announcement—preceded by the Chancellor's anticipatory references at the Bankers' dinner on Thursday evening—of the loan of £80 million in the form of 9,275,000 ounces of fine gold from South Africa to the United Kingdom

marks an important tangible outcome of the recent sterling area discussions. Subject to a safeguarding clause by which the Union Government will be able to call on Britain for gold to make up any shortfall in the Reserve Bank's gold reserve below £100 million—not a likely eventuality—and to the right of the British Government to repay at any time, the loan will continue for three years, after which it will be repayable on the demand of the Union Government. It will carry interest in sterling at one-half of one per cent per annum.

Important consequential changes in the supply of gold from South Africa will follow. The existing gold contract between the two Governments expires at the end of this year and will not be renewed during the lifetime of the loan. Thus, the British Government will receive £80 million of gold (probably at the beginning of next year after the consent of the South African Parliament has been obtained), but thereafter will forego gold shipments which in 1946 and 1947 will have produced about £55 million. But arrangements have been made for the Union Government to provide gold to meet any drafts on sterling area reserves of dollars on South African account during the period of the loan.

Supplies of fruit, wine, canned fish and eggs to the total value of £12 million a year will be imported by Britain from the Union, at commercial prices. Mr Dalton claimed at the Mansion House on Thursday evening that these "would help to brighten and sweeten the long dark days of the coming winter," but the programme is not due to start until the beginning of next year, and presumably the winter will be largely over by the time the first shipments under it begin to arrive. No formal priorities have been promised for supplies of mining equipment from Britain to the Union, on the practical ground that existing orders stand high on the delivery lists. Steps are to be taken to prevent the flow of "undesirable movements of capital" which are not required for any "legitimate or productive purpose." No impediment, however, is to be placed on financial assistance for gold mining and industrial development in the Union.

In all, this is a useful agreement to assist Britain's dire straits. But there is no point in attempting to conceal the fact that it amounts largely to taking now what would have accrued gradually to Britain during the next three years. Beggars cannot be choosers, and they are lucky if they can live, as Britain is now living, from hand to mouth.

Higher Bank Rate?

For the first time since October, 1939, rumours of a possible rise in Bank Rate have been heard in the City. They cannot be dismissed as mere idle chatter. They fit logically into the pattern of recent changes both in the domestic and external economic

TABLE I
BRITISH FOOD ESTIMATES
POTENTIAL REQUIREMENTS AND SUPPLIES
'000 tons

	Wheat* and Flour	Meat	Bacon and Hams	Butter	Cheese	Pre- served Milk	Eggs (Shell & Dried)	Sugar	Tea
Total Requirements									
Prewar	4,150	2,440	540	525	180	300	450	2,110	230
1946	5,100	2,020	300	240	220	230	320	1,660	200
Postwar	4,320	2,680	590	580	200	310	500	2,320	240
Home Production									
Prewar	500	1,180	160	55	40	200	270	410	...
1946	1,410	840	110	10	20	120	220	470	...
Postwar	800	1,180	150	10	40	200	410	540	...
Imports									
Prewar	3,650	1,260	380	470	140	100	180	1,700	230
1946	3,690	1,180	190	230	200	110	100	1,190	200
Postwar	3,520	1,500	440	570	160	110	90	1,780	240
From Empire Sources									
Prewar	2,335	680	110	245	125	25	30	870	210
1946	3,175	590	140	180	150	25	55	310	200
Postwar	3,520	800	250	275	125	35	70	500	220
From Foreign Sources									
Prewar	1,315	580	270	225	15	75	150	830	20
1946	515	590	50	50	50	85	45	880	...
Postwar	...	700	190	295	35	75	20	1,280	20

* In terms of flour.

TABLE II—DOMESTIC CONSUMPTION IN CERTAIN DOMINIONS
lb. per head of population

	New Zealand			Australia			Canada		
	Pre- War	1943	1946	Pre- War	1943	1946	Pre- War	1943	1946
Butter	41.0	44.0	30.0	32.4	33.5	26.1	54.6	64.3	67.6
Cheese	4.5	4.3	5.9	4.2	4.1	6.0	...	...	...
Meat	208.4	200.5	180.5	214.9	215.8	171.8	120.1	134.4	133.7
Wheat products	191.5	196.9	195.0	345.6	501.6	515.4	206.9	215.4	200.0
Eggs	20.0	22.0	20.0	n.a.	n.a.	n.a.	50.5	37.8	39.0

N.B.—The figures are not strictly comparable as between the three Dominions.

TABLE III—PRODUCTION AND EXPORTS OF FOOD IN THE DOMINIONS
'000 tons

	Production			Exports			
	Pre- War	Peak War Year	1946	Pre- War	1944	1945	1946
Canada —							
Wheat	8,505	14,896	8,194	4,126	7,813	8,831	3,350
Cheese	56	93	83	43	66	68	55
Bacon and ham	197	501	244	89	348	225	140
Eggs	151	258	239	1	1	29	27
Australia —							
Meat	987	1,057	984	208	98	94	75
Butter	191	212	150	88	47	42	15
Cheese	25	36	41	11	15	15	15
Wheat	4,718	4,466	3,815	2,048	902	868	354
New Zealand —							
Butter	164	165	127	135	115	104	102
Cheese	89	158	94	82	78	87	77
Meat	385	340	332	281	313	352	348

position. Recourse to fiscal methods for remedying some of the troubles in the British economy would logically call for parallel monetary measures. The psychological shock of harder money would fit in with an anti-inflationary budget. In certain other countries, where the price system still has a function to perform, money rates have recently been rising, and a position has been reached where the three-months' bill rate in New York is about 50 per cent higher than it is in London. In these circumstances it is not altogether surprising that rumours should recently have begun to circulate that Bank Rate will before long be taken from behind the glass doors of the curio cabinet in which it has remained since June, 1932. Admittedly there was one brief airing in September, 1939, when, for the space of about a month, it was pulled out and raised from 2 to 4 per cent. This was done in an attempt to stop the flight from sterling and to discourage the rush for liquidity which developed just before the outbreak of the war and before the mechanism of wartime controls could be devised to deal with these phenomena. This brief break and the rapid restoration of the former level emphasise rather than weaken the continuity of the artificially rigid rate maintained now for more than 15 years.

Current Bank Rate talk, however, tends to ignore one important thing, namely, that the 2 per cent rate has long ceased to be effective. It would be possible to engineer a considerable increase in short-term money rates, were such a movement deemed to be desirable, without changing Bank Rate from its present figure of 2 per cent. The Treasury Bill Rate was halved to its present figure of $\frac{1}{2}$ per cent as the first shot in Mr Dalton's cheap money drive. If there were any advantage in such a move, the figure could be put back to 1 per cent without in any way calling for a change in the official rate. It may, however, be asked what such a move would achieve other than increasing the earnings of the banks on bills and short loans. It would also raise the interest payable on a large part of the accumulated sterling balances invested in this country and would thus create additional sterling available for current purposes to overseas countries. The pull of higher rates elsewhere, and particularly in New York, would have constituted a serious argument if Britain had continued undisturbed on the road to convertibility and relaxed the control of exchanges. But the trend, alas, is all in the opposite direction; the insulation of the domestic credit situation is being made every week more complete and now offers little scope for the free roaming of balances from one money market to another. If, moreover, this freedom were to obtain, it would need much more than a 3 per cent Bank rate in London to exercise any effective influence on the movements of such capital.

Continued Advance in Steel

Steel production figures for September, published this week by the British Iron and Steel Federation, record the highest monthly rate of production since March, 1943. Output last month was at an annual rate of 13,841,000 tons compared with 12,178,000 tons in August and 12,402,000 tons a year ago. Figures for pig iron and raw steel production are set out in the accompanying table.

Though this improvement is due in part to the seasonal upswing in activity at the end of the holiday season, it is gratifying indeed to find one key industry which is within sight of achieving its output target for 1947 and may build up a useful momentum towards the 14 million ton target set for 1948.

The industry is beginning to show the benefit of new capacity coming into production as a first instalment of the modernisation

	PIG IRON AND STEEL PRODUCTION (Tons)			
	Pig Iron		Steel Ingots and Castings	
	Weekly Average	Annual Rate	Weekly Average	Annual Rate
September, 1946.....	147,300	7,660,000	238,500	12,402,000
August, 1947.....	147,300	7,660,000	234,200	12,178,000
September, 1947.....	150,100	7,805,000	266,200	13,841,000

programme; the conversion of steel furnaces from coal to fuel oil firing is enabling the industry to take full advantage of the continuous week which was negotiated with the steel workers last April. September's high level of activity should be maintained, and indeed bettered, provided that the improvement in supplies of coking coal continues and that scrap supplies can be increased during the next few months. Meanwhile the improvement in pig iron production is particularly welcome, in view of the depletion of stocks in recent months.

The Sterling Area's Dollars

The discussions with members of the sterling area on methods of dollar economy were completed in London this week. The negotiations were concerned with matters of general principle, and not with detailed programmes for reduced imports from the dollar area, and for more conscious direction of exports to that area. The guiding objective of the participants was to achieve in each case approximate balance in their dollar receipts and expenditure. The official announcement issued after the close of these meetings stressed that the discussions had emphasised the importance to the economy of all the countries in the sterling area of the central reserve system "which has served it so well for so many years." There is thus no question of London withdrawing from its role of banker to the sterling area. It could not be otherwise since, apart altogether from the compelling arguments of convenience and efficiency, Britain holds the cash reserve.

The sterling area London talks ranged well beyond the problem of dollar income and outlay and covered more positive methods of strengthening the central gold and dollar reserve. No detailed announcement has yet been made on this aspect of the discussions—with the important exception of the South African loan, which is discussed in an earlier note. The keynote of the talks has been the need to reduce the dollar drain to the minimum during the next nine months. Frankness has prevailed on all sides, but successful co-ordination of the needs and resources of the sterling area will require closer and more continuous contact, as Mr Dalton evidently recognised on Thursday.

Egypt was, of course, not a participant in the sterling area talks. Reports from that country suggest that it may not be long before Egypt asks to rejoin the sterling family. Her departure was not made with particularly good grace, but occasioned little regret among other members. Since then Egypt has learned to her cost how difficult it is to operate a new system of exchange controls *vis-à-vis* countries with which payments were previously free. Egypt has also found her ration of hard currency painfully inadequate and has made an unsuccessful request for increasing the dollars placed by Britain at Egypt's free disposal. It should be added that some readiness has been shown by the British authorities to sell dollars to Egypt against sterling in order to finance specific shipments of food and fertilisers.

The talks with Argentina have hitherto been conducted at "embassy level" at Buenos Aires. The main point at issue is the guarantee that will apply to sterling accumulated by Argentina in the course of her current transactions with the United Kingdom. The British offer of a strictly bilateral exchange guarantee, on the lines of that in the new agreement between Britain and Belgium, has been found unacceptable and Argentina is pressing for a form of guarantee in terms of gold or dollars, i.e. one which would cover them in the event of a parallel depreciation of sterling and of pesos in terms of gold or dollars. For the short term the issue is somewhat academic since Argentina is still engaged in the task of building up her sterling balances to the level required to complete the purchase of the British owned railways and other public utilities.

Using Up the Reserves

In two speeches this week Sir Stafford Cripps has emphasised that "every week that how passes means further drawing on our (gold and dollar) reserves." These reserves, he admitted, were now between £500 million and £600 million, and he stressed that these were the reserves of the entire sterling group and were not merely to be regarded as available for our own use. These admissions and statements can cause no surprise, however disturbing the shiver they may send down the spine. The current balance of payments must still be running against Britain at a rate of close on £500 million a year. The dollar deficit is probably greater than this. Import cuts have begun to make their effect felt on dollar expenditure, but will not do so in real earnest until nearer the end of the year. Sir Stafford announced at a press conference this week that Britain had ceased to enter into fresh contracts for the import of foodstuffs from the United States, but that many existing contracts were still running. The renewed export drive is barely under way. The discussions in Washington which will ultimately lead to an easing, if not to a complete cancellation, of the dollar burden of British occupation costs in Germany only began this week. Since the unexpended \$400 million in the US line of credit remain unavailable, further dips into the gold reserve and further pur-

chases of dollars from the International Monetary Fund appear to be indicated and indeed inevitable. The Chancellor of the Exchequer warned the nation last month that such further encroachments into our final reserve would have to be made. It seems to have been decided by the Government, however, that the welcome and helpful publicity given to the sale of £20 million of gold to the Federal Reserve Bank of New York and the purchase of \$60 million from the IMF is not to be extended to these further operations.

For news of these operations we shall have to depend on leakages and rumours from New York, periodical formal statements from the IMF or the usual belated announcements regarding the state of the gold reserve from London. The leakages have begun already, and there have been reports from New York this week that a further sale of £30 million is being effected and that a second shipment of £16½ million of gold has been made from this country to the United States; and a further shipment of £12½ million not from Britain. Shipments do not necessarily mean that gold of this amount has been sold to the New York Federal Reserve Bank; it might be that the British reserve of gold earmarked in the United States is being built up in order to provide for the calls that are certain to be made on it in the months to come.

A further deterioration in some of the invisible items in the balance of payments was indicated by Sir Stafford Cripps in the same speech. Foreign investment income is only running at a net rate of about £75 million a year at present. As regards tourist expenditure, Sir Stafford pointed out that, despite the austerity fare which we offered to foreign tourists, no fewer than 320,000 of them had visited this country in the past season and had spent an estimated £16 million here in foreign exchange, largely in hard currencies. One might add that the whole of this item will be offset by the higher wheat bill to Canada which will have to be paid next year as a result of the agreed raising of the minimum price from \$1.55 to \$2 a bushel.

Danish Food Talks Fail

Despite indications to the contrary when last week's issue of *The Economist* was going through the press, the trade talks between the British and Danish Government officials have broken down on the question of prices. This is not a very auspicious event for those who believed that the end of dollar convertibility would give Britain a new access of bargaining power in bilateral trade negotiations with its suppliers. In the quasi barter arrangements of the sort which were under discussion with Denmark, the United Kingdom has tried to get specific quantities of particular foods at firm prices. But Britain lacks an essential item in the armoury of bilateral trade negotiations—an export control organisation which could obtain and insist on the performance of priorities of particular goods in guaranteed quantities and prices.

The problem with Anglo-Danish trade, as with Russian, is certainly wider than mere disagreement over prices, as the official announcement claims. Denmark wants coal, feeding stuffs, iron and steel and equipment. These goods ought to provide the main source of British bargaining power. It might be held that they should be used to purchase goods even more valuable than Danish butter, eggs and bacon. That is a decision which must be left to the Government. But the negotiations were opened. The Danes must have recalled that before the war Britain insisted that Denmark should take 80 per cent of its coal imports from this country. In 1938, Denmark imported some 3 million tons. It seems incredible that even half this quantity—say two days' output—could not be spared, even this year, to bring the recent negotiations to a successful conclusion, for British food supplies are barely adequate and stocks are low.

Danish agricultural costs have risen sharply since the end of the war because labour has to be used to dig peat for fuel, thus reducing the agricultural labour force, and because the price of feeding stuffs has risen abnormally—its dairy industry has always been organised on imported supplies of high protein cattle foods. In the past year, the Danish Government subsidised exports of dairy produce to Britain as a short-term policy to regain the British market. And it was clearly understood that such a policy could not be continued indefinitely. At the moment there are other markets which are willing to pay the higher prices and at the same time to supply some of the required imports. Belgium sends iron and steel and Russia has agreed to ship 60,000 tons of rye and 40,000 tons of barley in return for 8,000 tons of fat, consisting mainly of butter and some lard. Under present conditions, Danish butter could not compete with Empire produce on

a competitive basis in spite of the efficient organisation of the Danish dairy industry. Denmark's dollars have to be used to purchase coal and bread grains from the United States and there is little left for feeding stuffs. The Ministry of Food was very successful in its first contract with Denmark. But it can hardly expect to use the "best customer" argument and expect to persuade the Danes to accept low prices as well as exiguous supplies of British exports.

Labour Priorities

The list of essential industries which has been circulated to Employment Exchange managers for their "guidance" in placing workers under the Control of Engagement Order follows expected lines. Obviously undermanned industries, such as mining, agriculture, iron and steel and textiles are to get first priority in manpower. Engineering, while essential for exports and re-equipment, is not affected by labour shortage, except in certain sections, and has been omitted from the list. Home industries, urgently requiring manpower, include laundries, fishing, quarrying, food processing, and domestic work in hospitals and public institutions, but private domestic work will not qualify unless there is a clear case of hardship. A number of other industries, where there is no general shortage of labour or where the work is only part of an individual undertaking, are classed as essential. They include the development of atomic energy, refractory bricks, and sections of heavy engineering, such as the production and repair of electrical generating plant, railway locomotives and coal wagons, and deep and opencast mining machinery.

The "less essential" occupations are those which, broadly speaking, help to make life more comfortable and congenial. They include entertainment and sport, road passenger services other than public or works buses, personal services such as hair-dressing and window cleaning, while distribution, other than food distribution, is also to be cut down.

Building and civil engineering will not rank for priority and there is no intention of increasing their labour force. Whether, and to what extent, it may be reduced and building workers transferred to other industries will only be known when the capital expenditure cuts are announced. It would be uneconomic to retain numbers of unemployed building workers, but to disband the building labour force which the Government has taken some pains to build up to its prewar strength will not be easy or smooth.

The lists are obviously not final, and no hard and fast definition of "essentiality" has been laid down. The main decision on priorities must rest with the local and regional authorities, and the Ministry of Labour has been mainly content to define broad categories and to emphasise the need for flexibility. In many cases, labour supply will have to be regulated according to the needs of individual firms, rather than of whole industries. The essential industries and occupations for priority purposes are situated in the North and Midlands rather than in the South, and since the Government means to use its powers of direction and transfer as sparingly as possible, the Control of Engagement Order is not likely to lead either to any great geographical mobility of workers, or to a considerable redistribution of industrial manpower.

Steel for Shipbuilding

The shipbuilding industry is becoming hardened to alarms and incursions about its steel supplies. An article in *The Economist* of September 27th showed that the likelihood of any reductions in steel supplies for shipbuilding was small, for those mills designed to turn out steel plates for ships would go on doing so as long as their supplies of fuel and materials last out. Yet a noisy little scare blew up last week-end after the Admiralty had circularised the industry on the subject of steel allocations. This signal, to which shipbuilders generally are turning a blind eye, suggested the possibility of an impending cut in steel allocations which might have hindered the attainment of production and export targets. The truth appears to be that the circular originated from an administrative misunderstanding, and does not reflect any sudden change in the steel supply situation for shipbuilders.

But the episode, despite prompt denials from authoritative sources, caused momentary concern, and may be taken as a pointer to the uncertainties which engineering firms face in preparing their production programmes. On such a crucial question as steel allocations, the industry can hardly be blamed for a high degree of sensitiveness, and even if no damage has resulted from the

equivocal terms of the Admiralty's letter, it was an irritant which the industry might well have been spared.

Miners' Hours and Output

Although final agreement on the extension of working hours in the mines will not be concluded until after the miners' delegates conference this week, the outcome of the negotiations is at least certain. Before the end of this month, the miners should be working systematic overtime, after deciding by local option between working Saturday shifts or a longer daily shift. In the vast majority of cases, it is expected, the men will prefer Saturday working. Whichever method is adopted, full overtime rates of time-and-a-half will be paid, with double time on Sunday. In this way, the miners' claim that "the principle of the five day week must not be impaired" has been conceded.

The miners appear to have won a complete victory, and their proposals seem to have been adopted *in toto* by the Coal Board. The Government has climbed down from its original insistence on a longer daily shift, although it still has misgivings that Saturday working will be more costly and will lead to increased mid-week absenteeism. The whole history of the negotiations, which have been dragging on since the end of July, reflects credit on nobody and discredit on many. The delay has meant the loss of well over a million tons of coal which could have been produced if agreement had been reached in the first week of September, as was originally hoped. It has embittered relations in the industry and has created an unfortunate atmosphere for the opening of similar negotiations in other industries.

The need for rapid measures to increase production is underlined by the latest coal returns. Although last week's output of 3,900,000 tons represents an improvement on that of previous weeks, it is 400,000 tons below the now hopeless weekly average of 4,300,000 tons which would be required to reach the target of 200 million tons by the end of the year. There are dim signs of improvement from increased mechanisation and more regular attendance, but too much production is still being lost by disputes Manpower which had risen to 719,100 at the beginning of August is now down to 716,000—the numbers fell by 1,200 during August alone. The miners are not wholly right in insisting that manpower is the key to the problem, but it is certainly an important factor, and unless the Coal Board can intensify its recruitment efforts and until the men will accept Poles and Displaced Persons in local practice as well as in principle, there is little prospect of getting very close to the manpower target of 730,000. The only target which now seems certain to be reached is the stock figure of 15 million tons by the end of October. There are now 14.3 million tons in stock, compared with 10.3 million tons a year ago, and electricity stations now have nearly double the stocks of that time. Unless there is another quite abnormal winter, this side of the programme should be safe. But although the Government are framing the winter coal allocation for industry on the basis of total requirements of 24½ million tons, this very adequate figure has yet to be translated into coal actually delivered at works.

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Britain and European Currencies

One of the aspects of the Marshall Plan report in which British interest has cooled with significant rapidity is the scheme for inter-European payments arrangements described in very general outline an Appendix of the General Report and submitted a fortnight ago to a committee of financial experts which met in London. The proposals, largely the work of the Benelux delegation, were intended to remedy the deficiencies in the system of bilateral commercial agreements between European countries which have tended to hamper and distort the development of trade. These agreements generally provide for settlement in gold or in convertible currencies of debit balances arising out of the bilateral payments of each pair of countries in excess of modest margins stipulated in each of these agreements. The general effect of these arrangements has been to generate the customary contractionist influence of strict bilateral agreements of this kind. The Benelux scheme was an attempt to increase the multilateral use of these balances by making European currencies transferable between each other. As the report pointed out,

This system would make it possible to abandon the existing procedure for the bilateral balance of trade, and to deal only with the disequilibrium of the trade of the given country in relation to other countries of Europe taken together.

This transferability, however, was to depend ultimately on the ability of countries acquiring European currencies in excess of the margins provided for by payments agreements (it was part of the scheme that these margins be increased) to convert the surpluses into gold or US dollars. The two-fold effect of the plan would have been to extend the scope of multilateral trade in Europe and to give every European country every possible incentive to export in order to accumulate balances which would be convertible into gold or dollars. The scheme thus required that part of the American aid be earmarked for this task of providing convertibility.

When the details of the scheme were discussed in London it was rapidly realised that Britain would play very little part either in the formulation or the operation of the plan. Britain let it be known that it would be an interested but neutral observer, ready to supply advice and statistical information about its own balance of payments, but, beyond this, determined to keep itself free from any of the commitments which the scheme would involve. This attitude is part of the understandable (but not necessarily excusable) British revulsion against anything that tastes of convertibility. British experts appear to see in the scheme merely a device to put more gold and dollars at the disposal of the few countries, like Switzerland and Belgium, whose export potential is high at the expense of the more urgent needs of the deficit countries. This argument ignores the fact that gold and dollars so accumulated would represent effective help given by the countries concerned to the European community.

Hesitation in Dollar Stocks

Trading in derestricted US and Canadian dollar securities has so far failed to develop on the scale anticipated in some quarters. The main reason has been the shortage of stock of the leading issues, and lack of interest in miscellaneous stocks, some of which were not even requisitioned during the war. The broader inquiry which was noticed in the later part of last week following the cautious opening of dealings has not been sustained, though while it lasted the premiums on United States securities rose steadily from the initial 10 per cent to around 20. The accompanying table indicates the peak reached by premiums on selected stocks and the extent to which these have subsequently been narrowed.

\$ STOCKS: PREMIUMS OF LONDON OVER NEW YORK PRICES

Stock	October 1st		October 6th		October 8th	
	London Price	Premium over New York	London Price	Premium over New York	London Price	Premium over New York
United States Steel	97-98½	10-0	106½-108½	19-2	105-107	17-4
General Motors	79-82	10-0	86-88	19-0	85-87	17-0
Chrysler New	79-82	8-0	88-90	18-2	86-88	15-0
Shell Union	39½-40½	8-5	43½-44½	19-5	42½-43½	15-3

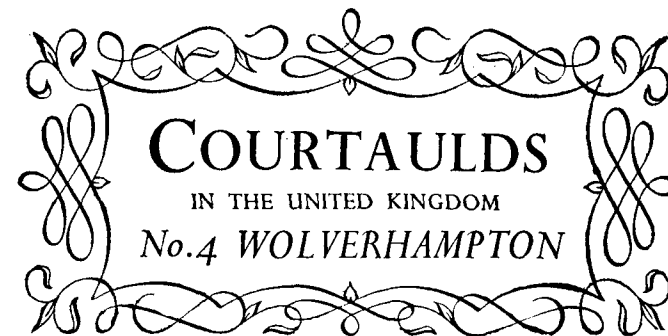
The growing realisation that the Treasury might be forced by the dollar shortage, emphasised yet again by Sir Stafford Cripps on Wednesday, to reintroduce wartime requisitioning (to which reference was made here last week) has produced a mood of greater caution, though some would-be buyers are still adhering



October

In October the Overseas Branch of the Midland Bank handles documents representing large shipments of fresh and dried fruit on its way to markets throughout the world; among these documents are those representing substantial shipments of the cashew nut from the Mediterranean to Minneapolis, a great cake-making centre for the United States. Thus London forms a vital link in the chain of commercial activity extending across the world. Whether your business is concerned with precious stones, intricate pieces of machinery, fine silks, raw wool—or even cashew nuts—the Bank offers its services at all stages of the transactions, at all times and in all parts of the world.

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Later the works were doubled in size, and in 1937 the present warp-knitting mill was added to make knitted rayon fabrics; this is now in process of being re-equipped with new British machines, fastest of their kind in the world.

The Second World War brought upheaval. Large areas of the factory were requisitioned for Admiralty and other purposes. The knitting department was moved to one of the Company's Essex mills. Bomb-filling at the factory kept some hard at work, while largely from Wolverhampton the Company provided personnel for a complete Royal Ordnance factory a few miles away. Most of such rayon yarn as was still made at Dunstall Hall went into aeroplane and vehicle tyres.

Now this great factory is again getting busy on the spinning of viscose rayon yarn for the manufacture of dress goods, furnishing fabrics, tyre cords and other purposes; it is also employed on winding and warping, and on the production of knitted fabrics.

In 1939 over 3,000 people worked there. During the war, the number fell to below 1,000; now it is gradually rising, though many more vacancies need to be filled before the management is satisfied with progress. Of over 21,000 people employed by Courtaulds in the United Kingdom, to-day about 1,900 are getting on with the job at Dunstall Hall.

This is one of a series of statements to inform the public of some part of the contribution made by Courtaulds' industrial enterprise to economic well-being in various districts of the United Kingdom.

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to the view that almost anything is better to hold than sterling stocks. There has been a notion in some quarters that the premium on American stocks would eventually settle down at a level roughly discounting the difference between the unofficial and official sterling-dollar rates, but there has so far been no rapid movement in this direction, and the trend this week suggests that premiums are being determined rather by the lack of sellers and the consequent difficulty of dealing. It is something that buyers are showing that they are not willing to push their offers beyond prudent limits.

* * *

Firmer Rubber Market

The rubber market has become firmer in recent weeks, though there has been no very marked change in the statistical position. Apart from one break at the beginning of September, the average unofficial spot price in London rose steadily from 8½d. per lb. for the week of August 12th to 10½d. for the week of October 7th. By the end of June stocks of natural rubber had increased to 930,000 tons compared with 895,000 tons at the beginning of the year, while synthetic rubber stocks declined from 140,000 tons to 115,000 tons in the same period. The fall in synthetic rubber consumption has continued in the United States, but there has been no parallel expansion in the consumption of natural rubber.

Undoubtedly the market has been buoyed up by the persistent reports that the United States may purchase rubber to build up a strategic stockpile. But if purchase for stockpiling is adopted as a definite element of American policy, it would presumably be on the dual grounds of unsettled political conditions and of the need to expand the world's dollar resources; the first ground would equally justify the maintenance of a relative high level of synthetic rubber capacity, if not actual production. It seems probable, however, that some relaxation of the American Government's control on rubber consumption in favour of natural rubber may still be introduced. Some reports also suggest that Russia may purchase rubber from Malaya. Information on Russian synthetic production is slight, but output is unlikely to be sufficient to cover Russian requirements for postwar reconstruction.

Meanwhile, Malaya is still suffering from a shortage of rice, and prospects of increased supplies are not promising. Without adequate rice supplies at reasonable prices, there will be little chance of reducing rubber plantation costs. Despite all the current difficulties, however, output has been increasing—July's total was 53,858 tons compared with a monthly average for the first six months of the year of 51,900 tons. Average monthly output for the Netherlands East Indies during the same period has been estimated at 23,750 tons.

* * *

World Oil Shortage

The campaign to reinstate the basic petrol ration proceeds; meanwhile the urgent need to conserve oil supplies has been underlined by the cancellation of a routine fleet cruise to save fuel. The case for reducing petrol and fuel oil consumption has been argued as a means of conserving dollar resources. The case might have carried wider acceptance if it had been put in terms of a world oil shortage.

The latest figures of world oil production, covering roughly the first half of this year, emphasise the three factors which, already at the end of last year, were presaging the present difficulties: the shortage of world refinery capacity; the shortage of tanker capacity to transport oil to consuming areas; and the phenomenal expansion of demand for oil products in the United States. World production for five key producing areas, expressed as annual rates over the past three years is given below:—

	ANNUAL RATES OF PRODUCTION IN THOUSAND METRIC TONS		
	1945	1946	1947
United States	231,544	234,215	240,474*
Venezuela	46,368	55,495	48,432†
Iran	17,109	19,497	19,098*
Iraq	4,712	4,470	4,386*
Saudi Arabia	2,872	8,090	12,000§

* Based on six months' figures. † Based on four months' figures.

§ Very provisional.

Production in the United States has continued to expand to new heights while Saudi Arabia, which provides large quantities

of oil for the US Navy, has sustained its phenomenal increase in output (which is only roughly indicated in the table). But in South America and Iraq, production is held up by a shortage of refinery capacity and in Persia the shortage of tankers puts a ceiling on output which is well below the potential level of the oilfields.

But expansion of production in the United States has been wholly swamped by the increase in demand. According to the US Bureau of Mines statistics domestic demand for motor fuel was running at the rate of about 852 million barrels a year in June, compared with 735 million barrels consumed in 1946, itself a record year. This jump in demand, coupled with correspondingly heavy increases in the consumption of certain heavier oils, has been met only by importing greatly increased quantities of crude oil. The United States imported 86 million barrels of crude oil in 1946. In the first half of 1947, imports were running at an annual rate of 98 million barrels. Assisted by these imports, America has been able to cater for an increased home demand for petrol and to maintain roughly the same level of exports in the first half of this year as in the same period of 1946. But this has not been true of the heavier oils. The demand for gas and distillate oils has far exceeded the capacity of domestic refineries and exports have been reduced. Since there is every indication that domestic demand for the heavier oils will continue to expand, the possibility of growing pressure on heavy oil supplies from the Middle East, with all the aggravated transport problems that would bring, cannot be disregarded. Such a possibility has serious implications for Europe's supplies of heavy oils under the Paris plan and for the coal-to-oil conversion programme in this country. It is already clear that during the coming winter, industry will at best only barely scrape through with its promised fuel oil supplies. It would indeed be ironical if conversion to oil-firing to save coal were to be imperilled, in its first winter of serious trial, for want of oil supplies.

* * *

Prospectus and Performance

Two companies have recently announced results which make a mockery of the forecast of profits contained in their prospectuses. The Miles Aircraft Company when issuing 350,000 4½ per cent cumulative £1 preference shares in March this year estimated that profit for the year to December 31, 1947, would not be less than that for 1946—the report, not then available, later showed this to be £110,993—and indicated that its order books were full. Now, only six and a half months afterwards, it has indicated that owing to the fuel crisis—which must have affected production at the time of the issue, even if its full consequences were not clear—it is trading at a considerable loss, and that the first two dividends on the new preference shares would be met out of the chairman's own pocket.

The case of Peerless and Ericsson, manufacturers of food preparation equipment, is more inexplicable, if only because it concerns a period before the fuel crisis. This company's prospectus estimate of profit before taxation of £85,000 for the year to December 31, 1946, was made in September, 1946, when only three months' trading was left to complete the year; but the company actually reports a trading loss of £114,461 for 1946, and has only been able to meet the dividend on the issue of £247,000 preference capital out of EPT recoverable. Apart from these two companies, there have been some others—including Douglas Holiday Camps, which suffered from an unforeseen shortage of ships to fill its camps, and Walkers, Dyers and Cleaners, who failed by narrower margins to realise their prospectus profit estimates. Generally speaking, the performances of companies which have been publicly floated since the end of the war have been satisfactory, and in some cases they have exceeded expectations.

It would be premature on the basis of one or two failures to bring censure either on the Capital Issues Committee (which takes responsibility for the financial soundness of new issues), or on the Stock Exchange Council for failing to provide adequate safeguards for the investor. There is a risk in profit making, and even in these days of pervading inflation and ready-made profits, an unfortunate few may encounter a loss. A new issue boom normally produces a percentage of failures, and so far the post-war spate has produced fewer failures than earlier booms. But that does not dispense with the need for the fullest public accountability of those companies and their backers, which do fail to match prospectus by performance. The case of Peerless and Ericsson, in particular, calls for a particularly frank explanation.

Ashanti Obuasi Dealings Suspended

The suspension of dealings in the shares of Ashanti Obuasi Reefs by the Stock Exchange Council, after the market itself had voluntarily decided to do so, comes as the climax to a series of contradictory reports from the Gold Coast which began in July. A statement of the company on August 1st which revealed an assay value of 1 oz. 10 dwts. over 132 inches at a depth of 160 feet in the B shaft of the mine, provided the signal for a revival of interest in the shares of the company which, although it was registered in 1921, has not yet reached the production stage. These values were confirmed in a progress report from the mine on August 12th and the shares advanced from a low level of around 1s. 3d. to 1s. 10½d. by the end of September. On October 3rd the company stated that further sampling of the lode had proved the non-existence of gold values; this statement, coupled with the sale of considerable numbers of the shares on the previous day prompted the Council officially to suspend dealings.

It now remains for the "serious mistake" admitted by the company to be fully investigated, and until that is done the circumstances surrounding the affair must remain a mixture of the curious and the suspicious. To clear it up completely, however, it would seem that on the facts at present available it may be necessary to take the inquiry to the mine itself, despite the inconvenience of distance, for it is from the mine that the earlier optimistic accounts of development were first reported. This is not the first occasion in the history of the Gold Coast gold mining industry that incorrect assay values have been reported and subsequently disproved. A similar history attached in the thirties to the Hano Dredging Company which led to the company's eventual liquidation in 1942.

* * *

Free Market in Tin?

The tin market has recently been overshadowed by speculation about the new American-Bolivian contract on the one hand and by the insistent demands of Malaya for a free tin market on the other. World tin output during the first seven months of 1947 has been estimated at 59,300 tons, compared with an estimated consumption for the same period of 75,000 tons. The development of production in Malaya has progressed satisfactorily and rehabilitation is well under way. Output in the Netherlands East Indies, however, has fallen short of expectations owing to the recent strike, which has since been settled, in Billiton. World stocks of tin and tin-in-ore at the beginning of July have been reported as 90,000 tons—a decline of 23,000 tons since the beginning of the year, but supplies of tin afloat were some 6,300 tons higher on July 1st. Stocks in the United States dropped by 17,000 tons during the first half of 1947 and prospects for the second six months are regarded by the industry as being even better, as the Reconstruction Finance Corporation have purchased considerable amounts of tin metal. Some 1,250 tons were shipped to America from Singapore in September out of a total shipment

of 1,820 tons for the month. Statistics compiled by the International Tin Research and Development Council are published in this week's *Records and Statistics Supplement*.

The present American contract with Bolivia terminates at the end of the year. Bolivia has already made it clear that it desires a price above the existing level of 76 cents a lb., and if the United States agrees this increase will be reflected in the British buying price from the Patino group and also in the Malayan price. Conditions in Bolivia are rather unsettled, although the recently threatened strike proved to be unsuccessful. Bolivia appears to be hoping that American strategic requirements for tin will be the major consideration under the table during the coming negotiations, and will presumably argue that output from other sources, notably Malaya, is still not adequate to cover American requirements. Moreover, Malayan producers have also made it clear that the present controlled price of tin is too low, particularly in relation to their increased costs of production.

The case for a free tin market, regarded from the producers point of view, may be a strong one; certainly, at the present time, the current controlled price is well below the probable price in a free market. But the tin problem is as much political as economic, and it might be unwise, at this particular juncture, to set the tin market free while there is still a condition of relative shortage. Twelve months ago such a policy would have been easier to justify, when America abolished its domestic controls, though even then supplies to Britain would have been smaller and a lot dearer.

Shorter Notes

The Stock Exchange has announced an interim dividend of £4 per share for 1947-8. This compares with an interim of £3 followed by a final of £5 per share for 1946-7. No increase in the total payment for the year is expected. The next payment will probably be the first under the new capital structure, by which the present 20,000 £36 paid shares will be replaced by 40,000 £4 cumulative redeemable annuities which will provide an annual return equivalent to £8 per share on the existing capital.

*

It has been officially announced from Johannesburg that New Union Goldfields will in future be controlled by Anglo-Transvaal Consolidated whose chairman, Mr A. S. Hersov, supersedes Mr N. S. Erleigh as chairman of the company. An exception to this arrangement is the constitution of a new group to be known as the Union Free State Group under the chairmanship of Mr J. Milne, formerly Mr Erleigh's chief assistant, to consist of Union Free State Mining and Finance, Bloemfontein Consolidated and Free State Gold Areas. This information confirms rumours which have been circulating in the mining market for the past fortnight.

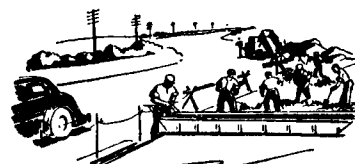
SECURITY PRICES AND YIELDS

A fuller list containing 370 securities appears weekly in the *Records and Statistics Supplement*. Notes on the following company reports also appear in the Supplement: Odeon Theatres; Triplex; United Steel; Ransome and Marles.

Prices Jan. 1-Oct. 8, 1947		Name of Security	Price, Oct. 1, 1947	Price, Oct. 8, 1947	Net Yield, Oct. 8, 1947 (n)	Gross Yield, Oct. 8, 1947	Prices, Jan. 1-Oct. 8, 1947		Last Two Dividends:	Name of Security	Price, Oct. 1, 1947	Price, Oct. 8, 1947	Yield, Oct. 8, 1947				
High	Low						High	Low									
Other Securities																	
103½	100½	Conversion 3% March 1, 1948-53...	101	101	101	101	113½	99½	(d)	(d)	(d)	(d)	(d)	Australia 3½% 1965-69...	103½	103½	4 s. d.
103½	100½	War Bonds 2½% August 1, 1946-51...	101	101	101	101	105½	89	(d)	(d)	(d)	(d)	(d)	Birmingham 2½% 1966-71...	93½	93½	3 0 8½
102½	98½	Exchequer Bonds 1½% Feb. 15, 1950...	100½	100½	100½	100½	102	100½	(d)	(d)	(d)	(d)	(d)	Argentine 3½% 1966-71...	102	101½	3 9 8
105½	98½	War Bonds 2½% March 1, 1951-53...	100½	100½	100½	100½	142½	113½	(d)	(d)	(d)	(d)	(d)	Anglo-American Corp. 10s...	132½	131½	3 16 2
105½	98½	War Bonds 2½% March 1, 1952-54...	99½	99½	99½	99½	232½	118½	(d)	(d)	(d)	(d)	(d)	Anglo-Iranian Oil £1...	165½	167½	3 11 8
108½	101½	War Loan 3½% (after Dec. 1, 1952)...	103½	103½	103½	103½	80½	56½	(d)	(d)	(d)	(d)	(d)	Assoc. Port. Cem. Ord. Stk. £1	62½	62½	4 16 0½
108½	97½	War Bonds 2½% Aug. 15, 1954-56...	98½	98½	98½	98½	42½	25½	(d)	(d)	(d)	(d)	(d)	Austin Motor 'A' Ord. Stk. 5s.	37½	37½	5 6 8
106	99½	Funding 2½% June 15, 1952-57...	100½	100½	100½	100½	73½	7	(d)	(d)	(d)	(d)	(d)	Barclays Bank Ord. 'B' £1...	78½	79½	3 10 5
108½	99½	National Def. 3% July 15, 1954-58...	101½	101½	101½	101½	115½	80½	(d)	(d)	(d)	(d)	(d)	Bass Ratchif. Ord. £1...	195½	200½	2 10 0½
109½	99½	War Loan 3% Oct. 15, 1955-59...	101½	101½	101½	101½	58½	40½	(d)	(d)	(d)	(d)	(d)	British Ox. Ord. £1...	92½	92½	4 6 6
108½	97½	Savings Bonds 3% Aug. 15, 1955-65...	100½	100½	100½	100½	29½	22½	(d)	(d)	(d)	(d)	(d)	Courtaulds Ord. £1...	48½	47½	3 4 0
105½	95	Funding 2½% April 15, 1956-61...	97½	96½	96½	96½	81½	57½	(d)	(d)	(d)	(d)	(d)	Dorman Long Ord. £1...	72½	73½	4 1 8
109½	98½	Funding 3% April 15, 1959-69...	100½	100½	100½	100½	53½	40½	(d)	(d)	(d)	(d)	(d)	Dunlop Rubber Ord. £1...	72½	73½	4 1 8
122½	109½	Funding 4½% May 1, 1960-90...	111½	111½	111½	111½	49½	39½	(d)	(d)	(d)	(d)	(d)	Imp. Chem. Ind. Ord. Stk. £1	47½	47½	4 4 8
110½	97½	Savings Bonds 3% Sept. 1, 1960-70...	100½	99½	99½	99½	45½	5	(d)	(d)	(d)	(d)	(d)	Lancs. Cotton Ord. Stk. £1...	50½	51½	3 18 1
104½	92	Savings Bonds 2½% May 1, 1964-67...	95½	94½	94½	94½	77½	50½	(d)	(d)	(d)	(d)	(d)	Lever & Unilever Ord. £1...	50½	51½	3 18 1
123½	109½	Victory Bonds 4½% Sept. 1, 1920-76...	112½	112½	112½	112½	84½	73½	(d)	(d)	(d)	(d)	(d)	London Brick Ord. Stk. £1...	52½	53½	4 14 1
111½	96½	Savings Bonds 3% Aug. 15, 1965-75...	100½	99½	99½	99½	36½	32½	(d)	(d)	(d)	(d)	(d)	L.M.S. 4½% 1st Pref. Stk. £1	77½	78½	5 2 11
116	106	Consols 4% (after Feb. 1, 1957)...	108½	108½	108½	108½	68½	47½	(d)	(d)	(d)	(d)	(d)	N.-Eastn. Elec. Ord. Stk. £1	33½	33½	4 3 7
115½	102½	Conversion 5½% (after Apr. 1, 1961)...	104½	104½	104½	104½	29½	24½	(d)	(d)	(d)	(d)	(d)	P. & H. Ord. Stk. 10s...	57½	59½	4 4 9
100½	80½	Treas. Stk. 2½% (after Apr. 1, 1975)...	84½	83½	83½	83½	63½	44½	(d)	(d)	(d)	(d)	(d)	Prudential 'A' £1...	32½	33½	2 4 3½
110½	95½	Treas. Stk. 3½% (after Apr. 5, 1966)...	98½	97½	97½	97½	108½	80½	(d)	(d)	(d)	(d)	(d)	Stewarts & Lloyds Def. £1...	53½	52½	4 15 9
117½	97½	Redemp. Stk. 3½% Oct. 1, 1986-96...	99½	99½	99½	99½	147½	108½	(d)	(d)	(d)	(d)	(d)	"Shell" Transp. Ord. Stk. £1	83½	83½	1 15 10½
99	80	Consols 2½%...	84½	83½	83½	83½	96½	68½	(d)	(d)	(d)	(d)	(d)	Tube Invst. Ord. Stk. £1...	122½	122½	4 1 8
							107½	71½	(d)	(d)	(d)	(d)	(d)	Turner & Newall Ord. Stk. £1	71½	72½	3 9 0
														Woolworth (F. W.) Ord. 5s...	85½	86½	4 0 11

Redemption yields on stocks optionally or finally redeemable within the next five years are worked out on the assumption that they will be repaid at the earliest date. Redemption yields on other dated stocks assume that stocks paying 5 per cent or less will be repaid at the earliest date (these are marked 'e'), and those paying 5 per cent or less will be repaid at the latest date (marked 'l'). (n) Net yields are calculated after allowing for tax at 9s. in the £. (f) Flat yield. Assumed average life 17 years 6 months.

(a) Interim. (b) Final. (c) Whole year. (d) Int. paid half-yearly. (e) To earliest redemption date. (f) Also a capital bonus of 2½ per cent free of income tax. Yield worked out on 15 per cent basis. (g) Fifteen months to March 31, 1947 (yield basis 16 per cent.) (h) To latest redemption date. † Free of tax.

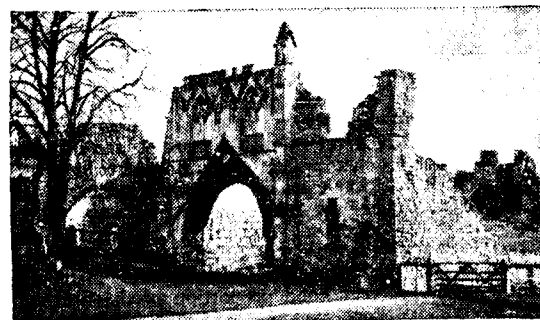


Roads

In the further evolution of our transport systems roads are becoming increasingly important lines of communication. To the construction of roads the Dowsett organization brings the services of executives who have specialized in this form of civil engineering and public works undertaking. They are qualified engineers to whose technical skill and knowledge of modern methods of road building are added the extensive Dowsett resources in the form of up-to-date plant and equipment and ancillary road building materials such as pre-stressed concrete bridge beams, fence posts and kerbs, made by the Dow-Mac Process.

Dowsett

Sole Distributors and Agents for the Dowsett group of companies
Dow-Mac (Construction) Ltd., Lion House, Red Lion Street,
Richmond, Surrey. (Telephone Richmond 4801)



KIRKHAM ABBEY

CENTURIES OLD ABBEYS, churches, castles, mansions of imposing exteriors... furnishings and decorations, priceless heirlooms of craftsmen of the past—these are the historic background of the Yorkshire to-day with its thousands of craftsmen skilled in so many trades.

This tradition is to be seen throughout Yorkshire, among its people, in its cities and towns, in its industries, and is the solid foundation upon which "The Yorkshire Post" is established.

Owned, edited and published in Yorkshire it is indeed part of Yorkshire life, yet with that breadth of outlook which causes its viewpoints to be studied and quoted throughout the world.

The Yorkshire Post

The Newspaper of the North

Y.P. 49

CONSOLIDATED MAIN REEF MINES & ESTATE, LTD.

(Incorporated in the Union of South Africa.)

Extracted from the Annual Report for the Year ended 30th June, 1947.

CAPITAL, £1,247,602 IN £1 SHARES, ALL ISSUED, FULLY PAID.

DIRECTORATE.
W. M. FRAMES (Chairman), W. M. BARCLAY, MAJOR C. S. GOLDMAN,
P. S. HAMMOND, W. H. A. LAWRENCE,
G. V. R. RICHDALE.

Tonnage Milled, 2,310,000. Per ton milled
Total Working Revenue £2,881,068 19 10 £1 4 11
Total Working Expenditure 2,625,697 18 1 1 2 10

Working Profit £245,371 1 9 £0 2 1

Total Profit for the year £245,151 2 8
Balance unappropriated at 30th June, 1946 439,321 7 5
Forfeited Dividends Account 8,690 4 0
Taxation—Adjustment in respect of previous year less provision for year ended 30th June, 1947 9,188 8 4
£702,346 0 3

This amount has been dealt with as follows:—

Funds transferred for Capital Expenditure £5,348 9 3
Silicosis Act, 1946—Provision for outstanding Liabilities and Provision for additional outstanding Liabilities 21,989 13 10
Transfer to Contingency Reserve 8,700 0 0
36,038 3 1

£666,307 17 2

Dividends declared during the year:—
No. 74 of 8½ per cent. and No. 75 of 11½ per cent. 249,520 8 0

Leaving a balance unappropriated of £416,787 9 2

The available Ore Reserve, re-estimated as at 30th June, 1947, was as follows:—

	Tons.	Value	Width
		dwt.	inches.
Main Reef	571,000	7.3	58.0
Main Reef Leader	1,582,000	6.9	53.9
South Reef	1,188,000	3.9	48.8
Bird Reef	1,561,000	2.8	63.3
Kimberley Reef	72,000	3.0	63.4
Total	4,974,000	3.7	55.8

The Kimberley Reef tonnage is partly derived from ore developed many years ago but not previously included in any reserve estimates, since it was not available for mining or payable under the then existing conditions. There were, in addition, 1,248,000 tons of payable ore valued at 4.1 dwt. per ton contained in shaft and safety pillars not at present available for stoping.

Compared with the previous year the available reserve showed a decrease of 206,000 tons, the estimated stoping width was 0.9 inch less and the average value 0.1 dwt. higher.

The full Report and Accounts (with Plans of Workings) may be obtained from the London Secretaries, A. MOIR & CO., No. 4, London-wall Buildings, London, E.C.2.



"Good-bye
my boy"

One of these days you may be saying good-bye to your son as he goes away for Army Service or to live and work among strangers. Then he must find his own friends. His moral and spiritual quality will be tested under new conditions, and especially by loneliness—the loneliness of a barrack room, a strange town, or perhaps a foreign country.

One of the tasks of the Y.M.C.A. is to serve young men in these circumstances. It offers friendship and encouragement, as well as recreative activities for body, mind and spirit. Your son may be one of the many thousands who look to the Y.M.C.A. for help and guidance. By supporting this great undertaking now, you can do something to ensure that he does not look in vain. Please send a contribution to-day.



Donations may be sent to the Rt. Hon. The
Earl of Athlone, K.G., G.C.B., President of
the Y.M.C.A. War and National Service
Fund, 112 Great Russell St., London, W.C.1

(Registered under the War Charities Act, 1940)

COMPANY MEETINGS

ODEON THEATRES, LIMITED

RE-FINANCING COMPLETED

The 10th annual general meeting of Odeon Theatres, Limited, was held, on the 11th instant in London, Mr J. Arthur Rank, the chairman, presiding.

The following is an extract from his statement circulated with the report and accounts:—

The great expansion which this group of companies has made over the last five years has been dealt with by means of temporary finance. In the year under review we have completely and permanently re-financed the group and have raised the sum of £13,335,000 at an average rate of 3.76 per cent. per annum, which I am sure you will agree with me is no mean achievement at any time, in particular in the difficult times in which we are living.

The operations were as follows:—

- (a) Odeon Properties, Limited, issued on July 5, 1946, £3,500,000 3½ per cent. first mortgage debenture stock at 98 per cent., and 1,000,000 4½ per cent. redeemable cumulative preference shares of £1 each at 21s. Prior to the issue of these two securities, it had issued to Odeon Theatres, Limited, £1,000,000 4 per cent. second mortgage debenture stock at par on June 24, 1946.
- (b) Odeon Associated Theatres, Limited, issued on February 7, 1947, £3,500,000 3½ per cent. first mortgage debenture stock at par, and 1,250,000 4½ per cent. redeemable cumulative preference shares of £1 each at 21s. per share; and on January 27, 1947, £1,500,000 3½ per cent. second mortgage debenture stock, at par, in favour of Odeon Theatres, Limited.
- (c) (i) Odeon Theatres, Limited, redeemed the outstanding balance of £1,500,841 5 per cent. first mortgage debenture stock at 102½ per cent., giving holders the right to convert into the 3½ per cent. second mortgage debenture stock of Odeon Associated Theatres, Limited, or to be repaid in cash.
- (ii) On September 16, 1946, the holders of the outstanding £1,260,400 5½ per cent. debentures were offered the right to convert their holdings into Odeon Properties, Limited, 4 per cent. second mortgage debenture stock upon the basis of receiving £79 of such stock per £105 (including redemption premium) and £26 in cash.
- (iii) On September 16, 1946, 1,186,849 6 per cent. cumulative preference shares of £1 each in Odeon Theatres, Limited, were offered to shareholders at 26s. per share.

All of these operations were successful.

The effect of these transactions is that the finances of this group have been placed upon a permanent basis, and, in the opinion of

your directors, leave the group with adequate liquid resources to cover its requirements, taking into consideration the nature of its business.

It is difficult at this moment to forecast the results of the current year, but I am confident that we can meet and beat whatever problems we have to face as your company is soundly financed and soundly managed.

The report was adopted and the proposed final dividend of 10 per cent., making 17½ per cent. free of tax for the year, was approved.

THE GREAT UNIVERSAL STORES, LIMITED

LARGER SALES AND DIVIDEND

The 29th ordinary general meeting of this company was held, on the 2nd instant, in London, Mr Isaac Wolfson, chairman and managing director, presiding.

The following is an extract from his statement circulated with the report and accounts for the year to March 31, 1947: The company has successfully accomplished its changeover from war to peace-time conditions, and there has been a large increase in the combined sales of the group of approximately 40 per cent. in relation to the previous year. The increase in the sales of the Jays and Campbells group, which is mainly concerned with the distribution of furniture, is even greater, but the results of this increase will not be revealed until next year's accounts are presented for the period to March 31, 1948.

The consolidated trading profit has risen from £1,077,530 to £1,384,083, an increase of no less than £306,553, which arises from the greatly increased turnover mentioned above. Taxation, amounting to £721,144, has again been provided for in full on the current year's profits. This compares with £578,712 last year. Your directors have recommended a final dividend of 30 per cent. less tax, making, with the interim dividend of 10 per cent. less tax, a total of 40 per cent. less tax for the year, which compares with the equivalent of 31.45 per cent. last year. In addition the profits shown have permitted of a transfer of £145,090 to General Reserve, which will then amount to £700,000.

RESERVES

The total reserves and undistributed profits of the group as shown in the consolidated balance sheet now amount to no less than £1,582,633, as compared with an issued ordinary capital of £1,056,289. As at March 31, 1940, the total reserves were £359,863 and these have over a period of seven years been increased to the above-mentioned figure of £1,582,633. It will, therefore, be seen that a large portion of the group's profits and surplus has been ploughed back into the business, which policy in these uncertain times will, I feel sure, meet with the approval of all stockholders.

In addition to the consolidated profit of £1,384,083 for the year, the Jays and Campbells group showed earnings of £322,981 before providing for depreciation and taxation. The whole of the Ordinary capital of Jays and Campbells (Holdings) Limited, is now held by your company free of any encumbrance.

FUTURE TRADING ACTIVITIES

I think we can be satisfied with the results of the year under review, especially as controls and more austerity seem to be placed upon us. Since 1933 your company has extended its activities by the acquisition of established businesses and the results now presented more than justify the decisions which have been made in past years. Each of our companies is a self-supporting trading or manufacturing unit having its own management, dealing with the general running of the business independent of the parent company except for broad direction and control.

So far as the current year is concerned I am pleased to state that sales and profits to date are in excess of the same period last year. I can only repeat as in previous years that our sales mainly consist of articles of everyday household and personal requirement. Our group of companies fulfil a definite need of the community in manufacturing, seeking out and supplying to the public the wide variety of goods that is required at the best possible value. The report was adopted.

BRITISH HOMOPHONE COMPANY, LIMITED

SIR HERBERT MORGAN'S SPEECH

The annual general meeting of the British Homophone Company, Limited, was held, on the 29th ultimo, in London.

Sir Herbert E. Morgan, K.B.E., the chairman, said that results of the Homophone and Ebonestos companies should be regarded together in that the businesses were carried on in the same premises and, to a very large extent, under the guidance of the same personnel. The position taken as a whole showed that the profits before taxation were substantially up at £12,766, as compared with £8,576. The volume of orders in hand was extremely satisfactory.

The directors viewed the company's prospects with sober and confident optimism. The British Homophone Company was specialising in high-grade transcription and reproduction work for special purposes. Their record of profits should at least be maintained. That section of the manufacturing activities was limited in regard to expansion through lack of space at New Cross, but the board was making every effort to overcome that difficulty when increased turnover and larger profits should result. The Ebonestos Company was primarily concerned in the manufacture of components for the electrical, engineering, radio and motor industries, and it also made important parts of the G.P.O. telephone installations. A very good proportion of the finished articles for which it made components were exported.

The indications were that the profit figure for the Ebonestos Company for the half-year to date was well in advance of the figure for the same period last year. He concluded by paying a tribute to the managing director, Mr Jack Lesser.

The report was adopted.

HUNGARIAN GENERAL CREDIT BANK. In our issue of September 13th last (p.462) the title of this Bank was incorrectly given as Hungarian Credit Bank.

AN IMPORTANT manufacturing and distributing company in Dublin requires an administrative assistant (male). Successful applicant must have had a first-class general education, and preference will be given to a candidate holding a University degree in Commerce, or professional secretarial and accountancy qualifications. Applicants can be interviewed in Dublin and London. Applications should first be submitted in writing, giving full details of age, schools, qualifications, experience and salary required, to Irish Chemical Products, Ltd., 41, Hill Street, Dublin.

PERMANENT CONFIDENTIAL SECRETARY. Your personal and business telephone messages received, recorded and, upon demand, relayed to you. If you have no phone or are away from home make use of this service by joining Finders, Ltd. Membership 10s. p.a.—Details from Finders, Ltd., 77 Dean Street, W.1. GERard 9050.

GOVERNMENT RETURNS

For the 4 days ended October 4, 1947, total ordinary revenue was £41,065,000, against ordinary expenditure of £48,103,000, and issues to sinking funds £300,000. Thus, including sinking fund allocations of £8,302,982 the surplus accrued since April 1st is £204,169,924 against a deficit of £500,994,360 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1947-48	April 1 to Oct. 4, 1946	April 1 to Oct. 4, 1947	5 days ended Oct. 4, 1946	4 days ended Oct. 4, 1947
ORDINARY REVENUE					
Income Tax	107,300	422,267	388,404	9,239	12,271
Sur-tax	80,000	16,716	19,155	320	300
Estate, etc., Duties	155,000	73,265	85,579	2,530	2,150
Stamps	57,000	17,105	24,830	200	500
N.D.C.	202,000	17,285	17,870	680	500
E.P.T. Refunds	1,000	127,231	130,198	9,547	6,300
Other Inland Rev.		158	115	5	5
Total Inland Rev.	156,800	719,027	666,151	22,516	22,026
Customs	736,960	301,374	397,884	8,109	9,288
Excise	643,040	282,175	288,415	3,375	2,315
Total Customs & Excise	1,380,000	583,549	686,299	11,484	11,603
Motor Duties	50,000	9,819	10,605	125	262
Surplus War Stores	95,000	34,849	104,976	162	1,579
Surplus Receipts from Trading	55,000	...	30,175	...	175
Post Office (Net Receipts)	11,000	3,070	3,970	...	...
Wireless Licences	1,000	450	450	...	...
Crown Lands	21,000	7,493	16,650	...	...
Receipts from Sundry Loans	270,000	17,253	169,374	96	5,420
Miscell. Receipts					
Total Ord. Rev.	3,451,000	1,375,510	1,688,649	34,383	41,065
SELF-BALANCING					
Post Office	144,230	63,450	69,980	1,800	2,100
Income Tax on E.P.T. Refunds	49,000	110,427	12,293	3,669	98
Total	3,644,230	1,549,387	1,770,922	39,852	43,263
Expenditure	Estimate, 1947-48	April 1 to Oct. 4, 1946	April 1 to Oct. 4, 1947	5 days ended Oct. 4, 1946	4 days ended Oct. 4, 1947
ORDINARY EXPENDITURE					
Int. & M. of Nat. Debt	525,000	266,258	276,772	15,866	21,836
Payments to N. Ireland	23,000	9,197	11,373	697	764
Issue to Nat. Land Fund	...	50,000	...	...	...
Other Cons. Fund Services	8,000	3,658	3,476	2	2
Total	556,000	329,113	291,622	16,565	22,603
Supply Services	263,514	153,938	118,454	31,600	25,500
Total Ord. Exp.	3,191,114	1,868,490	1,476,176	48,165	48,103
SELF-BALANCING					
P.O. & Broadcasting	144,230	63,450	69,980	1,800	2,100
Income Tax on E.P.T. Refunds	49,000	110,427	12,293	3,669	98
Total	3,383,344	2,042,367	1,558,449	53,634	50,301

After decreasing Exchequer balances by £139,734 to £2,898,802 the other operations for the 4 days increased the gross National Debt by £24,019,462 to £25,642 million.

NET ISSUES (£ thousand)	
P.O. and Telegraph	350
E.P.T. Refunds	121
Tithe Act, 1936, Section 26 (1)	1,210
Overseas Trade Guarantees Act, 1944, Section 4 (2)	3
Housing (Scotland) Act, 1944, Section 4 (2)	330
Local Authorities Loans Act, 1945, Section 3 (1)	10,900
Finance Act, 1946, Sec. 26 (7), Post-war Credit	3,910
	16,824

Statistical Summary

CHANGES IN DEBT (£ thousand)	
NET RECEIPTS	
2½% Def. Bonds	460
Tax Res. Certs.	1,182
Other Debt	2,481
Ways & Means Advances	61,330
	65,453
NET REPAYMENTS	
Treasury Bills	12,227
Nat. Savings Certs.	650
3½% Def. Bonds	*2,260
Other Debt	795
Treasury Depts.	25,500
	41,432

* Including £1,470,000 paid off on maturity.

FLOATING DEBT

Date	Tender	Cap	Ways and Means Public Depts.	Bank of England	Treasury Deposits by Banks	Total Floating Debt
1946 Oct. 4	1970-0	2531-9	460-5	13-5	1773-5	6749-4
1947 June 28	2180-0	2537-3	369-9	...	1442-0	6529-2
July 5	2180-0	2584-9	356-7	6-25	1368-5	6496-4
" 12	2180-0	2541-0	378-6	...	1358-5	6486-0
" 19	2180-0	2503-1	328-9	...	1408-5	6420-5
" 26	2180-0	2493-4	270-9	...	1408-5	6352-8
Aug. 2	2180-0	2470-4	317-7	2-5	1400-5	6371-0
" 9	2180-0	2424-0	348-4	5-5	1400-5	6356-4
" 16	2180-0	2428-2	336-7	11-75	1380-5	6337-1
" 23	2180-0	2467-9	336-9	9-75	1350-5	6345-1
" 30	2190-0	2428-5	339-8	4-75	1323-0	6334-8
Sept. 6	2190-0	2466-4	369-6	4-75	1301-0	6334-8
" 13	2190-0	2499-9	357-1	4-25	1296-5	6347-7
" 20	2190-0	2533-0	327-7	8-0	1299-0	6357-6
" 26	2190-0	2557-1	322-3	...	1292-0	6361-9
Oct. 4	2200-0	2531-8	363-9	19-8	1267-0	6385-4

TREASURY BILLS

Date of Tender	Offered	Applied for	Allotted	Average Rate of Allotment %	Per Cent. Allotted at Min. Rate
1946 Oct. 4	170-0	282-5	170-0	10 1-58	48
July 4	170-0	292-1	170-0	10 1-51	46
" 11	170-0	290-6	170-0	10 1-09	40
" 18	170-0	294-5	170-0	10 1-39	44
" 25	160-0	292-4	160-0	10 1-24	40
Aug. 1	160-0	287-9	160-0	10 1-11	39
" 8	170-0	278-6	170-0	10 1-48	49
" 15	170-0	235-6	170-0	10 2-34	68
" 22	170-0	258-4	170-0	10 1-58	55
" 29	170-0	251-9	170-0	10 3-14	59
Sept. 5	170-0	276-8	170-0	10 2-54	46
" 12	170-0	269-7	170-0	10 2-85	51
" 19	170-0	253-5	170-0	10 3-10	57
" 26	180-0	277-4	180-0	10 2-66	27
Oct. 3	190-0	299-9	190-0	10 1-39	49

On October 3rd applications for bills to be paid on Monday, Tuesday, Wednesday, Thursday and Friday were accepted as to about 49 per cent. of the amount applied for at £99 17s. 5d. and applications at higher prices were accepted in full. Applications for Saturday were accepted at £99 17s. 6d. and above in full. £180 million (maximum) of Treasury Bills are being offered for October 10th. For the week ended October 11th the Banks will be asked for Treasury deposits to an amount of £125 million (max.).

NATIONAL SAVINGS

	Week Ended Sept. 28, 1946	Week Ended Sept. 27, 1947	Totals Mar. 31 to Sept. 27, 1947
Savings Certificates:—			
Receipts	3,650	2,750	115,600
Repayments	3,000	3,250	72,700
Net Savings	650	Dr. 500	42,900
Defence Bonds:—			
Receipts	1,480	790	40,255
Repayments	831	996	19,365
Net Savings	649	Dr. 206	20,890
P.O. and Trustee Savings Banks:—			
Receipts	12,589	11,734	328,304
Repayments	10,370	9,078	325,164
Net Savings	2,219	2,656	3,140
Total Net Savings	3,518	1,950	66,930
Interest on certificates repaid	450	585	14,088
Interest accrued on savings remaining invested	2,219	2,285	54,224

BANK OF ENGLAND

RETURNS

OCTOBER 8, 1947

ISSUE DEPARTMENT

£	£
Notes Issued: 1374,305,021	Govt. Debt... 11,015,100
In Circulation... 75,942,812	Other Govt. Securities... 1438,318,425
In Bank of England... 75,942,812	Other Securities... 654,179
	Coin other than Gold... 12,296
	Amount of Fid. Issued... 1450,000,000
	Gold Coin and Bullion (at 172s. 3d. per oz. fine)... 247,833
	1450,247,833
	1450,247,833
Capital... 14,553,000	Govt. Secs... 303,509,705
Reserves... 3,149,998	Other Secs... 18,607,315
Public Depts... 12,334,961	Advances... 9,969,585
	Securities... 28,576,900
Other Depts... 287,970,824	Notes... 75,942,812
Other Accts... 92,238,839	Coin... 2,217,605
	410,247,022
	410,247,022

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

COMPARATIVE ANALYSIS

	1946	1947
	Oct. 9	Oct. 8
Issue Dept.:		
Notes in circulation	1361-9	1376-5
Notes in banking department	38-4	73-7
Government debt and securities	1399-2	1449-4
Other securities	0-8	0-6
Gold	0-2	0-2
Valued at s. per fine oz.	172/3	172/3
Banking Dept.:		
Deposits:		
Public	10-4	16-2
Bankers	267-4	289-6
Others	52-9	92-1
Total	330-9	397-9
Securities:		
Government	280-5	307-5
Discounts, etc.	11-2	14-6
Other	17-3	18-3
Total	309-0	340-4
Banking dept. res.	39-5	76-0
" Proportion "	11-9	19-1

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue raised from £1,400 million to £1,450 million on December 10, 1946.

GOLD AND SILVER

The Bank of England's Official buying price for gold remained at 172s. 3d. per fine ounce throughout the week. Spot cash prices were as follows:—

THE UNION BANK OF AUSTRALIA LIMITED

ESTABLISHED 1837

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AUSTRALIA and NEW ZEALAND

and with Agents in the principal cities throughout the world, The Union Bank of Australia, Limited, is able to offer the facilities of a most comprehensive banking service.

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(Incorporated in New South Wales with limited liability)

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THE ALEXANDRIA WATER COMPANY, LIMITED. ALEXANDRIA—EGYPT

INTERIM DIVIDEND.

NOTICE IS HEREBY GIVEN that an Interim Dividend of FOUR SHILLINGS per £5 share on Coupon No. 118 will be paid without deduction of British Income Tax, but less Egyptian Government and Alexandria Municipal Taxes amounting to 5.904d., making 3s. 6.096d. net on and after October 15, 1947, at the National Bank of Egypt, in Alexandria at Rue Toussouf, or in London, at 6, King William Street, E.C.4.

Dated, Alexandria, Egypt, September 10, 1947.

By Order of the Board,

J. C. de V. BISS, Sub-Manager.

THE CIVIL SERVICE Commissioners, at the request of the Government of Northern Ireland, invite applications for a few vacancies in the Administrative Class of the Northern Ireland Service to be filled in 1948 by Open Competitive examination under Normal Regulations. The examination will be held in London concurrently with that for the Administrative Class of the Home Civil Service, and candidates may compete by Method I, which will be held between mid-June and end of July, 1948; or by Method II, which will begin on January 6, 1948. For Method II candidates must have taken, or must obtain in 1948, a degree with at least Second-Class Honours, but this will be waived for certain candidates who have had regular service in H.M. Forces. Age limits are 20-24 on August 1, 1948, with extension for regular service in His Majesty's Forces, but exceptionally candidates born on or after August 2, 1915, may be admitted for Method I. Full particulars and application forms can be obtained by writing (preferably on a postcard) to the Secretary, Civil Service Commission, 6, Burlington Gardens, London, W.1, quoting No. 1982/N in the top left-hand corner of postcard or envelope and in any letter. The forms must be returned in time for delivery by November 15, 1947, for Method II, or by February 28, 1948, for Method I.

ASHRIDGE, BERKHAMSTED, HERTS

(Principal: General Sir Bernard Paget, G.C.B., D.S.O., M.C.)

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Course 43.—Week-end, October 31 to November 3, 1947: Housing in the Crisis.

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End of Act Two

NEXT week will see the end of the second session of the present Parliament and the beginning of the third. This is the Labour Government's and the Labour Parliament's watershed. Parliaments sometimes run to five sessions, but not often, and there are plenty of voices willing to prophesy that this particular Parliament will not even see its fourth. This, then, so far as can be foreseen, is half-time. And as if to mark the fact, the programme for the new session is apparently to show a sharp difference from that of the old. In the past twelve months an unprecedented number of highly complicated and controversial measures have been rammed through Parliament by a brutal use of the Government's majority. But the King's Speech next week—unless the prophets are misinformed—is to contain comparatively little that will arouse fierce controversy, for the nationalisation of the steel industry, it is said, is to be deferred and the nationalisation of the gas industry, if it is included, has the blessing of a Committee presided over by one of the country's leading industrialists.

How, at this dividing-point of its career, does the Labour Government stand? What is the score at half-time? Not by any stretch of language can Mr Attlee's Government, to judge by its record so far, be deemed a good Government. If judgment was still suspended at the end of the first session, it is crystallising at the end of the second. It is true that the Labour Party has yet to lose a by-election; but that, as has been pointed out once or twice in these columns, is a more or less fortuitous circumstance, and the by-election figures, when properly analysed, have recently begun to show a decided turn against the Government. What put Labour in two years ago was the large number of middle-class votes that they got. But the middle class, to judge by the admittedly scanty pieces of evidence that are available, have turned against them. What is even more significant is that the young people have also turned against them; the Cambridge Union's refusal of confidence to a Labour Government this week, by a vote of more than 5 to 2 and against the advocacy of Mr Strachey, is almost inconceivable to those who knew the undergraduates of the inter-war years.

The defects of the Government have, indeed, become painfully clear in recent months. The most crying defect is the low calibre of the men who hold office. Some, but a very few, of the present Ministers would challenge comparison with the best that other Governments have contained. But the average level of competence and courage is very low; and Mr Attlee's recent changes, though they were improvements, have served only to emphasise how many incompetents he is apparently compelled to leave untouched. Mediocre individuals can nevertheless sometimes make a good team, if they are well led and act together. But the present Cabinet have little leadership and, if reports are to be believed, they suffer from an unusual number of personal vendettas.

Their second defect is that they have squandered even such resources of talent as they possessed. They have diverted the attention of Parliament, of their official advisers and of public opinion to a grandiose programme of legislation which is now seen to be not so much bad as

utterly irrelevant to the nation's needs. In what particular, however small, can the nationalisation Acts be said to have helped the country to weather the gigantic storm that is now brewing? The storm was long predicted; Ministers have had the most ample warning; yet when its first icy gust blew in the windows of the Cabinet room last February, it found Ministers playing tiddleywinks.

These are hard words. But politics is the art of the possible and he who would condemn a group of politicians for their misuse of power must first convince himself that a more effective grouping was possible. Given the fact that the electors wanted to put a Labour Government into office in 1945, could it reasonably have been expected to do better? And given the addition of the Labour Party to the more sentimental aspects of Socialism, given the vast inertia of the trade unions, the answer can only be no. Could a Tory Government, if the narrow electoral margin had fallen the other way, have done any better? The answer is less certain, but it is also probably no. The Conservatives might have done better in some things. They would not have distracted attention so completely from the real issues. They might have seen trouble coming a little earlier. They might even have found the courage to act a little earlier and a little more decisively. But against this a Conservative Government would, deservedly and undeservedly, have had to face much more social and industrial unrest. It is very difficult to believe that, had the crucial two millions voted the other way in 1945, the position of the country would have been substantially different today. For what is happening is not the crisis of a single party or of a single creed, to be cured by the application of another party and another creed, but the crisis of a whole political and social system, the crisis of a whole nation which has to shake itself out of habits of sloth for which the Tories are as responsible as the Socialists, the FBI as much as the TUC. It is said that a people always gets the Government it deserves, and it would be hypocritical, as well as uncharitable, to blame Mr

Attlee and his colleagues for so faithfully reflecting the British people in their cardinal misjudgment of the situation that existed in 1945 and in their obstinate refusal to admit that life is very much harder than they hoped it would be.

So, although the Labour Government has done far from well, it will turn out to be a good thing that it has been there these past two years. And, by the same token, it is better that it should stay in office than that any of the possible alternatives should be followed. A coalition would merely be a dilution of responsibility and would still further diminish and retard the Government's power of decision. A General Election, followed by a Conservative Government, would be resented as a repetition of the trick of 1931 and be used by the Labour Party ever afterwards as an all-embracing alibi. If there were, waiting in the wings, an alternative Government, equipped with a clear and contrasting policy which would certainly be better, if the return of a Conservative Government would alter any of the fundamental factors in the national crisis, if it would mine more coal or sell more exports or secure more dollars—it might then be right to snatch at the immediate advantage. But doubts hang over all these things, and the present Government are slowly being forced into doing the only thing that a Conservative Government could do at once—that is, initiate a sharp bout of disinflation. And while the advantages of a change are problematical, there is one great advantage to be derived from the Labour Party remaining in office. If they go on as they have been going, they will be soundly beaten at the next election. But that will not finish the Labour Party; it will continue to govern the country, in alternation with the Conservatives, for a long time to come. That being so, the more it has its nose held down to the grindstone of factual reality, the more sentimental nonsense is squeezed out of its beliefs, the more ideological delusions it is compelled to abandon, the better for everybody. All things considered, it is best that the education of the Labour Party should continue.

One of the Five

IN the years after the First World War it was a remarkable feature in world affairs that China was able to conduct an active diplomacy abroad while its domestic affairs were in the greatest disorder. A sense of vast human resources, of great inheritance and of fundamental national strength gave vigour and persistence to the voice of its envoys in international conference, even at a time when there was in China no Government worthy of the name. Today there is, indeed, a Government which has far more authority than the Peking regime of 1919 or 1921, but civil war and economic dislocation, following the long struggle against Japan, have so weakened China as a state that its international status as a Great Power seems a matter more of form than of reality. Yet it would be a great mistake to underrate the importance of China, even at the present time, as a factor in international affairs. China is a giant only half awake, but a giant nevertheless. As compared with its situation at the time of the Washington Conference a quarter of a century ago, there has been a great advance, and among Chinese diplomats there is a still greater confidence in the future. Moreover, the war years have given to China a juridical position which remains as a powerful asset. On the Security Council it is one of the five Powers with the right of veto; in Japan it is one of the four Powers represented on the Allied Council in Tokyo, and it has been established as a convention that it is one of the Big Four for discussion of Pacific affairs. For the Far East, China is the substitute for France in the Council of Foreign Ministers; China protested with extreme vigour when Russia tried to get the Chinese situation put on the agenda of the alternative group of Foreign Ministers, and appears to have gained the point that the jurisdiction of

the western Big Four (and in this context Russia is also western) does not extend east of the Pamirs. The supreme aim of Chinese policy is that there shall never be another Yalta, and Chinese diplomacy has certainly made some progress in building up a position which it will be difficult for the Western Powers in future to break through. But the respite that China gains from the intense rivalry of Russia and the United States is only temporary and precarious; and the Chinese, after their bitter experience of recent years, have an uneasy suspicion that, if the two great ideological protagonists were to be once more reconciled, it would be through new piratical secret bargains at the expense of weaker parties.

This *arrière pensée* determines the attitude China has taken up on the question of the veto right in the Security Council and on the procedure to be adopted for the making of the Japanese peace treaty. On the former issue the Chinese Foreign Minister, on his departure from China to attend the session of the United Nations Assembly, declared that he was "fully prepared to respect the consensus of opinion of the Assembly on the regional restriction of the exercise of the veto," but was not in favour of "trying to amend the Charter itself." As one of the privileged veto-holders China is evidently reluctant to lose entirely the power of blocking distasteful action of the Security Council, especially after the Council's action over Indonesia has revealed its tendency to override domestic jurisdiction. In the matter of the Japanese peace treaty, China has advocated a curious compromise between the Russian demand that the preliminaries should be settled by the Pacific Big Four (the United States, Britain, Russia and China) alone and the American view that all the eleven nations represented on the Far Eastern Commis-

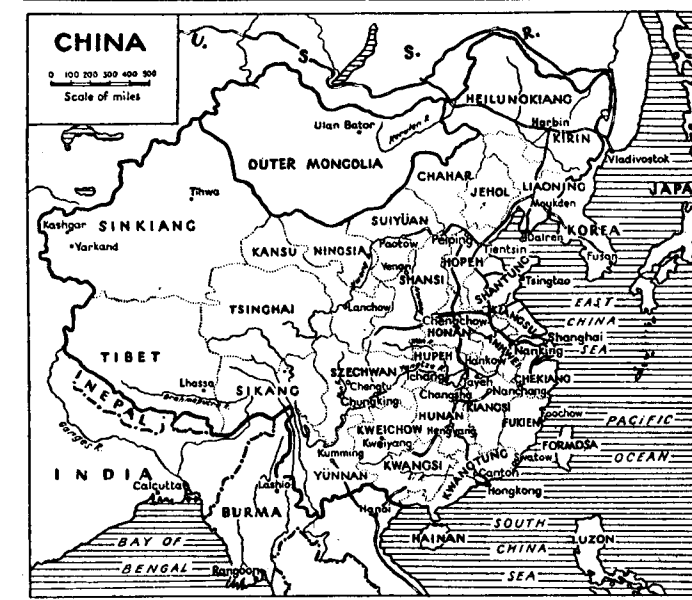
sion should take part. The Chinese proposal is that all the eleven nations should take part, but that the Four Powers should have the right of veto. In view of Moscow's open hostility towards the present regime in Nanking, it is in the Chinese Government's interest that there should be as many nations as possible other than Russia in a conference; on the other hand, China values the privilege of the veto as assuring that its present economic and military weakness will not cause its claims to be treated lightly, and thus finds itself on the Russian side in its fear of international majority voting.

The possibility that the Soviet Government may decline to take part in the peace conference, or to sign the peace treaty with Japan unless its demands about procedure are met, affects China particularly in connection with Dairen. The treaty concluded between China and Russia in August 1945, on the basis of the concessions made to Russia, at China's expense, by President Roosevelt and Mr Churchill at Yalta, provided that the great port of Dairen, the maritime gateway of Manchuria, should in time of war against Japan be placed under the Russian military administration established for the neighbouring naval base of Port Arthur. The Chinese, in their innocence, seem to have supposed that this provision covered only the contingency of possible future aggression by Japan contemplated in the treaty and that the current war against Japan would come to an end with Japan's formal surrender—which was then imminent. But the Russians have ever since maintained that, as there has been no peace treaty with Japan, the war against Japan is still going on and that, therefore, Russia is entitled to continue the military occupation of Dairen and to refuse admittance to Chinese troops. Although in theory a Chinese Government civil administration is allowed to function, it cannot do so without military protection against the Communists and Dairen has thus remained to this day in the hands of the Russians and of local anti-Government Chinese. It is, indeed, difficult for an Englishman to be critical of the Russian exploitation of a legal technicality for keeping control of one of China's principal ports, for the same technicality is used by the British Government to escape from the obligations of the Geneva Convention for the post-war return of German war prisoners. But the crux of the situation in Dairen is that, if Russia does not sign a peace treaty with Japan, it retains a pretext for holding Dairen indefinitely, and this in itself might be a strong motive for not signing a treaty. The Americans, however, are apparently prepared to go ahead with the peace-making, along with other Allied nations represented on the Far Eastern Commission, even if Russia were to stay out. If China were formally to conclude peace with Japan while Russia remained technically at war, it might still prove impossible to get the Russian garrison out of Dairen, but China's legal position would be much stronger than it is now.

The conflict with Russia over Dairen is not, however, the only issue on which China would come to a peace conference with a strong sense of grievance. Since General Wedemeyer's

recent tour of the country, opinion there has been increasingly critical of American occupation policy in Japan and of the new American tendency to grant favours to Japan rather than to China. The Chinese believe that General Wedemeyer has advised against further American economic aid to them while the civil war continues, whereas credits of \$500 million have been announced for Japan, to be secured on gold and silver bullion holdings of the Bank of Japan which the Chinese think should be earmarked for reparations.

China has indeed spoilt its own chances of obtaining American economic support in world competition for dollars; the spectacle of civil war, runaway inflation and administrative corruption in China compares unfavourably with peaceful, orderly and



relatively efficient Japan, quite apart from the pressing need for the United States to reduce the burden of supplying Japan assumed as the responsibility of the occupying Power. Nevertheless, it is only natural that, after eight years of Japanese invasion, the Chinese should have bitter feelings when they find their late enemies regarded by their late allies as more credit-worthy than themselves. Moreover, the first attempts of Chinese industry to export to the South Sea countries have already run into strong Japanese competition, fostered by General MacArthur's administration as a means of enabling Japan to pay its way. There is thus—over and above the Chinese Communist antagonism to the United States, which propagates the doctrine that the Americans have replaced the Japanese as the imperialist menace in Asia—a rift between the United States and China over policy towards Japan, and at the peace conference China is not at all likely to give docile support to the American lead.

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Americophobia

(By a Correspondent)

DURING the war economists and publicists who claimed to belong to "the Left" desired and predicted for the post-war world, among other things, increased prosperity, smooth and efficient state planning, friendship with Russia. These things, in this and other countries, have not come to pass, even though there has been an overwhelming political victory for the Left. The Conservative party was easy meat, but Mr Molotov and the laws of supply and demand were made of sterner stuff.

Tendencies repressed by reality show themselves in apparently irrelevant symptoms of a hysterical nature. The main result of left-wing frustration is Americophobia. There is no logical, but a deep psychological, connection between the now so ridiculous prophecies of post-war prosperity or the illusion-tinted programmes put out a few years ago by the Left and the frightened fury against all things American now evinced by the same school.

There had, in effect, to be a safety valve. And what better target for the steam than America? For it is not that country's vices, but its virtues, that are most particularly irritating. An American paper once published a cartoon of a very shabby man, labelled Planned Economy, and a very prosperous man, labelled Free Economy. The caption was "Buddy, can't you spare a dime?" Now in fact the implications of this cartoon were grossly unfair. Economies are planned because they are poor, not poor because they are planned. But the actual situation portrayed is wholly accurate, and this is a most bitter pill for us all to swallow, convince ourselves how we may that it is not our fault. The Left may refurbish Lenin's doctrine of Imperialism, or rightly and acutely criticise US foreign trade policy; they may seize on every indication of a coming slump, or correctly expound the effects of the unequal distribution of incomes in America, but deep down it is "Buddy, can't you spare a dime?" that rankles.

There are a number of fallacies propagated by these people, some barely suggested or merely condoned, some firmly held, some subtle, some merely Soviet, which it would be well to explode:

(1) The unequal distribution of American incomes is indeed the cause of the country's export surplus, but it would take a long time to convert the surplus export industries (e.g., films and automobiles) to the sort of industry that would be demanded by an equalised income structure (e.g., education and building).

(2) The one thing Europe does *not* want to see is a New Deal in America. The more unequally income is distributed there, the more goods can come here.

(3) In any event, the problem that now has to be faced is not so much America's surplus as Europe's deficit. The two are indissolubly united (by the purest chance, be it said), but the thin spouse must be fattened before anybody needs to bother about slimming the stout one. The time may come when the US export surplus is a world problem, but just now we must thank God for it. It is not the surplus that should be complained of, but American reluctance to finance it.

(4) According to Leninist theory, loans from one country to another are merely a means by which the imperialist creditor enslaves the debtor. But loans from one industrial country to another cannot be brought into Lenin's scheme of things. Britain will not become a semi-colonial economy dependent on America, for it is a well-administered nation with a spirit and a tradition of its own, and a skilled labour force ready

trained; nor is it to individual capitalist tycoons that Britain owes money, but to the American state; and, in any event, British goods are competing with, not complementary to, American. If historical parallels are to be sought, Britain must be compared not with Cuba or Santa Domingo but with Germany after the last war. That country built factories, even municipal swimming baths, with its dollars and then defaulted. And there was nothing America could, or even would, do about it, even though Germany was an ex-enemy.

(5) Repayment is not Britain's worry but America's. When the time comes, all the debtor has to do is to insist on offering goods, not gold, or capital, or territory, and the creditor will ask for a "moratorium." In these days of comparative economic enlightenment it should not be too difficult to insist that payment can only be made in goods.

(6) There is very little danger of the Americans getting to own vast blocks of capital in the countries to which they lend, provided the policy set out above under (5) is followed. But even if the debtor does decide to pay in capital, it should be easy to avoid American domination of British industry. To start with, equities or mortgages need not be offered, but only debentures. And even if equities are offered, the percentage transferable in each concern can be limited by law to 49 per cent, or less, or foreign-owned shares deprived of voting rights. If Mexico and Egypt can control foreign capital in this way, why not Great Britain?

(7) It is not true that a slump in the United States in the next year or two—unless it became a very deep one, of which there is little probability—would necessarily do harm on balance to the British economy. There is a vast backlog of demand in every other country in the world, which would hinder the slump from spreading. What might have to be dealt with is a purblind Congressional refusal to lend abroad during the slump. But, if one thing is weighed with another, it is doubtful whether the American public would allow Congress to refuse; the impact of Keynes, Roosevelt and the 1930s has been very deep, and the exporters are already, at the top of a boom, logrolling for more foreign lending.

(8) On the contrary, a slump in the United States, taking place preferably after the Marshall Plan gets through Congress, would enhance the real value of outstanding dollar loans and make producers all over the world more ready to sell in sterling.

(9) This country could not have avoided the initial dollar loan and cannot now refuse another if it is offered. A sudden and complete reduction of British imports to the value of British exports is simply not the most efficient way of going about the problem. It could not possibly be achieved on food, films and tobacco alone without real malnutrition and loss of production; whereas to cut raw material imports would cause loss of production too. In either way, the effect would be to reduce exports and set up a vicious circle. The cut should be sharp, but not big enough to lower efficiency. And in that case it will not be big enough to close the gap. So there is no "dollar noose," only a "no-dollar vortex." It is most revealing with what complacency the extreme Left would sacrifice the workers' standard of living on the altar of an irrelevant Marxist doctrine.

(10) It is not wholly true that the United States is compelled to lend abroad to avert a slump. First, its present charitable export drive is one of the main factors in its rising prices; to some extent a slackening in exports would merely check inflation. Secondly, the United States could easily consume

much of its exports internally, there being still backlogs of demand for many goods and services.

(11) The United States has not been parsimonious or grasping with Britain, rather the reverse. Anyone who remembers George Babbitt and George III, and the fact that the United States is a continent, not a single state, so cannot but move slowly, must be impressed with the extreme generosity shown to Britain; particularly by the Administration, which has many times stuck its neck out simply to give Britain aid to which it had no legal claim.

(12) Trade with the whole non-American world is highly desirable, not only with Eastern Europe (or only with the Commonwealth). But we can only get all the goods we need by going to the United States as well, and we cannot get the credit we need except in North America. If there is one area more certainly unable to supply Britain with more goods or with credit than another, it is Eastern Europe.

American policy must not be white-washed. The tariff, for all the nibblings at it that have happened in the last dozen

Political Plague

IN his new book "Inside USA," John Gunther relates how in front of one of the huge generators of the Bonneville dam he saw a small notice which read: "13,800 volts, 48,000 KW. Caution: Before Operating Read Instructions."

Engineers indeed are not encouraged to be casual or careless in releasing the vast and dangerous natural forces which science has brought into man's service. For politicians, unfortunately, there is no simple book of instructions to ensure safety when they let loose the great forces of human interest and passion; the situations in which political action must be taken are too complex and variable. Yet there are a few rules observance of which will always reduce the possibilities of disaster, and one of them is the advice to avoid anti-semitism like the plague. This principle has unhappily not been followed by the British Government in the last two months. The decision to send the *Exodus* Jews to Hamburg, to disembark them there by force, to put them in places which retain the physical lay-out and accessories of Nazi concentration camps, and to hold them under an administration partly German, was an act of which nobody can yet measure the consequences. It has not only produced an unprecedented hostility and resentment towards Britain among Zionists everywhere; it has also convinced most Germans that Britain is at last learning the truth of what Hitler said about the Jews, and it has thus wiped out at a stroke whatever has so far been achieved in "re-educating" Germany away from the Nazi creed; last, but not least, it has given a great psychological impetus to anti-semitism in this country.

That anti-Jewish sentiment—of a mild brand, it is true, but real enough—flourishes today, though without public expression, in high official circles in Britain is a proposition which only hypocrisy or blind-eyed complacency will deny. Its main source is to be found among those who have been concerned in civil or military administration in the Middle East; this background accounts for its strength in the Colonial Office and the War Office. Its existence in the Foreign Office is due to a somewhat different cause: to the fact that the Foreign Office conducts diplomatic relations with a number of Arab States, and is continually informed by its missions in their capitals how disastrously these relations will be affected by any concession to the Jews, whereas friendly relations with Zion form no part of foreign policy. The outrages perpetrated by the Irgun terrorists, especially the blowing up of the King David Hotel and the hanging of the two British sergeants, have naturally intensified the anti-Jewish trend, and it was the accumulation of emotional pressures which determined the

years, is still monstrously too high for a country in the United States' supremely strong economic position. The American refusal to take seriously the need for a full employment policy—at least to take seriously the need to do anything about it before the event—will in the end cost the world a lot of misery. There is the unimaginative blindness that could force on Britain two such clearly unworkable principles as non-discrimination and immediate convertibility. And there is the infuriating complacency that cheerfully ascribes all America's good fortune to the conscious practice of "the American way of life" and therefore urges it on everybody else, regardless of circumstances, in and out of season. If the critics of American policy would confine themselves to matters such as these they might be listened to. But they so clearly start from the conviction that the United States has acted in bad faith (because, of course, no capitalist can be sincere) and with the determination to prove that America is steering for a disaster (because, of course, no capitalist economy can be allowed to succeed), that they land in false evidence, pure fancy and bad economics.

decision to send the *Exodus* immigrants to Germany. At best it was an act of folly. But it was not due simply to thoughtlessness. There can be no reasonable doubt that the will to "teach them a lesson" played its part in the order to deport the 4,000 "illegal immigrants" as prisoners to the country which has slaughtered six million Jews—including many of the immigrants' near relatives—in the most frightful massacre of modern history.

We did not need to be told that there were no SS atrocities in the Hamburg landing. But the situation was not redeemed because British Tommies carried out an unpleasant duty with their customary decency and restraint and one of them was even seen giving a Jewish child a bun. The point is that Britain has become by the sequence of events the residuary legatee to the maleficent tradition of European anti-semitism. Because of this there is, without any conscious design or sense of common purpose, a convergence between the politely veiled anti-Jewish sentiments of high officialism and the crude, blatant, hysterical anti-semitism of the gutter which is being exploited by Mosley's political friends. Antagonism to the Jews in Palestine cannot be separated from antagonism to the Jews in Britain. Britain indeed now really has for the first time a Jewish question, and no good purpose is to be served by pretending that it does not exist.

Any serious study of anti-semitism as a historical phenomenon must bring recognition that, while it works on grievances which may be called rational, it engenders a terrific emotional force which is utterly destructive of reason and in its extreme development brings on a mood of violence of maniac intensity. It is this emotional force which is the special characteristic of anti-semitism, rendering it so potent an instrument for those who know how to exploit it and so terrible a danger for liberal democracy.

Anti-semitism owes its power to the peculiar suitability of the Jew for identification with the evil power which the unconscious mind postulates as the cause of the disharmonies and breakdowns of modern society. There are many possible ways of attributing blame and thus creating targets for hatred and retaliation. One way, natural to the propertied classes, is to put the blame on "agitators," "radicals" and other subversive elements who are undermining the established order. Another, natural to the unpropertied wage-earners, is to put all the responsibility for human ills on the greed of capitalists. A third way is to blame everything wrong on the wicked designs of foreign nations. There may be good rational grounds in each case for reproach against the human group viewed with enmity,

but always there is the tendency towards a purely mythical personification of the mysterious adversary, and in each country the Jew well fits the part required.

The Jews are a minority which is felt by the national majority to be alien, because it has a separate and not easily comprehensible social existence and also retains physical characteristics which were originally brought by migration from Western Asia and are sufficiently general to give the Jews the appearance of being a distinct "race." This minority, further, has had, as a result of centuries of history, a curious dual development which renders it obnoxious both to the upper classes and to the popular masses. As a result of long exclusion in most European countries from the ownership of land and productive industry and of specialisation in petty trade, usury and speculative finance, the Jew has been traditionally identified with the form of capitalism most oppressive to the "small man." The belief that the Jews flourish best on other people's misfortunes gets apparent confirmation in times of monetary inflation, when certain aptitudes originally developed in the hard school of the ghetto give their possessors a perilous eminence in a sick economy. On the other hand, the old antagonism of the Jew towards a social order which has oppressed and humiliated him, combined with the Messianic hope and moral fervour springing from the Jewish religion but secularised with the decline of religious belief, has produced from among the Jews in modern times much of the political leadership of social revolution. Thus it is possible to build a picture of the Jew who, in his dual role of malignant revolutionary and financial exploiter, can be an object of detestation both for rich and poor, for the haves and the have-nots. It is the art of the Fascist demagogue to canalise all the fears, hatreds and discontents of an unstable society against the Jew and thus in the end to ride to dictatorial power on a tidal wave of popular fury.

The solution of the Jewish question propounded by nineteenth century Western liberalism was assimilation, that the Jews in each country, given full rights and citizenship and freed from hostile discrimination by state and society, should merge themselves in the national community, forming merely a religious sect with no more political significance than any other. But

in our time anti-semitism has defeated assimilation. Assimilation requires that people should forget about the separateness of Jews, that nobody should bother to classify a given individual as a Jew or a non-Jew. But since Hitler's rise to power, what Jew has been able to forget that a Jew is a Jew? Six million corpses have come between the assimilationist and his comfortable ideal. The tragedy of the Jews in this generation has been too great for any Jew to believe in his heart that the three thousand years of his people's history will find fulfilment if he can gain admittance to an exclusive Gentile club. The average British or American Jew has no wish to go to Palestine or to be anything but a British or American citizen, but he cannot reject the idea that some Jews, on behalf of Jewry as a whole, must have an independent national existence. Morally Zionism today holds the field in Jewry; there is really no convincing alternative.

It is this political fact which makes it so alarming that Britain, by a policy which has hardly paid its expected dividends in Arab goodwill, has committed itself for so long to the role of the arch-enemy of Zionist aspiration. The Government's decision to withdraw from Palestine should enable Britain ultimately to extricate itself from this position. But there is still unfortunately a long way to go before we are out of the wood. What is too little understood in this country is that an anti-Jewish policy in Palestine is inseparable from the growth of anti-semitism in Britain. It will not be possible for the Government effectively to check anti-semitism in London or Manchester while the newspapers continually carry reports of violence, reprisal and repression in the Government's campaign to enforce its immigration laws in Palestine. Any steps which the Labour Government decides to take to tighten up the operation of the law against incitement to racial persecution, or acts of racial violence will have the support of all those who care for the maintenance of civil rights and liberties and who know to what deadly mass hysteria such agitation can lead. But the Government must first set the example by not yielding to anti-semitism in high places, and Ministers must make up their minds that the episode of the *Exodus* is something which must never be allowed to happen again.

NOTES OF THE WEEK

Mr Clayton Goes

Mr Clayton's resignation had been rumoured in Washington for some time past, and there is no doubt that the reason given for it, the state of Mrs Clayton's health, is genuine. Nevertheless, the timing of the announcement and some of the attendant circumstances have led to some speculation whether the President and the Secretary of State are turning away from the international economic policy that Mr Clayton inherited from Mr Cordell Hull and has pushed with such fervour. It may be so. But it would probably be wiser to assume, until proof of something more is forthcoming, that the only difference will be a fall in the pressure behind the policy.

Mr Clayton's good intentions have never been in doubt. It should also be remembered to his credit that he was one of the firmest advocates of the loan to Britain in 1945 and of large and immediate help for Europe in 1947. But he has mainly identified himself with the twin principles of convertibility and non-discrimination, and in this capacity there can be no doubt that the harm he has done has greatly outweighed the good. Just how much harm was done by the premature attempt to make sterling convertible into dollars, and by its failure, is only gradually becoming apparent. Trade between every single pair of states can never be exactly balanced, and there must, therefore, be some medium of exchange in which countries can hold their balances—a medium which they trust and which they can obtain for the purpose. Sterling was beginning to resume that function for a large part of the world. But as part of the preparation for July 15th, sterling had to be made much scarcer, so that it was no longer available. And since August 20th it has no longer been regarded with the necessary confidence. Dollars will not fill the

gap, since nobody has any. The attempt to make sterling convertible over the whole world has made it inconvertible even in the narrower circle than it served before. So there is at the moment no international medium of exchange, and world trade is suffering from a classical text-book case of a beggar-my-neighbour deflation. Moreover, any attempt by a group of countries to make special arrangements among themselves to contract out of the universal restriction is banned by the doctrine of non-discrimination, which means, in its most rigid form, that no country can expand other sections of its trade faster than it can expand its trade with the United States—which every country is being compelled to cut. These are the practical effects of Mr Clayton's well-intentioned theories.

It might be wrong, however, to jump to the conclusion that this general condemnation should cover Mr Clayton's latest handiwork, a new tariff agreement between the United States and the British Commonwealth, whereby some American tariff reductions are exchanged for the reduction or elimination of British imperial preferences. It is true that Mr Clayton has been impelled by the bogus doctrine that a preference, however small, is more noxious than a non-discriminating tariff, however high; he is of the school that can convince itself that the British tariff, because it embodies preferences, does more harm than the American. It is also true, according to reports from Washington, that the consent of the British Government was only secured by threats. But, after all, it is the practical effect that matters. Imperial preferences are (most of them) of greater importance as political symbols than for their effect on trade. What the other British

countries can sell in the United Kingdom market will be determined for a long time to come by almost anything other than tariff preferences. And though the same can hardly be said about the preferences that the United Kingdom enjoys in Empire markets, it is certainly true that a loss of export markets in the sterling area in return for an equivalent gain in the United States would be well worth while. Whether that is in fact the effect of the new agreement cannot be said until some information is given of the American concessions. But if it is, it would be a mistake to waste any regret over the false reasoning that has led the Americans to make such a dead set at imperial preferences or any indignation over the tactics that Mr Clayton used to secure agreement.

D-Day for Dismantling

The total of 682 plants to be destroyed or dismantled in the British and American Zones of Germany turns out to be substantially smaller than was once estimated. A number of the works included in the faked lists circulated by Communists in western Germany are now free of the blight of uncertainty. Unfortunately, however, it appears that the list is not really final. In theory, at any rate, another is still to come, when the four Powers have agreed about it, consisting of works in totally prohibited industries such as shipbuilding. The number of them is not large, but its existence destroys one argument in favour of insisting on the present list, which was to show the Germans once and for all where they stand.

Whitehall can produce a most logical case for the dismantlement plan. It has been long and carefully considered by Mr Bevin as well as by men "in the field." They have honestly tried to do as little harm to German, and as much good to European, industry as possible. If pledges are to be honoured dismantlement had to come, for it will be only a very belated fulfilment of the Potsdam Agreement and Paris Pact of 1945. Nearly half the total on the list consists of Category I war plants scheduled for destruction. The rest are for reparations, representing capacity which is clearly surplus to the recently revised level of industry for the Anglo-American Zones. It is undoubtedly true that western Germany could not conceivably make use in the next four years of the capacity which it is proposed to remove; and that the Marshall Plan would be aided if the plants were handed over to countries which could use them before they rot. The nations taking part in the Paris conference have already included the listed plants in their own estimates of production and their gain, it is argued, will be far greater than the loss to production in Germany caused by diverting a proportionately small part of labour and transport resources to dismantlement. The beneficiaries do not all belong to the Marshall Plan group of nations. Russia will receive 25 per cent, for division with Poland. The balance goes to the Brussels Reparations Agency for allocation among all the war-time allies, including Yugoslavia and Czechoslovakia. To Britain, which has not yet received a single complete reparations plant, 28.7 per cent of this balance is due.

This case for the dismantlement plan belongs to the ideal, statistical world where multilateralism and denazification and other mass solutions belong. It takes too little account of the innumerable individual problems which will arise. The British have promised to take these into account. No dismantlement will take place in scheduled factories which have started production until the German authorities have transferred the staff and restored production in another factory of the same type. But the endless complications involved in transferring labour in Germany, with little goodwill from either workers or management, will probably defeat the best intentions. It is true that scarcity of raw materials demands a concentration of production, and that too many plants have been restarted; but life in Germany is reduced to the struggle for food, and the man who is removed from the intricate system of factory bartering and local "contacts" in the countryside is lost.

There will certainly be protest strikes as dismantlement proceeds. But it is quite possible that, given fair food and weather conditions, serious disorders will be avoided. The Social-Democrat Trade Union leaders intend to control any strikes, as they did in the Ruhr last winter. It is highly probable, on the other hand, that combined passive resistance by workers, management and Land authorities will frustrate the whole scheme, unless the troops are ordered to carry it out. It is a melancholy

fact that, while the Germans see only the destructive side of the level of industry plan, the Russians, French, Poles and Czechs see in it only a means to restore the German menace. The British and Americans are making the worst of both worlds.

Five Months Wasted over Austria

A final settlement with Austria seems as far off as ever. Last Sunday the deputies of the Foreign Ministers, having sat in Vienna for five months, gave up trying to agree on the articles left in dispute by the Moscow conference. Their masters, when they meet in London at the end of next month, will have to start again with a 70-page report to help them. It is likely to bewilder them unless moods and attitudes change. For the essential problem—Russian claims to German assets to which the Potsdam declaration gave them a title—is none the easier for having been clarified.

If the very broad Russian definition of these assets had been accepted the result would, according to a spokesman of the American delegation, have been the following: the Russians would have acquired in their zone whole or part ownership of 300 plants, 20 per cent of banking and insurance interests, 500,000 acres of land already seized and virtual control of the important oil industry. It seems, moreover, that these Russian-owned assets would not have been subject to Austrian law—doubtless for fear of nationalisation measures by the Vienna government. The estimate may be exaggerated and it is unfortunate that the Russians were unable to accept the procedure suggested in Moscow by Mr Bevin: that a committee of experts should work through the disputed assets item by item and reach a compromise. The six weeks' wrangle over this proposal which opened the Vienna talks seems to have destroyed whatever willingness to negotiate Mr Novikov may have had when he arrived. Even his special visit to Moscow produced no new instructions. So the opportunity has been lost of getting the Russians to reduce their demands to a figure more like that foreseen at Potsdam.

The chill of the "cold war" between Moscow and Washington obviously affected the delegates, for they failed to agree even on disarmament and demilitarisation clauses. It was expecting too much to imagine that the Russians would subscribe to a guarantee of Austrian independence and integrity, with the Austrian Government's attitude to them stiffening weekly under the stimulus of the Truman doctrine. And the Yugoslav claims to frontier concessions and reparations from the Austrians were made no less distasteful to the American delegate by Yugoslav behaviour on other fronts. Yet the problem of Austria remains far simpler than that of Germany, and if there is any real desire to make progress at the November conference—whether on the Russian or the Anglo-American side—it is in discussions on Austria that it might appear.

Dreamland Closes Down

The Parliamentary session that begins next week approaches with the Government on the defensive. Mr Morrison, last Sunday, talked very sensibly, but he laid himself open to the charge of protesting too much. It is no longer "Who could have done better?" now it is "Anyone else would have done worse." He as good as admitted that the Government had gambled on the chances of getting through this period of post-war adjustments without a fall in the standard of living, without even telling the country of the size of the task before it. Now the cuts have to be "grim and distasteful," far more so than they would have been had not other expectations been aroused. The holiday is over.

The programme for the coming session should reflect the change in mood. In the last session, Parliament was in the main a machine for producing controversial legislation, and its other functions were obscured. In the coming session it appears that the controversial content is to be reduced, and Parliament may become again the proper forum for the discussion of the nation's affairs. So far as economic matters are concerned, there is very little need for fresh legislation at all. The majority of the decisions the Government has made, and of those it has yet to make—or at least to announce—can be carried into effect under powers that the Government already has, both temporary and permanent. If Parliament were no more than a machine for recording decisions taken in Downing Street, or at Transport House, both Commons and Lords would find themselves with more early nights than they have yet enjoyed. Fortunately, Parliament has no such limited function.

Sir Stafford Cripps has pointed out that the extra production that the country needs is no more than an average increase of 10 per cent. It seems a small figure, when written down. It is a big target when translated into a factory. But it is a figure which can be reached, and which should be reached without either too many extravagant inducements or threats of starvation or imprisonment. Parliament and parliamentary discussion are still a centre of interest to the majority of the public. The shape of parliamentary activities and debates over the next six months can do a very great deal to convince the average man that the extra 10 per cent is needed from him, as well as from the man next door.

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The New Austerity

The first cold winds of autumn have blown this week, and the British people have had their first intimation of how warm and well fed they may expect to be in the coming winter. Last year, in the allocation of coal supplies, industry was, wrongly, regarded as the residuary legatee, and the needs of the domestic consumer were put first. This year, as Mr Gaitskell said in presenting his coal budget on Tuesday (discussed in detail on page 651), distribution is based on the principle that industry should have all the coal it needs, on the assumption that the full programme for the export of manufactures will be carried out. Domestic consumers have had allocated to them the same supplies of coal as they had last year, after allowance has been made for an additional number of householders, but as many of them have not received their summer allocation in full, their total supplies may be lower. Moreover, they are warned that they will have "substantially less" coke.

What are the domestic consumer's chances of using more gas and electricity to compensate him for a possible shortage of coal and coke? There is to be no rationing. That was announced by Mr Gaitskell earlier this week—it is impracticable; it would need too much manpower to carry it out. Moreover, absolute priority is to be given to supplying coal to power stations and gas works to enable them to keep going—there is to be no shut-down of industry as there was last winter. Therefore, if necessary, coal will have to be diverted from industry, which uses the same type of coal. Furthermore, it will be necessary unless domestic and other non-industrial consumers reduce their gas and electricity consumption "by at least 10 per cent" below the level of last year, and even if coal supplies are adequate, unless domestic consumption is reduced, the generating stations will be unable to carry the load. In the long run, therefore, industry is still a residuary legatee, dependent on the voluntary abstinence of the domestic consumer.

The drawback is that this voluntary abstinence cannot be relied upon. An exceptionally fine summer presumably enabled the statutory ban on space heating by gas and electricity to be generally observed, but it is not yet known whether the total saving of 25 per cent in gas and electricity consumption was achieved. If not, it is highly unlikely that there will be a 10 per cent reduction in consumption this winter if it is as cold as the summer was hot. With the promise of further instalments of enforced austerity coming to them people are in no mood for self-imposed restrictions. Given a moderate winter, and given a steady output from the mines and no industrial disputes, their fuel consumption may be kept within bounds until the spring—although there may well be many individual cases of hardship. Is the Government again to gamble on the weather, or is it prepared to reduce the domestic consumption of electricity by a stiff tax? The right choice is obvious.

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Food Cuts Begin

On Friday of last week the Ministry of Food announced that the bacon ration is to be temporarily reduced from 2 ounces a week to 2 ounces a fortnight from October 19th. On the previous day Mr Bevin is reported to have said that potatoes may be rationed. This week it was announced that some of the priority rations of milk hitherto regarded as sacrosanct, as well as non-priority catering rations, are to be reduced so that supplies of babies' milk foods can be built up for the winter.

None of these cuts is really serious. The bacon ration is already so small that halving it will not greatly affect supplies of calories and protein, though from the point of view of variety the odd rasher will be sadly missed. There is also room for a temporary reduction in priority milk which is supplied fairly lavishly at present. As for potatoes, people who have queued for single

pounds in the last two winters will probably welcome a rationing scheme if it ensures them definite amounts. There has often been an unofficial rationing scheme in times of shortage, and it is only a pity that Mr Bevin should have spoken out of turn and caused a run on supplies from people wishing to pile up stocks before the shortage is felt.

What is significant about these cuts is that they are the result of some quite fortuitous circumstance, beyond the control of the British Government. The reduction in the bacon ration is due to a strike in Canadian bacon factories. The shortage of milk and potatoes is due to the drought. That these cuts have to be made for such unforeseen mishaps should bring home to people on what a narrow margin their food supplies are based. It should be a grim warning of what may be expected when the cuts enforced by balance-of-payments difficulties begin.

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Half-hearted Budget?

So Mr Dalton has conceded at last that there is a link between the specious buoyancy of Britain's internal finances and the sorry state of its external accounts. The avowed purpose of the Autumn Budget, of which he gave warning just as *The Economist* was going to press last week, is to relieve inflationary pressure. It is true that he still preens himself on the size of his so-called surplus, but the very fact that the budgetary position is, even so, declared to need "further strengthening" is an admission that a Chancellor's duty extends beyond the role of clever book-keeper. In this as in other matters Mr Dalton is trying to save face.

But how will he tackle the political dilemma of the Budget, the dilemma analysed in these columns a fortnight ago? There is unhappily a danger that in this phase of phoney peace Mr Dalton's conversion to the path of virtue will prove to be as half-hearted as the comparable manoeuvres in the phase of phoney war. Rumour affirms, and seems to find some circumstantial support, that the Government remain determined to leave the cost-of-living subsidies virtually undisturbed. If so, Mr Dalton's conversion to disinflation will prove to be a worthless one. On that depressing assumption, the scope for using the budgetary weapon to restrain the torrent of surplus demand would in practice be limited to extension of the purchase tax and other indirect taxes, increases in which would all too probably be combined with a purely political attack on business profits. Such measures could not possibly entrap a sufficient proportion of the surplus incomes, but even if that were not so, they could not reach the heart of the problem, which is to prevent the spending of the surpluses from enticing productive resources into the making of goods for home consumption which the country cannot at present afford. The purchase tax in present circumstances is a valuable instrument, and in particular instances could operate with real force to reserve more goods for export. But as a means of restraining expenditure in general it is of little value unless combined with more direct measures. It operates to mop up surplus spending power only after the goods which it is sought to curtail have been produced and sold.

The only really effective techniques are those which will entrap the income surpluses as nearly as possible at source, and since an increase in income tax (at least on earned incomes) is ruled out because of its disincentive effects, the only remaining direct technique is to reduce the subsidies. That would catch the surpluses at the point at which incomes are spent on necessities, and hence would directly reduce the whole volume of spending upon less essential goods—provided that wages were not stepped up proportionately.

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Can Russia Conciliate?

From time to time, but at increasingly wider intervals, Russian diplomacy has shown moderation and what—to sore Anglo-Saxon eyes—looks like good sense. When that happens it may be difficult to record the fact without a patronising tone or an over-subtle inquiry into motives. Yet the effort has to be made, in the face of Mr Vishinsky's cussedness and violence and in spite of the diplomatic deadlock which exists on every Russian-American front. It is always possible that Mr Marshall's tactics may bring some short-term results, a concession here or a change of attitude there. The time has perhaps come to keep a map of the "cold war" and to watch the movements of the flags day by day for hopeful signs.

There are obviously several diplomatic climaxes ahead of us in the next six weeks. At the end stands the Foreign Ministers'

Conference, about which no one feels any optimism at all, except possibly Mr Molotov. In between comes the end of the United Nations session, with results that must be remarkable either by the failure of the members to accomplish anything at all or by their success in weakening the Russian position; the clarification of the situation between government and Communists in France and Italy; and the celebrations in Moscow for the thirtieth anniversary of the "Great October Socialist Revolution." This last occasion must surely bring some major statement of policy by Mr Stalin; is it quite out of the question that he should analyse the present situation without indicating to the world and the Russian people some possibilities of agreement with the west?

Clearly there is no question of reversing the main trend of Russian policy. Nor is it reasonable to suppose that willingness to make concessions would be shown at the heart of the power struggle, in eastern Europe or in Germany. Nor indeed is it sensible to imagine that concessions would be made in the Briand style, with moist hand and overflowing heart. But the willingness might be shown in less conspicuous quarters of the diplomatic field; it might take the form of restraining action already planned from positions long taken up—for example in the Middle East, or in Asia, or in the economic sphere. So far there is little sign that this is anything but pre-Christmas optimism. But it is worth pointing out and reflecting on the following facts: that the Russian contribution to the Uno debate on Palestine was sensible, moderate and at bottom in line with the American case; that the Russians have proposed that their army and the American troops should both leave Korea in January; and that so far things have gone very smoothly in the London talks on the future of the Italian colonies.

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Investigating the Italian Colonies

The London conference between the deputies of the Big Four about the former Italian colonies has distinguished itself by agreeing fairly quickly and fairly widely. So far its immediate problem has been to appoint one or more investigating commissions to visit the colonies. While the Russians have withdrawn their original insistence on separate commissions—at least for Libya and the East African pair, Eritrea and Italian Somaliland—Britain has given up its desire to have consulted all countries that consider themselves "interested." In particular, this meant surrendering Iraq's claim to be heard.

A single commission of investigation has now been appointed, on which Britain, America, Russia, and France may contribute up to ten members each. No other countries will even be allowed to send observers; and the commission is to leave London during November. Its work is to be completed in not less than six and not more than seven months from the date of departure; the rather unusual specification of a minimum period was made at the request of the Russians. A separate report is to be drawn up at the end of the visit to each colony, and will contain no actual recommendation on the disposal of the territories.

During the Italian Peace Treaty negotiations last year the Russians caused consternation by asking for trusteeship over Tripolitania, the western province of Libya. Since then they have shifted their ground. Mr Kostylev, the Ambassador in Rome, has assured Count Sforza of Soviet support for Italy's claim to trusteeship over all its former colonies. At the same time he explained that the Russian veto on Italy's entry into Uno was due to America's refusal to admit Hungary, Rumania, and Bulgaria, particularly the last named. This was reassuring if tactless.

British policy is now to wait for the reports of the commission of investigation, and the only point on which it must stand firm is Mr Eden's pledge in 1942 to the Senussi of Cyrenaica that they would never again be placed under Italian rule. The French seem merely concerned to oppose the appearance of an independent Arab state next door to Tunisia; they would accordingly be prepared to see the return of Italian rule to Tripolitania. The Americans have so far made no advance on their rather non-committal, and virtually impractical suggestion of international trusteeship for all the colonies. The Italian Government is in the pleasant position of having suitors to the right and to the left.

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Arab Armies and Jewish Garrisons

On October 9th the Arab League decided to ask its member states to mobilise their troops on the Palestine frontiers. Since then wild rumours of concentrations and hasty disavowals of

serious intentions—notably in the Egyptian press—have competed for precedence. The British Chargé d'Affaires has given restraining advice in Damascus and similar cautions may well have been given in Beirut and Amman. It cannot be far from the thoughts of the Arab rulers that the British, through their military advisers, are exceptionally qualified to judge the capacity of the Arab troops for regular, as distinct from guerilla, operations to frustrate the partition of Palestine.

If the Arab states are really planning to put "armies" into the field this can only be because they dangerously underrate Zionist fighting strength. Of all their forces only the Arab Legion of Trans-Jordan—two brigades, partly motorised, under British officers—has any experience of warfare outside its own borders. The others are at best internal security forces and cannot be properly classed as military effectives. Moreover, if one of these "armies" were officially engaged, the prestige of its government would be engaged with it, and the first defeat might mean the government's overthrow. Then there are the diplomatic complications which would be created by an official war, involving British officers and military missions. Demonstrations apart, Arab League support of the Palestine Arabs is more likely to resemble that given by the French Popular Front Government in 1936 to the Spanish Republicans.

The Zionists, too, are victims of dangerous illusions if they believe either that Arab disunity will save them, or that the establishment of a Jewish state will be a walk-over. Arab disunity certainly exists, but it has time and again been shown that the challenge of Zionism is one of the few forces that can overcome it. Likewise the Jews enjoy a false self-confidence because of their extremists' success in terrorist operations against the British and occasional reprisals against the Arabs. Terrorism is easy, but the job of the 70 or 80 thousand men of the Haganah in a partitioned Palestine would be not terrorism but garrison duty. It is doubtful whether the Zionists have any conception of the difficulties of such a task, particularly in a vulnerable economy like their own, which depends on imports for food and for a great part of its raw materials and manufactured goods. The Jews would probably be capable initially of setting up without much trouble a Jewish "state" in as much of Palestine as they wish. But that would be merely the beginning of their troubles.

* * *

Revolt in the Desert?

The west, too—particularly the United States—is dangerously deceived if it thinks that trouble in Palestine can be localised. Once an Arab resistance movement started in Palestine, with strikes, civil disobedience, terrorism, sabotage—whether sporadic or organised makes no difference—the Arab States would be drawn in. None of them could incur the odium of forbidding its nationals to organise help. The Jews would no doubt be based on the coast and would hope for reinforcements from overseas—doubtless with good reason. But, unless the boundaries of their "state" were very small—and this would involve the sacrifice of many settlements—the Jews could not prevent the constant passage of Arab bands to and fro across the frontiers. Opinion in the Arab countries, always excitable and always ready to turn against the west, would get steadily more bitter. In the Middle East press there would be no lack of atrocity stories. From motives of self-interest the Arab governments might at first officially refrain from action against the hostages they hold from the west—oil installations in particular—but security conditions in their countries might in time resemble those in Palestine itself.

The issue of peace or war in Palestine—if indeed it has not already been decided—will turn first on the boundaries of the area assigned to the Jewish State; secondly, as the Russian delegate at Uno wisely observed, on the methods used to build up partition. The western governments must realise that war in this context means not a brief Ruritanian affair of gimcrack armies, but a prolonged revolt centred on Palestine and involving the whole Arab world. The American policy outlined by Mr Herschel Johnson in his speech at Uno is quite inadequate either to avert or quell such a conflagration.

* * *

Infantry Cuts

The War Office is the centre of a universe that is contracting fast and its principal concern must be to see that enough balance is maintained to ensure that contraction is not accompanied by distortion. The latest cuts announced this week are cuts in the infantry arm. All infantry regiments are to consist now of one battalion only. Primary training centres and infantry training centres will be abolished, but the specialist schools, such as the

School of Infantry, will be retained. The general picture, of course, is simply a translation of the total cuts in the Services into the organisational details for one particular arm.

There are two essentials in any proposals such as these. The first is that the standard of training for those men who are left and who do subsequently pass into the Service is not reduced. The second is that the new organisation should be clearly designed to permit of expansion as well as contraction. The second point is not one that can be discussed on the information now available, or likely to become available in the near future. Only experience can give any clues to what the Army as now organised could become if circumstances changed. But it is possible to see at once what is lost, and a serious loss is the primary training centre. The primary training centre served two purposes, basic training and personnel selection. All men coming into the Army passed through such a centre and it was there, on the basis of observations, that they were sorted into categories related to their capacities and aptitudes. In future, men will be put through some sort of personnel selection screening before joining. That cannot be as effective a test as one based on a longer period of observation, and the result may well be a higher percentage of misfits in the various areas afterwards, coupled with fewer opportunities for remedying any mistakes. What has been gained is an extended period of training in a normal infantry battalion, from which the majority may benefit as soldiers. What has been lost—or may have been lost—is the chance to direct the minority who are below average towards activities that they can manage—with benefits to them which may last far longer than their Service career.

* * *

Civil Aviation

The Report of the Select Committee on Estimates, its sixth, on Civil Aviation was recently published (H.M.S.O. 6s.) and is again an illustration of the extremely useful work that the Select Committee undertakes. The current problems of civil aviation raise no acute political issues—provided, of course, the general proposition that recognised civil air services should be carried out by Government-owned operating companies is accepted. There are organisational and financial troubles that are the growing pains proper to a child that is assumed to have an active and brilliant future.

The Committee had no major criticism to make over organisation. It comments that both the Ministry of Civil Aviation and the operating corporations have been “hampered by the Government's delay in announcing their decisions” over the purchase of aircraft and on the development of the airfields themselves (which sounds a tactful way of commenting on the absence of decisions at all). Civil aviation is not the only sufferer and neither department nor corporation can be blamed for that. The majority of the other points under this head are matters of detail which trial and error will solve. Progress is on the right lines. Decentralisation, an increase in the powers and responsibilities of each airfield commandant, the need to keep the structure flexible and to avoid stereotyped methods—all these points were realised by the individuals who gave evidence before the Committee as well as the Committee itself.

The most difficult question is finance. The operating companies ran at a loss. It is inevitable that they should, for the moment, run at a loss, which makes it the more difficult to formulate a sound financial policy. Safety, research, communications, are all in the nature of standard changes which cannot be cut to fit the volume of traffic. If landing charges on airfields are too high—and the Committee inclines to the view that they are—future traffic is discouraged by too great an effort to make the present service more self-supporting. Yet no subsidy, direct or concealed, to an operating company can run on without constant review. One way in which receipts can be increased is by the development of the earning capacity of airfields simply as spectacles or entertainments. There is everything to be said in favour of this, and again the Committee point it out, with no disagreement from the other side.

The most controversial section of the Report is that which deals with aircraft construction. The present arrangements involve quadrilateral negotiations between the constructor, the operating companies and two ministries—Civil Aviation and Supply. The reasons for that are mainly financial; the cost of the development of any new aircraft is beyond the means of either constructor or operating company alone. But the result may be, as the case of the “Tudor” suggests, the creation of a paper system that is admirable in intention and damnable in practice. On this

the Committee say very little; they accept the need for the Ministry of Supply to be responsible for ordering prototypes. For the rest they comment, a little weakly, that they were “impressed with the need for close co-operation” between the other organisations concerned. How is that “close co-operation” to be achieved? This may not have been a question for the Select Committee. It certainly is a question for Parliament.

* * *

Nationalisation of the Banks in Australia

The Australian Government's Bill to nationalise the whole banking system of the country was introduced into the House of Representatives on Wednesday. The Government intends either to acquire the business of banks operating in Australia (this will apparently be the method followed in the case of those banks which are mainly owned abroad—that is, in Great Britain) or else to acquire the shares of the banks which are incorporated in Australia. In either case it appears to be the intention (though it is difficult to be quite sure in the absence of the full texts) to merge the purchased institutions in the Commonwealth Bank so that there will be only one bank in Australia and that fully owned by the Commonwealth. This, of course, makes the step that is being taken all the more serious, since whatever there is to be said for and against the state ownership of commercial banks, monopoly is likely to be at least as noxious in banking as in any other trade, and probably much more so. Unfortunately, the Prime Minister did not give any reasons that would appeal to a reasonable man for this very far-reaching step. His speech, to judge from the cabled summaries, appeared to consist in equal parts of the Socialist doctrine that there is magic in public ownership and of the money cranks' argument that there is something sinister about the Money Power—that is, of two brands of nonsense.

The Bill has aroused enormous controversy in Australia and though the Government is evidently determined to force it through, that may not be the end of the matter, since there is evidence that the Bill is widely unpopular and is bringing to the Liberal Opposition a degree of support that its own efforts have never secured. It is, of course, a domestic concern of the Australian people. It has, indeed, repercussions on this country, since the head offices and many of the shareholders of several of the banks are here. But this external ownership of the banks has not been made an issue in the controversy and it would be a pity to make it so by anything being said or done in England that could be represented as exerting pressure or taking sides in Australian politics. A British interest would arise only if the shareholders were to be unfairly or inadequately compensated, of which there is no present suggestion.

* * *

Corpses and Diamonds

The strange story of the “island of corpses” in the Bay of Hiroshima has thrown a sudden and somewhat disconcerting light on conditions in Japan. After the destruction of Hiroshima by the atom bomb in August, 1945, orders were given for the bodies to be taken to a small island in the bay and cremated there. But the workers entrusted with the task failed to complete it and took to flight, partly because they ran out of fuel and partly because some of them were infected by corpses still radio-active. Several hundred corpses were thus left lying in the open and the fact was apparently known to the local inhabitants who acquired a superstitious dread of landing on the island. Although it was close to a British headquarters, and although both British and American missions made detailed studies of the effects of the atom-bombing of Hiroshima, and correspondents from various countries visited the remains of the stricken city to write up its story, the condition of the island morgue remained unknown either to the Allied authorities or to the new municipal officials of Hiroshima until a month ago, when it was decided to erect a memorial to the dead on the island. The gruesome discovery which was then made suggests that there may be, in other respects, too, more things in Japan than are known to the present holders of higher authority. This impression is confirmed by the less macabre, but no less interesting, story of Japan's missing diamonds, as disclosed by Keichi Seko, vice-chairman of a Diet committee for the recovery of pre-surrender government property. He declared recently that all kinds of government property to the value of 50,000 million yen had been hidden away, mainly military stores of blankets, shoes, clothing and food, but also including some 10,000 million yen worth of diamonds which the government had

bought from civilian holdings during the war as a measure of war-time finance. There is at the moment no recognised exchange rate for the yen, but black market transactions give it a value of about 100 to the American dollar, so that this Aladdin's cave of gems would be worth approximately \$US100,000,000.

China has officially pointed out that this sum would be very useful for reparations, and, alternatively, no doubt the Japanese Government could find a use for it in balancing its budget or foreign trade account. But it is “unlocated.” Between the surrender and the arrival of the American occupation forces it seems that a number of army officers helped themselves to all kinds of stocks in the possession or in the safe keeping of the army and departed without leaving addresses. Japan is a small country, but three-quarters of it consists of mountains, and in any case diamonds do not take up much space. There must be many people in Japan who have an idea where these hoards are, but apparently they are not eager to talk.

* * *

The National Trust

There is no reason why the great increase of state planning activity, and the projected public provision of national parks and major open spaces, need clash in any way with expanding activities of the National Trust. The state's role is one of general provision and supervision; the Trust is a specialist in the management of historic houses and individual estates of special interest and beauty. The Trust's constitution and standing permit of a welcome flexibility in its arrangements with private owners, which would be impossible to the public authorities. Moreover, as the Trust's latest annual report points out,

it will be long before the state machinery has reached the stage when it is able completely to put in force a wise plan of preservation and administration. In the meantime, the Trust in its independent role, and with its 50 years of experience . . . will continue to play as useful and constructive a part as ever in the past.

The activities of the state and of independent preservation societies should continue to be complementary. It is therefore gratifying to note that since 1939 the membership of the National Trust has doubled and its holdings have grown from 49,000 to

126,000 acres (in addition a large area is under its control by means of restrictive covenants). The Trust's activities are in fact increasing faster than its financial resources. Mr Dalton, who counts himself an enthusiastic supporter, has set aside £60,000 from public funds to double the total received from the Trust's jubilee appeal. In addition, the 1946 Budget set up a £50 million Land Fund, which can be used to hand over to the Trust (or some similar body) estates which are accepted by the Exchequer in lieu of death duties. Three estates have so far been dealt with in this way. But the Trust has need of more direct financial support.

There is one grave new obstacle to the Trust's work. Many owners hand over property to the National Trust in the firm conviction that this is the way to preserve it in national enjoyment for perpetuity. Wholesale compulsory requisitioning of land by Service departments and other Ministries (for opencast coal mining, for instance) will play havoc with this belief. The Government would be stupid not to show greater respect for gifts made in a public cause.

* * *

Labour's ABC

Perhaps as a preliminary to the coming Session, the Labour Party has, this week, produced a pamphlet entitled “ABC of the Crisis.” A Party publication is entitled to be a propaganda document and it would be unfair to judge it as though it were intended to be entirely objective. But fair propaganda is a matter of emphasis. It does not justify a distortion, nor a suppression, of the relevant facts and this pamphlet is guilty of a fair amount of suppression. It starts off well enough. Its summary of the export and import situation is an intelligible condensation and put in everyday terms. So, too, is its account of the original American loan. Up to twelve months ago it makes a fair case because it has a fair case to make.

But from the start of the 1946-47 winter there is a change. The suppression is visible in two consecutive paragraphs. One refers to the fact that the fuel crisis of that winter cost this country £200 million in exports. The next glibly talks of Sir Stafford Cripps's announcement of the Government's export policy on September 12, 1947. Is there any explanation of that gap of nine months of brooding uncertainty? Is time of no importance

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back their beliefs

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in a crisis? If the pamphlet could truthfully say that all the Government's plans that it summarises were dated January and not September it would be on happier ground. As it is . . .

But to criticise a pamphlet is not to condemn it. It would be ridiculous to expect a political party to place in the hands of its loyal members an indictment of its own activities. The proper question to ask is whether this pamphlet, in the hands of a member of the Labour Party, will have a good effect or not, judged from the national standpoint. The answer to that question must be "yes." The pamphlet does convey a sense of present urgency. It is intelligible and not written too far above people's heads. It finishes with a proper emphasis on production. Of course it could say a great deal more; it might have said a great deal less.

* * *

Sidney Webb

There is something symbolic, if one has a taste for such things, in the death of Sidney Webb ("the person who goes under the fantastical name of Lord Passfield") in this year 1947, at the testing time of the political creed which he did so much to inspire. For the last eight years he had been living in a retirement which the death, in 1943, of his partner in fame could hardly deepen; and except to his personal friends, who were many, there is lost in him a magnificent monument of the past rather than an active force. But what a force he was. He permeated the Labour movement through and through; to the Webb partnership, more

than to any other single factor, is due that characteristic of the British Labour movement which has always distinguished it from all others: its positive appeal to the intelligent and practical bourgeoisie, as distinct from the class-conscious proletariat and the disgruntled intelligentsia. Neither Utopian nor "scientific," without hatred or sentimentality, they documented and formulated the Socialist case, inspired and guided successive generations of Socialist thinkers, and thus contributed overwhelmingly to the building both of the intellectual framework and the trained cadres of the Labour movement.

One wonders what line the Webbs would have taken had they been entering now upon the political scene. What would the authors of "Trade Unionism" and "Industrial Democracy"—that infinitely shrewd analysis of the relation between social mechanics and achievement—have had to say about the machinery of unplanned planning and the uncontrollable proliferation of controls? In the light of their reaction to Soviet communism one cannot imagine that the curtailment of personal liberty would in itself have worried them much. But while they had a profound sympathy and tolerance for the struggles and gropings towards efficient organisation of the ill-informed and technically unequipped, a complacent ineptitude was to them anathema, and to bite off more than one could chew was the unforgivable blunder. Gradualness is inevitable; so Sidney Webb taught his future Socialist leaders, and the lesson was well learned. He did not live to see whether—at all events in the circumstances of the late 1940's—it was also possible.

Letters to the Editor

The Coal Board's Plans

SIR,—In your issue of September 20th, page 495, reference is made to the two sinkings, Rothes (Fife) and Calverton (Nottinghamshire), as having actually started. There could be only one inference from this announcement, and this to the effect that the National Coal Board were in some way responsible for these sinkings. The truth is quite otherwise. Rothes I cannot speak on from personal experience, although I am aware that it had been planned some time ago and it was sunk to a depth of thirty feet or so before Vesting Day. In other words, the actual planning and preparation was completed up to 100 per cent under its original ownership.

In regard to Calverton I can be more specific. You will appreciate that before sinking takes place a great deal of preparatory work is required in regard to proving the mineral area, subsequent rail and road arrangements, and various factors which arise in regard to housing and welfare of the personnel.

Calverton was originally conceived in 1934, and the next three years were spent in the necessary preparatory work, as well as on visits to America and the Continent to level up design and methods with the most recent developments. I turned the sod of the first shaft on June 14, 1937, and by the outbreak of war 75 per cent of the surface plant was completed, and the shaft was being used for man-riding purposes. Had it not been for the war the second shaft would have gone down in 1940. As it was, it was not until January 11, 1945, that I turned the second sod and work on the coal-winding shaft was commenced.

By Vesting Day it is fair to say that over 95 per cent of the planning and arrangements in regard to this pit were completed. I think I can likewise claim fairly that I have been wholly responsible for its conception and general design, in which I have had the advantage of excellent technical help and of the collaboration of Mr G. A. Jellicoe as my architect.

By Vesting Day Mr Jellicoe had completed, within three months, his ten-year task. The first action of the National Coal Board was to give him notice of termination of his contract, although they were subsequently prevailed upon to see how absurd this was.

I am sure that the above will show you how inaccurate it would be to give any impression that the National Coal Board have been in any way responsible for the work at Rothes and Calverton, both of which I believe will turn out to be among the best developments in the mining world.

I feel certain, moreover, that in due course the National Coal Board will do good work and will have every right to claim credit for their achievements; and I am sure that the country and, I hope, ex-coalowners will be ready to accord it. Meanwhile, the

National Coal Board do nothing to enhance their stature by making claim to achievements which were the result of private enterprise.

In this latter regard, the one million additional tons which the East Midlands have produced this year were planned and organised more than two years ago, and would have been produced whether or no nationalisation had occurred.—Yours faithfully,

House of Commons

C. G. LANCASTER

Russian Oil Reserves

SIR,—Since Mr Hughes has drawn me into the discussion on oil reserves, will you permit me to make some comments on your reply to his letter in last week's issue of *The Economist*, and also on the article on "South of the Caucasus" in your issue of September 20th, which started the argument.

The real issue, surely, is not whether Russia's proved oil reserves are 1,000 million tons (which was my figure) or 3,000 million tons, which is your figure "quoted from a recent French official publication." Even if the French estimate is nearer the truth than that of Dr Pogue, the well-known oil economist of the Chase National Bank—which I doubt—it does not warrant the elaborate argument which you construct in your article.

First, you say that oil production in the Soviet Union in 1946 "was estimated at only 22.8 million tons of crude, or about

a quarter of the average production between 1938 and 1940." This suggests that oil production in Russia before the war was over 80 million tons annually. The actual figures were:

1938 32 million tons.
1940 32 million tons.

The five-year plan target for 1950 is 35 million tons.

But by ignoring the slow rate of reconstruction and expansion and concentrating on the hypothetical reserves available, your article then draws this surprising conclusion:

There seems to be no reason to suppose that, in the long run, it is a vital interest of the Soviet Union to have exclusive access to large quantities of oil in Persia or elsewhere in the Middle East.

Once the idea is put aside that Russia urgently needs additional oil which can only be secured from northern Persia, it is possible to concentrate on the other alternative explanation of the resumed diplomatic offensive.

Surely neither of the two assumptions in this paragraph are warranted by the facts.

Russia's policy in the Middle East must clearly be dictated by her short-term acute oil shortage. Even under the most favourable conditions this will last for at least another decade, and cannot seriously be offset by the oil she may produce herself in the very, very long run. Her present requirements have been authoritatively estimated at about 60 million tons annually, about three times her current production.

To go on and argue that the idea that Russia urgently needs additional oil can be put aside in considering her politics in the Middle East seems to me to ignore the root of the whole problem. One has only to compare the production figures in Russia and the Middle East, to see how closely the short-term problem is related to the present diplomatic conflict in Persia and elsewhere in the Middle East.

OIL PRODUCTION IN MILLION TONS

	1946	1951
Russia	22	38
Middle East	32	91

The Russians have to close an annual gap of 30 million tons. Here it is on their doorstep in the Middle East. It seems, therefore, that they have more than a negative or long-term interest—as you suggest—in their recent newly-found activist diplomacy affecting the Middle East, and so have the United States. Can these two very real and conflicting interests be reconciled without continuous troubles in the Middle East? That, it seems to me, is the real issue.—Yours faithfully,

Tribune, 222 Strand, W.C.2

[The error regarding Russian prewar production was explained and corrected in *The Economist* of September 27th. It seems evident that exploitation of the North Persian oilfields would not contribute for some time to filling the gap which Mr Kimche mentions; whereas negotiation with the other interested parties south of the Caucasus would open the way not only for immediate supplies of oil on commercial terms but for a demarcation of vital interests in an area where confusion and uncertainty can only threaten peace.—EDITOR.]

Food from the Empire

SIR,—The article in your issue of October 11th, though instructive in itself, provokes me to question the practical utility of this



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kind of economic analysis, even when, as in the present case, it is specifically stated that potentialities rather than proposals are being discussed.

It has become almost standard practice, nowadays, to begin any discussion of our possible courses of future action by fixing an arbitrary "datum" of consumption "requirements" (which cannot be lowered because to do so would "affect the health and productivity of the nation") and then to do a sort of hypothetical juggling act with the productive resources of the rest of the world. Such an approach to the problem of feeding one small branch of the human family, i.e., regarding our prewar standard of living as the solitary constant among a host of variables whose sum we know to have varied for the worse, may be useful when bidding for Marshall-aid or as a preliminary to a demand for *lebensraum*, but it can have little bearing on the "normal" policy of a peaceful state.

Assuming that we are going to be, in the main, a peaceful state, and that in consequence we may expect foreign suppliers to react to our "requirements" much as the miners reacted to Mr Shinwell's "targets," it seems worthwhile to attempt a new system of forecasting economic permutations. This would consist of estimating the amount of food and other goods we are in fact likely to receive—when the American enthusiasm for lending either diminishes or comes to an end—in exchange for the volume and quality of exports which our present methods are in fact likely to make available.

The resultant figures might then, if you wish, be compared with your "datum"—a process which would at least permit a positive inference to be drawn about matters within our own control.—Yours faithfully,

B. GUY

The Grange, Beaconsfield, Bucks.

Authors' Protests

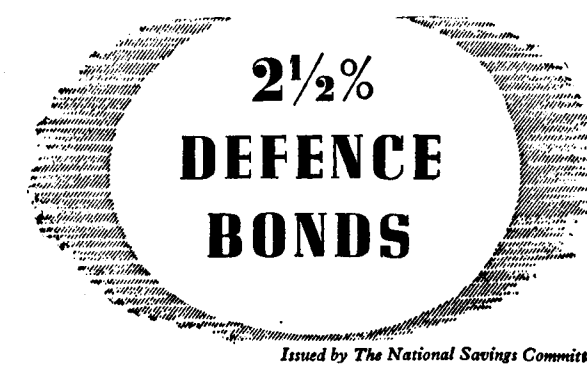
SIR,—Your review of my book "The Intelligent Man's Guide to the Postwar World," in your issue of October 11th, is a singular mixture of praise and blame. I should not complain of the blame had not your reviewer in effect accused me of intellectual dishonesty. May I assure you and your readers that I have not consciously "whisked" any difficulty "out of sight," though there are of course a great many difficulties to which I do not pretend to know the solutions, nor am I conscious of having lacked "objectivity in argument" nor "a sense of responsibility to the truth." To be regarded as "a slickly disingenuous debater," you will hardly be surprised to hear, hurts me, and I do not believe that the description fits either my record or the treatment of very difficult matters which I took much pains to make as objective as I possibly could in the case under review.—Yours faithfully,

G. D. H. COLE

All Souls College, Oxford

SIR,—In an otherwise kindly notice, in your issue of October 11th, of the revised edition of my book on the "Meaning of Money," you point to what you describe as an "enormous gap" in it, namely "no mention whatever of the relationship between monetary and employment policy." May I suggest that on page 228 your reviewer would have found, "By devaluing your currency you can, it is now discovered, stimulate employment, and

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improve your balance of trade—only, your next-door neighbour can lay you a symie by devaluing his rather more.” And on later pages a good deal is said about the effect of changes in the quantity of money on the minds, fortunes and activities of all classes.—Yours faithfully,
HARTLEY WITHERS
Copford Place, Colchester

Insurers and Interest Rates

SIR,—Might I comment upon the article in the “British Insurance” section of your *Records and Statistics* Supplement of September 27th?

(1) The suggestion to increase the charge in the premium of a life policy for the right to participate in profits so that “the burden of future unknowns would rest more largely on the policyholders” would have the effect of reducing the initial life assurance cover which a “with-profits” policyholder could obtain for a given outlay. A life company is not a savings bank nor a trust company; its *raison d'être* is to provide life assurance cover. A profitable investment element included in a policy without curtailing materially its essential purpose is, of course, unexceptionable; but the right of participation is designed to provide life assurance cover at cost price to the general body of policyholders and its advantages from an investment point of view should be incidental.

(2) The writer further states that “If the offices continue to conduct their business on traditional lines they would be faced with still larger holding of Government securities.” It has never been the traditional policy of the majority of life offices in normal times to invest a large proportion of their assets in these securities. Before 1914 the amount held was very small indeed, and the large holdings today were mainly acquired during two world wars and give a measure of the support which life offices lent to the country's finances on these occasions. Life offices have in the past been able to secure with reasonable safety considerably higher yields on their assets than those obtainable on Government securities.

(3) The general adoption of the methods of valuation mentioned in the article, under which the value of the assets and the valuation rate of interest are more closely related to market conditions at the time, would not necessarily reduce “the great disadvantage of equities . . . arising from violent changes in market values.” It does not follow that, because equity prices have fallen, circumstances will be such as to justify a raising of the valuation rate of interest. Most life office managements probably consider that the proportion of their funds which they can put into these shares is limited, not by reason of any difficulties caused by the valuation methods employed, but because of the financial caution which their position as trustees of their policyholders' money imposes upon them.

I should like to emphasise the last point that life offices have a prime duty as trustees of widows' money. British life assurance companies have built up their present proud position by adherence to prudent financial principles; that the practices they have adopted in the past have not been detrimental to the interests of their policyholders is demonstrated by the facility by which their contracts may still be sold both at home and overseas.—Yours faithfully,
ACTUARY

A Hungarian Democrat Wonders

SIR,—Professions like Dr Karasz's letter in your issue of October 11th are plentiful from all the police-states; but no propaganda can obscure the real issues. In Hungary's case these are the following:

- (1) The election was the swindle inseparable from the practice of all totalitarians, Nazis or Communists.
- (2) Hungary is a police-state tyrannically ruled by a minority. This again is the characteristic of all totalitarians.
- (3) Hungary is part of the new Comintern, which has just launched an open declaration of political war against real democracy.

It is therefore deceptive to talk of the desire of any of the nine police-states to be on good terms with the West. They cannot have it both ways. We may sympathise with the oppressed who sincerely wish the truth to be different, but we cannot blink the truth. Had we been earlier alive to it in the case of the nazi police-state, the course of history might have been different.—Yours faithfully,
VANSITTART

Denham Place, Denham, Bucks

The Savings Campaign

SIR,—One way of bridging the “inflationary gap” is to encourage people to put more of the national income into national savings—as we have been instructed *ad nauseam* during the last seven or more years. But at the moment, I believe, more is actually being taken out of national savings than is being put in.

Since we are all so sick of the old line “Spend less, save more,” why not attempt to overcome the present unwillingness to save by removing some of its root causes?

One, and perhaps the chief of these, is the conviction that the pound which we save today will be worth a good deal less than a pound when spent five years hence. Controls have proved unable to prevent a steady decrease in the value of money. Why then is it not feasible to preserve the value of savings by relating them to the new price index? This would mean that the money which we save today, would be withdrawn, say, five years hence, plus interest, and adjusted up or down, according as the index has moved, so that the value of the money when spent is roughly equal to its value when it was saved.

If confidence were thus restored, one of the greatest arguments against saving, “What's the use of saving?” would be removed. Were we assured that the value of our savings would remain, many of us would be content to take a lower rate of interest, since at present any interest which we earn may be swallowed up completely in the fall in value of the capital sum.—Yours faithfully,
RAYMOND F. B. FENN

Keble College, Oxford

On the Eve

SIR,—As the Chancellor will not lack advice in preparing his autumn budget, I hesitate to reiterate the obvious. I do so because I am employed in industry, and because I know your Note on page 591 in your issue of October 11 “... the British public still has no idea of what is coming to them...” to be an accurate statement of an appalling fact.

It is of vital importance to bring home the severity of our position to everyone employed in industry, and to emphasise that the only solution is hard work. The best way of doing so is to abolish the food subsidies forthwith, and to grant relief wholly or in part primarily by way of the earned income allowances, and secondarily by increasing the allowances in respect of persons who cannot work (e.g. for children and dependent relatives) and by revisions in old age pensions and family allowances.

Sooner or later, hardship will be the spur. The sooner it is applied, the better.—Yours faithfully,
W. S. HAYES

Oakley, Heath Close Road, Dartford

From The Economist of 1847

October 16, 1847.

WE see with much regret that the conduct of the police is deservedly exciting severe admonition. On three separate occasions, within the last week, at different police offices, police constables have been found guilty of committing gross outrages on unoffending persons, chiefly women, and have been sentenced to various degrees of punishment.

We are not disposed to bear hard on the police constables. In our own experience we have ever found them a well-behaved set of men; but it cannot be doubted that in their dealings with the lower classes, they are extremely apt to be arbitrary, outrageous, and even brutal. Never yet were men placed in their situation who did not abuse their power; nor can such abuses be stopped or rectified by punishment. As long as such a force exists, and it has to deal with such a population as that of the alleys, courts, and lanes of the metropolis, individual constables will continually overstep the bounds of moderation, and be guilty of gross outrages on the humble classes.

To us that seems a very strong reason why the most scrupulous care should be employed in the selection of the constables. There is no means of controlling them in the practical exercise of their authority but their own discretion. They cannot each man be watched by another police constable. They ought therefore to be well educated, well drilled, respectable men. They ought to be men in whose discretion their officers can rely. They ought also, considering rather their responsibility than their labour, to be well paid. Their officers, as well as they, should be called to account when the men misbehave, because on the officers the public depend for selecting men worthy of confidence. . . . In general, brutal conduct in the constables is a *prima facie* evidence of neglect in the inspectors and commissioners, and we shall not have the force what it ought to be till some of them are dismissed whenever the constables require, as at present, to be repeatedly punished for continual misbehaviour.

AMERICAN SURVEY

Mr Marshall's New Wine

(From Our US Editorial Staff)

THE criticism that the foreign policy of the United States is still not fully formed was justified until so recently that it is still accepted, even in Washington—though it is no longer true. Any fluctuations in its operations (and a gradually decreasing number are still visible) are caused by the difficulty the State Department has had in explaining the change to its representatives in distant fields. The steady policy dates only from the time when Mr Marshall took over. Its coherent development has depended on the speed at which he and his immediate advisers have been able to instil understanding of it into an amorphous and far-flung organisation.

American policy had for long been a series of unco-ordinated attempts to put catchwords into practice. The emotional belief of the American people in self-determination had laid them open to exploitation by anyone who could round up enough support to become an “oppressed minority.” The curious result of this irresponsible approach to world politics was that, unconsciously, America became the prophet of disintegration while her own history was an example of integration, and an object lesson in its virtues.

Even the Monroe Doctrine began as an assertion of the rights of Latin American peoples to govern themselves. It was not until the building of the Panama Canal that an American imperialism developed wherever the defence of the Canal was concerned. Moral interludes, of which the diplomatic bout with Perón was the latest, never lasted very long and were allowed only at a respectable distance from the isthmus of Panama. Argentina, previously a marginal state, has, since bombing ranges have been officially extended, become a power to woo. That was the lesson of the recent Rio Conference.

American foreign policy is now made by the new Planning Division of the State Department, which, though it has to be more responsive to public opinion than other foreign offices, has learned the techniques of leading from behind. At the end of the war there was a surge of emotional support for the United Nations—the violence of which was increased by the memory of failure to join the League. So the Russian vetoes, with their threat to the effectiveness of the United Nations, have meant more to the United States than to others because they have interfered with its attempt to rehabilitate its conscience; they have therefore created a deeper anti-Russian feeling. As public opinion has become more firmly anti-Soviet, so has American policy. Mr Marshall, in fact, took a big risk with the original version of his plan, which, before Russia denounced it, was a genuine and sincere attempt to bring Eastern Europe, including Russia, back into the market places—provided they would accept the principle that peoples should be free to choose their own form of government. From the moment that Mr Molotov left Paris the negative side of American policy—opposition to Russian expansion and the extension of Communism—has been ascendant. Subsidiary, but vital to this policy, is the programme of giving aid and comfort to the enemies of Communism.

New political and economic attitudes are called for to make this policy work. Faced with a struggle with Russia America cannot encourage the disintegration of the democratic world while the enemy follows a policy of intensive integration of the countries in its sphere of influence. The Marshall Plan is the first sign of the realisation of the new patterns that the new situation has made necessary. It has now been accepted in principle that a democratic (i.e., Non-Communist) and economically prosperous

Western Europe is vital to the American anti-Communist policy.

Yet in some places the old ideas and the new still overlap. And there will be many struggles between abstract justice and political reality before all the traditional attitudes are abandoned. There have been two recently. The Marshall Plan (or any other policy for reviving Western Europe) needs a strong Netherlands while tradition demands support for the Indonesians. The United States has swung between the two in recent weeks, shyly recognising the present but not quite able to cut out all ties with the past. In the British-Egyptian dispute, again, the same internal disagreement could be seen. It would be dangerous for the United States if Britain were to be driven out of the Middle East. Yet the American representative on the Security Council voted against the Colombian resolution calling on Britain and Egypt to sign a military alliance. This action, it must be admitted, disturbed the policy-makers in the State Department, instead of giving them a glow of self-righteousness—as it would have given their fathers. Mr Marshall would not have refused Britain, as his predecessor did, the trusteeship over Cyrenaica while insisting on acquiring the Japanese-mandated islands for America on the same terms.

There remains the problem of whether the Secretary of State can persuade Congress and the electorate—and his successor, if the Republicans win next year's election. The editor of *Foreign Affairs* said recently that the United States seems to have been consistently one generation late and to have grown up now to the Wilsonian reality. That reality he describes as “collaboration with like-minded colleagues in a world which is gradually becoming increasingly democratic.” Beyond that point, Mr Marshall has to lead his public opinion. Politically he will be able to do it—thanks to the ineptitude of Russian tactics. The doubt is whether the American people are prepared to accept the self-discipline which his policy will require in execution, even when they have accepted it as a doctrine.

One of the greatest difficulties of the present situation is that Britain and Western Europe have gone from creditor to debtor nations, and the United States from debtor to creditor, in one generation. The economists in the State Department—those at least who did not get side-tracked in the old lavender of Geneva—seem to understand this permanent change in the economic status of the two hemispheres better than recent visitors from Europe. But, if a few in the State Department understand, Congress and American business most certainly do not. Subsidies for American shipping and laws making it obligatory for American officials to travel in American ships are ridiculous if the policy is to encourage Britain and Norway to earn dollars by recovering their old positions of carriers for the world.

The Marshall Plan will cost, it has been reckoned, at the most about one-fifth of what the country would have to spend on defence during the next five years if the whole of Europe fell under Communist control. For that reason it will probably be accepted, in part at least. The part easy of acceptance will be immediate relief and “interim aid.” It will take real salesmanship before the Administration can persuade anyone of the need for providing money to rebuild European industry for competition with N. America. Since nobody except Mr Henry Wallace, can think of a policy different, except in emphasis, from Mr Marshall's, Congress will have to face this issue. It is fortunate that the Secretary of State has such an imposing reputation and that his machine is now so formidable. They will have some hard work before their policy is allowed to run a consistent and logical course.

Wheat—or Dust?

(From an American Correspondent)

THE American farmer has been given new reason in recent weeks to pause and think about the parable of the seven good and the seven lean years. Since 1940 most of the big food producing regions of the United States have enjoyed phenomenally favourable weather. Not only has good weather made possible the unparalleled harvests of recent years, but it has largely obscured the steady and heavy drain on farm land fertility which the soil experts know (but as yet have not been able to measure precisely) has taken place as a result of continuous wartime cropping to "soil depleting" crops. But this year flood, midsummer heat and early frost have cut heavily into the corn crop, and now drought has risen like a dark threat on the horizon of the 1948 winter wheat crop.

At least four-fifths of America's grain exports during and since the war have come from wheat, and most American wheat is winter wheat. That is, it is planted in the autumn and harvested the following summer. Practically all of this wheat is grown in the vast, flat Great Plains area in the centre of the United States. More than half of it is produced by five states in the southern half of the Plains—Kansas, Oklahoma, Texas, Colorado and Nebraska.

Here is the heart of the American "breadbasket"—but, unfortunately, here also is the American "dust bowl."

Since the beginning of settlement in the mid 1880s, the Southern Great Plains has been a land of great booms and sudden "busts." One year—or maybe five years in a row—wheat land produces 30, 40 or even 50 bushels to the acre; the next, the crop is so short that it does not justify the expense of harvesting. This summer—the sixth in succession—the Southern Plains produced a bumper crop: 579,662,000 bushels out of an estimated total US winter wheat output of 1,095,648,000 bushels. Throughout the Plains farmers made preparations for a still greater expansion of their wheat acreage. But then the weather changed.

Late August and September ordinarily bring good rains to the Southern Plains. But at the beginning of October most of the wheatlands south of the Kansas-Nebraska border had not had a good rain in more than a month. Stubble from the 1947 wheat crop, which should have been ploughed under weeks earlier, still was standing on thousands of acres. The topsoil was dry and dusty.

Every day's delay in getting the new crop into the ground increases the hazards. Although experts say wheat crops have been planted successfully on the Southern Plains as late as November 1, they say the area already is "skating on thin ice." Farmers need to get a good wheat cover on the ground before the hard winter freezes begin. Otherwise they run a serious risk of losing their crops to the high late-winter and spring winds which are a constant dimension of life on the Plains.

As October arrived dry, many farmers (who had been fortunate enough to get their ploughing done before the drought closed in) planted their wheat in the dust, and hoped that rain would come soon enough to save them. Farmers on the Southern Plains have to hope, because nothing there is ever certain. Seeds for trouble lay not only in the sudden unhappy turn in the weather. They lay also in the ploughing up of new sod land, in

the speculative prices for farm land and in the influx of new farmers from other sections of the country.

Farm land which went begging at less than \$5 an acre less than 10 years ago recently has been selling for \$30 to \$50 an acre. One Soil Conservation Service official in the area reported that by 1945 the average price of land on the Southern Plains had risen more than 140 per cent "above normal"—as compared to a rise of about 40 per cent which he believed to be "justified by the steady demand and good prices" for wheat and livestock during the war. The increase has been sharper since then.

Heavy disc ploughs pulled in tandem by powerful Diesel tractors are turning up sod at an accelerating rate. You can drive for miles across the Southern Plains these days without losing sight of newly ploughed sod ground. Paradoxically, this new "plough-up" is occurring simultaneously with a continuing struggle, started during the "dirty 'thirties," to turn the most badly damaged Dust Bowl lands back to grass. It is a losing race.

The Committee on Conditions of the Great Plains Agricultural Council, a watchdog group of government soil experts, recently found that in 10 Great Plains States 558,114 acres of former "blow land" had been returned to grass (by reseeded or natural vegetation) during the last year. But during the same period 1,335,956 acres of sod was turned under by the plough for the first time. At the same time, the committee found that farmers are progressively abandoning many of the soil and moisture conservation measures by which they profited in the last years of the "big drought" and the early years of the war. Rainfall over the Great Plains—from the Canadian-Dakota-Montana border to Texas—averages about 15 inches a year. Over the long pull, every drop of available moisture must be saved to make farming possible. Yet, a sharp decline has taken place in the acreage farmed on the contour, and a million fewer acres of wheat land were summer-fallowed (that is, left idle through the summer to store up moisture) this year than a year ago.

These are the signs which impress the oldtimers most. Many of them have seen the Dust Bowl country practically depopulated more than once by drought. It happened in 1890-95, in 1910-11 and again in 1934-39. Before each of these tragic droughts the area had experienced a wild speculative spree, such as the one which has been under way since 1942. It is common knowledge that most of the plough-up is taking place in the lightest and sandiest soils of the Plains region—soils which will turn to powder and shift with every wind if the weather stays dry very long. Most of it is taking place in areas where the normal rainfall is considerably less than 14 inches a year—areas where soil experts know farming is not a safe occupation.

It is common knowledge, too, that much of the land is being broken out (and other acres purchased) by men who have come, as they did in other boom times, from the more humid sections of the United States: men who do not know how to appreciate the wind—which, even now, averages 18 miles an hour every day at 2 p.m.; men who have never seen how quickly wind and dust can burn and tear out a wheat crop by its roots. It is because of men like these that some of the oldtimers, who worked their hearts out during the 1930s to save their land, are selling out and leaving the country. The newcomers have been the first to leave when things turned bad in the past, and many of the oldtimers don't want to be left adrift in a sea of dust again.

Of course there are sharp differences between the present boom and the others. Most farm land changing hands now is being paid for by cash; new settlers will be better fortified against hard times than their predecessors. Fewer shoe clerks

from the eastern cities are buying land this time; more of the newly arrived have been farmers somewhere else. New types of farm machinery especially designed to combat dust are coming into widespread use, and there is a much wider application of precautionary soil practices. Maybe when the next drought comes—as the oldtimers know it must—they will be in better shape to ride it out, and more adaptable to the conditions which will confront them. But one acre of land shifting in the wind can destroy crops on dozens of surrounding acres. And when blowing starts, it spreads rapidly. Neither farmers nor soil experts yet are willing to predict that the spring of 1948 will be a dusty spring on the Great Plains. Most of the region still has substantial subsoil reserves of moisture. But the time is rapidly approaching when rain will be too late to prevent serious trouble next year. The danger that Europe's hunger may revive America's dust bowl is a real one, a fact with which the writers of the Paris Report will be forced to reckon.

American Notes

Stop-Gap Aid

It would be very difficult indeed to derive encouragement from the present political picture in Washington. The demand by leaders of the Republican opposition in Congress that lengthy consideration should be given to any substantial programme of long-term assistance for Europe seems to have been accepted more or less completely by the President, who has never troubled to conceal his dislike of the prolonged struggle which he deems to be inseparable from a decision to call for a Special Session, and who now seems to be wholly prepared to abandon the idea, and to concentrate upon the possibilities attaching to what has become known as "pre-stop-gap" aid.

White House conferences this week, attended by Mr George Marshall, and by the Ambassadors to London and Moscow, have produced no evidence that the President and his advisers are seeking any fresh, and immediate, approach to Congressional leaders. They have, however, fortified the belief that the Export-Import Bank will be called in to provide new funds—a measure which itself may require legislative approval—and it is suggested that these funds, along with the distribution of gold seized by the Nazis, may supply altogether something like \$1 billion for the European countries in most desperate need of aid. Such a total compares with President Truman's own estimate that rather less than \$600 million would bring Europe through the winter. But the Presidential estimate conceded only the minimum shipments necessary to avoid collapse in many areas, and there seems to be, as already noted, no solid assurance that the Export-Import Bank, which is scheduled to provide the bulk of these funds, can in fact do so without provoking a new Congressional storm.

Those Americans who fear a breach in Europe's all too fragile barriers against economic collapse are concentrating their criticism as much upon the general lack of leadership as upon the need for a particular date upon which the Congress should reassemble. The theory now seems to be that if Congress is not worried by any thoughts of external crises until the end of December, it may be prepared to stretch the legal interpretations of the powers of the various agencies to grant loans, that it may provide in January an as yet undefined total of emergency funds, and be prepared to settle down to a leisurely scrutiny of longer-term assistance which might not be planned to start until the beginning of the new fiscal year on July 1 next. The pressure of events may well enforce a speedy revision of this time-table, but for the moment the Administration seems altogether to have lost the initiative in the realm of foreign policy (which even Senator Taft was willing to concede to it), and to be throwing responsibility back to Congressmen whose prevailing mood is to wait for clear evidence that dykes have burst before considering how much money would be needed for repair, or even whether the structure is worth repairing at all.

* * *

NLRB Gives Way

Delegates to the annual convention of the American Federation of Labour this week roared their defiance of the Taft-Hartley Act as the machinery of that complicated and still-untested measure moved slowly into gear. The delegates also roared their approval of a general electoral campaign to

defeat all sponsors of the new Labour Act, and more specifically Senator Ball (Republican, Minnesota) for his work as chairman of the joint Congressional Committee on Labour-Management Relations.

The mood of electoral aggression and the new fervour of Mr William Green, the AFL president, no doubt found reinforcement in the internal struggle which has followed from the refusal by Mr John L. Lewis, as head of the United Mine-workers, to sign the anti-Communist affidavits now demanded as the price of recognition by the National Labour Relations Board. This stand by Mr Lewis threatened—before the convention began—to remove all AFL unions from the benefits, and the restraints, attaching to recognition, since the General Counsel of the Labour Board had ruled that the anti-Communist affidavit must be given, not only by union officials, but also by "the officers of any national or international labour organisation of which it is an affiliate, or constituent unit." (Mr Lewis is a vice-president of the AFL.)

Superficially, at least, a complete boycott of the Labour Board had its attractions for the bolder spirits among organised labour. But a majority of the craft unions comprising the Federation were in no mood to decry the jurisdictional advantages attaching to recognition, and Mr Lewis this week discovered that his initial victory on the issue of recognition had been replaced by general disapproval.

*

Meanwhile, the Labour Board has made a spectacular retreat from the decision given by its counsel, Mr Robert Denham, and has now ruled that non-compliance with this provision of the Act by the officials of any parent body cannot be held to disqualify constituent unions whose officials are prepared to sign along the anti-red line. In its decision, the Board has skillfully evaded precision in terms of definition, since, whatever Mr Taft may now affirm, it seems unlikely that his original purpose in framing the Act was to declare the non-Communist oath as constitutional for local unions, and unconstitutional for parent organisations. The Board justified its decision on more practical grounds in the assertion that it had avoided a widespread boycott, safeguarded employers, and held the spotlight on Communist-dominated unions. "No categorical answer," it declared, could be given in terms of legal definition.

This retreat followed from the apparent decision by both the AFL and the Congress of Industrial Organisations to present something like a solid and united opposition to the wider interpretation of the anti-Communist clauses. But the bitter antagonism between the two bodies has precluded a united front, and AFL opposition, enforced for a brief spell by Mr Lewis, never looked very formidable. Since many of the CIO unions could not afford to fight the Federation on ground selected by the latter body, resistance in the CIO itself has been crumbling rapidly in recent weeks. As the annual convention of that body began this week there was a general belief that individual CIO unions would be left to measure their own strength, and to comply with the Labour Act as and where they decided.

*

For Mr Lewis, the path seems to lead back once again to a lone wolf career in the union world. The AFL this week moved towards a vote that would remove all its vice-presidents from office purely in order to deprive the Mineworkers' leader of his remaining right to disqualify AFL workers without local organisations, who thus depend still upon the willingness of Federation officials to record the non-Communist oath. If he has, indeed, lost a major battle for labour unity, Mr Lewis can scarcely complain, for all the brilliance of his personal record from 1935 onwards has not served to allay the suspicion that his private ambitions will, in less favourable circumstances, work to the detriment of those who follow his lead.

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

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New Farm Price Policy

American farmers remain hag-ridden by the fear that the current boom must, sooner or later, be followed by a slump both in home and foreign demand, by the collapse of prices and by a return of the unwieldy stocks which overhung the commodity markets through the deflationary 'thirties. The prospect of heavy relief shipments to Europe continuing through to 1951 has removed some of the urgency formerly attaching to farm policy in the eyes of the Department of Agriculture. But price support programmes will lapse on January 1, 1949, and the farm horizon is limited by the storage bin and the daily column of commodity prices. The need for sustained high-volume output, and the importance of the farm vote compel early decisions in terms of price policy.

The new price schedule which the Department has now issued rests broadly upon the assumption that Congress, with the Council of Economic Advisers, will sustain a high level of national income and employment. As a guarantee against depression, however, Mr Clinton Anderson, the Secretary of Agriculture, proposes to revive the National Food Allotment Plan of subsidy payments for low-income groups as a buffer to potential surpluses. This plan has long received the support of Senator Aiken (Republican, Vermont), who plays an influential part in shaping Senate policy.

Under present farm law the Federal Government extends "parity price guarantees" to the end of 1948 on all major commodities. The guarantees cover at least 90 per cent of a "parity price" which is designed to secure for the farm community prices for what they sell bearing the same relationship to the prices of what they buy as prevailed in the 1909-14 base period. The new index will adjust price levels on the record of the last ten years, but the guarantee level may be reduced quite sharply; Mr Anderson has suggested 75 per cent of "parity" rates which, in fact, have long been inoperative, with most farm prices soaring far above support levels. The new rates would lower parity prices for grains and raise those for livestock and dairy produce:—

FARM PARITY PRICES

	Present Rate, Mid-Sept., 1947	"Modern Parities" Excluding Wage Costs	Including Wages
	\$	\$	\$
Wheat (per bushel)	2.10	1.70	1.79
Corn (per bushel)	1.52	1.34	1.42
Oats (per bushel)	0.95	0.77	0.81
Hogs (cwt.)	17.20	17.20	18.10
Beef cattle (cwt.)	12.80	15.10	16.00
Milk (cwt.)	3.79	4.01	4.22
Butter fat (lb.)	0.62	0.63	0.66

Mr Anderson has rejected efforts to obtain an overall guarantee of farm income, and has also rejected bolder proposals whereby "price floors" would be divorced from parity prices, with Federal support for "export commodities" limited by world prices. Congressional resistance to executive control presumably explains his rejection of a far more flexible system of parity rates for each commodity. The Department notes that retention of the parity formulae means the continuance of marketing quotas and other controls. The new programme will be examined jealously by Congressmen of both parties eager to secure the farming vote. It has secured support from leading farm organisations. The initial political reaction has been more lively. Republicans condemn the "perpetuation of controls" and some Democrats are hostile to any retreat from the generous price guarantees now prevailing.

Rail Rates Up Again

The Interstate Commerce Commission, as suggested in these notes on September 13th, has been quite unable to resist the plea of the railroads for emergency treatment on freight rates. The advance of 10 per cent, effective from October 10th, covers all commodities other than iron ore, coal and coke, on which smaller concessions were granted, and is expected to add about \$125 million to the national freight bill over the remainder of 1947, and probably more than \$600 million over a full year.

Although the decision has followed fairly quickly from the plea first made in September, the railroad managements declare that delay has already made dangerous inroads into net incomes, and they are petitioning for a further substantial advance. The ICC decision will just about offset recent increases in material costs, and the wage increase of 15 cents an hour given to the "non-operating" employees from September 1st. Now the managements are facing claims from the operating Brotherhoods for wage advances amounting to 30 cents an hour, at an annual cost of

\$400 million, along with new working rules (or "feather-bedding" concessions) which might well add at least \$1 billion yearly to operating costs. Resistance to these claims is now very strong, and it is generally conceded that a compromise arrangement is well within union ambitions. But many of the most important lines which are now covering their fixed charges with a comfortable margin would be seriously affected by a heavy reduction in the volume of freight traffic. A further increase in rates is looked upon as inevitable early in 1948. The railroads are asking for a further increase of 17 per cent, bringing the general level to almost 50 per cent above that of 1939.

No Pensions at Ford

Last July the Ford Motor Company made labour history by agreeing to a pension plan for its workers costing \$15 million a year, with a capital endowment of \$200 million to permit immediate benefits. Members of the United Automobile Workers have now turned down the plan by overwhelming majorities, running in some plants as high as 10 or 11 to 1. This reversal of the workers' opinion comes at a time when many companies apparently are convinced that competition for labour means that pension plans are here to stay. Less than 3 per cent of the 10,000 plans established during the war have been allowed to lapse, and new applications continue to come in at a high rate despite the end of the excess profits tax, which provided a war-time incentive.

One reason for the thumbs-down decision among Ford workers is that they were presented with a choice between a straight 11½-cent-an-hour raise, with pay for six holidays, amounting to a total raise of 15 cents and the pension plan plus a 7-cent increase. With the contribution to the pensions plan offered by the Ford Company this would have totalled 22 cents an hour. It was offset, however, by the fact that each employee was to pay in an additional 2 per cent of his pay to the pension plan. The very human tendency to prefer jam today to jam tomorrow was unquestionably strengthened by the high costs, today, of more bread and butter.

Whether this was the decisive factor is hard to say. The struggle for control of the world's largest—or second largest—union still goes on between Mr Reuther and the left-wing; it has been the sharper in recent weeks in preparation for the union's convention in November, at which Mr Reuther hopes to sweep the board. The pension plan, as the brain-child of one of Mr Reuther's rivals, became the target both of the Reutherites and the Communists, who for once found themselves in agreement.

A year ago there was a distinct move among the unions to turn from straight pay increases to holiday concessions and security plans such as pensions and the annual wage. The sharp rise in the cost of living has put a premium on cash down; it has sacrificed the opportunity of establishing a precedent in the Ford Company which might have been hard for the other automobile companies to resist.

Shorter Notes

The Council of Economic Advisers has prepared an eight-point emergency control programme embracing: (1) stringent regulation of commodity dealings; (2) tighter export controls; (3) control of grain supplies for brewing; (4) regulation of millers' supplies; (5) allocation and price control "for a few key items"; (6) regulation of livestock dealings; (7) renewed control of consumer credit; and (8) abandonment of claims for tax relief. For most of this programme the President would need Congressional assent.

The "Eisenhower for President" boom, discussed last week, has touched new peaks following a report in the *New York Sun* that the General will enter the New York State primary elections next spring, in competition with Governor Dewey, for the Republican nomination. The *Sun* also forecasts an announcement by the General immediately after his retirement as Chief of Staff at the close of this year. There has been no denial from General Eisenhower, whose current political views remain a wholly unknown quantity, but who commands, quite undeniably, an extremely widespread public support. As an active candidate, however, the General could well become a less glamorous figure, and Republican managers are still far from convinced that the electoral prospect compels the choice of an "independent" candidate who has played no part in the Party's struggle for power.

Available steel output appeared by error in our Note on "The Domestic Picture" last week at the quite fantastic level of 684 million tons annually. The correct figure, based on ingot tonnage for the first half of this year was 84.5 million.



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THE WORLD OVERSEAS

France's Struggle for Bread

(By a Correspondent)

FOR more than two months now Parisians have been eating yellow bread. Despite the substantial tonnages of wheat imported into France since the autumn of 1946 and the long prewar years of development towards a position of self-sufficiency in wheat, France has now been forced to turn to maize, and the French officials are seeking large imports of cereals again during the next twelve months. The effects on world market prices of grains, and the resulting aggravation of Europe's difficulties with its balance of payments are obvious.

One reason for this position is found in the weather of last winter and spring; another in the shortage of tractors, horses and implements. But perhaps the most important reason lies in French policies on prices and control of marketing during the last few years.

Since 1936, when the "Wheat Office" was given full statutory powers for the control of wheat, payments to producers have been determined by a standard formula, based on something akin to the "parity" concept which developed in the USA. This formula adjusts farmers' returns for wheat in the years 1911-14 to present conditions by a coefficient; this is calculated from changes in the cost of living, in the prices of the goods farmers buy, in agricultural wages, and in other charges incidental to production. Discretion was still retained, however, to take other factors into account in determining actual prices. Since 1940 decisions on prices have been a direct Cabinet responsibility.

WHEAT PRICES PAID TO FRENCH PRODUCERS
(Prewar and 1944-45 to 1947-48)

August-July Years	Official Price	Price According to 1936 Formula	"Official" as Per Cent of "Formula" Price
Average :—			
1938-39.....	s. d. 12 2	s. d. 12 10	94
1944-45.....	8 9½	12 2½	72
1945-46.....	13 9	16 5	82
1946-47.....	15 8½	21 3½	73
1947-48.....	29 0	29 9	97

(The prices for 1947-48 are based on information available up to the end of August.)

* French prices have been expressed in terms of English currency by converting the franc at the following equivalents: 1938-39, 1.38d.; 1944-45 and 1945-46, 0.48d.; 1946-47 and 1947-48, 0.37d. These rates reflect the relative purchasing powers of the two currencies more nearly than does the official exchange.

Influenced by the fact that world prices were usually lower* than the price prescribed by the formula, the French Wheat Office has never paid the full amount of that price. Nevertheless, French farmers have had some safeguard against any radical disequilibrium between prices and costs of production. Thus in 1946-47 the wheat price index compared very favourably with the cost of labour and fertilisers, but it was rather low in relation to prices for superphosphates and, of course, very low as compared with the prices of horses, which are scarce.

COMPARATIVE PRICE INDICES:

WHEAT AND SOME PROMINENT FACTORS IN PRODUCTION
(1938-39=100)

	Wheat	Wages	Sulph. of ammonia	Super- phos.	Petrol	Horses	Transport (Railway Goods Tariff)
1944-45.....	72	88	61	87	...	...	65
1945-46.....	113	110	117	174	102	...	65
1946-47.....	129	116	126	171	106	390	128
1947-48.....	238	260	168	214	204	652	146

Apart from low yields, the real cause of the bread problem in France is not disequilibrium between prices of wheat and costs

*For example, in 1946-47 Britain was buying Canadian wheat on long-term contract at 14s. 4½d. per cwt. But USA grain cost 22s. per cwt. in January, 1947, and the Argentine Government asked 30s. New wheat is on offer now in Chicago at 23s. 6d. per cwt.

of wheat production. It lies in the fact that wheat prices have been kept low in relation to prices of other agricultural products, so that farmers grow less wheat than they otherwise would, and feed more of what they do grow to poultry and other livestock instead of selling it. The policy of controlling bread prices, rents and some other basic items in living expenses, while allowing wages to rise very substantially, has left French workers with greatly increased spending power to devote to food: which could not be, or were not, brought under effective control.

PRICE INDICES OF SOME MAJOR FARM PRODUCTS*
(1938-39=100)

	Wheat	Beef	Pork	Eggs	Milk	Butter
1938-39.....	100	100	100	100	100	100
1944-45.....	72	139	164	149	120	164
1946-47.....	129	346	317	552	265	298
1947-48.....	238	454	456	552	282	300

* This table is based on official quotations only. It is generally recognised that a very large proportion of the total output of livestock products only reached consumers at more than double the controlled prices. Butter found purchasers at 6s. 4d. (index 714) per lb. in 1945 and rose to 7s. (789) the following year. Good cuts of beef now make up to 10s. per lb. (index 3490). Fat stock, fat pigs, and table poultry rarely appeared in the open market if it was known that controlled prices would actually be imposed.

The sharp rise of food prices during 1946 reflected an attempt to limit black market transactions by raising the official price to the unofficial level. In spring, 1947, an all round reduction in prices of 10 per cent was attempted, but the inflationary pressure proved too great.

The fact that it paid better to use wheat for livestock feeding was patent to all in the years 1945 and 1946. It was clearly reflected by the black market price for wheat offals and tailings, which was 30s. to 46s. per cwt. in 1946 as compared with a legal price of only 13s. 9d. per cwt. for the best quality wheat. Without much more effective control of the prices and distribution of livestock products, it is too much to expect that small farmers in France will make a real effort to produce more wheat at present prices, and, having produced it, to sell it off the farm for flour milling. The table below shows the effects on production of these policies.

WHEAT PRODUCTION AND CONSUMPTION AND NET IMPORTS
(Prewar and 1944-47) (Grain and Flour in Terms of Grain)

	Area	Total Domestic Production	Net Imports	Total Supply	Total Consumption for Flour Milling and Seed	Remainder Stock Feed Wasted, etc.
1935-38.....	'000 Acres 12,726	'000 Tons 7,837	'000 Tons 228	'000 Tons 8,065	'000 Tons 7,185	'000 Tons 880
1945-46.....	9,348	4,247	1,890	6,137	...	...
1946-47.....	10,030	6,568	495*	7,063*	5,500*	1,563*
1947-48.....	9,385	3,200*	...	...	...	...

* Preliminary.

Thus, whereas 6,137,000 tons of wheat covered all requirements in the year 1945-46, maize flour had to be called upon for bread use in June, 1947, although the 1946 harvest had yielded 6,568,000 tons and 495,000 tons of wheat were imported during 1946-47. Furthermore, in the face of a much publicised world grain shortage, the farmers of one of the traditional wheat-producing areas of Europe actually reduced the seeded area for the 1947 harvest to only 74 per cent of the pre-war acreage. France has already been allocated for September 59,500 tons of American grain which is badly needed elsewhere.

The world now faces a deficit in internationally traded wheat supplies of the order of 18 million tons during the 1947-48 marketing year. And the French Government is taking new measures to deal with the situation. Recognising the inadequacy of the storage and delivery incentives employed hitherto, it proposes once again to make threshing contractors responsible for an accu-

rate report of the quantity of grain threshed on each farm, a method of control which was very unpopular during the German occupation. An area premium of 12s. 6d. per acre is to be paid and the farmer will thus receive the equivalent of some 30s. per cwt. for his wheat, an increase of 91 per cent on last year's prices.

The tables accompanying this article give an idea of the effect of this apparently large increase on the position of the farmer in the current marketing season. Increases in the cost of production have been allowed for, and the apparent gross margins in feeding wheat to dairy cattle and poultry have been reduced considerably. It is significant, however, that the egg market is free and attractive even at the new wheat prices. Quotations for fat stock have advanced sharply during the last two months and the differential in favour of using some bread grain to fatten pigs is larger than ever. Current difficulties experienced in buying milk and butter in urban areas are proof that official prices do not reflect the full pressure of demand. It only needs a parallel increase in the profitability of dairying to destroy the whole purpose of the new wheat price.

Spanish Tight Rope

[BY A CORRESPONDENT RECENTLY IN SPAIN]

LIKE the Balkans, Spain cannot be judged by the same standards as Western Europe. The country's fundamental problems—poor land, great estates, nationalist movements, the undue power of army and church—have to a great extent been solved in other European countries. Its industrial revolution is still in progress. It is extraordinarily insular, and its insularity has been aggravated by the dropping of an iron curtain, isolating it from the ideas, the artistic movements and the political standards of its neighbours. "If this were England," said a Madrid banker, "of course I should be a member of the Labour party." But as things are, with these major problems awaiting solution, he and the great bulk of Spain's financial, industrial, social, military and spiritual rulers, support Franco's regime as the least evil alternative and are prepared to ignore or condone its excesses because, after nearly 150 years of struggle, they regard compromise between Left and Right as impossible.

Actual enthusiasm, even among Falangists, for the present regime is extraordinarily rare, and it is in this that lies the difference between Spain and a proper Fascist country. The Falange is not a Fascist party which grew naturally; early in its life it became part of the official machinery, with the double role of flattering by imitation the Germans and Italians and becoming a comprehensive organisation to embrace all job-holders. Around a small core of real enthusiasts gathered all the *enchufistas*, the men firmly dug into official posts. The result was that ideologically it became far weaker than other Fascist parties, with no dynamic policy and only the trappings left; the usual uniforms, P.T., brass-bands and flags. And, now since the defeat of the Germans, it has become more of a liability than an asset to a regime which would like to present a respectably democratic appearance. Expenditure has not been cut, but the party has been hushed up and smuggled into the background.

The main pillars of the regime are, as is well-known, the army and the Church, both more concerned with self-preservation than with the Government's positive achievements. It is perfectly true that Spain is in effect an occupied country, conquered and occupied by her own army, and it is with military government at its worst rather than with Fascist Italy or Germany that the regime has most in common. The Church, too, is in much the same position, though here there is an increasing minority of dissidents. Events have proved it to be an inevitable victim in any period of civil disturbance, and the majority feel that, although their association with a repressive and inefficient government may lay up greater trouble for them in the long run, the short-term security is worth the price. With the decline of the Falange, too, it has been the Church and Catholic Action which have gained power, and the Vatican clearly does not want to give up this newly-won advantage, especially as it has already a second line of defence. As happened in France and Italy it can always, in the event of change, transfer its support to the Christian-Democrat minority who, by disagreeing, have preserved a decent reputation in the eyes of the opposition parties.

Although the army, the Church and the upper stratum of Spanish society in general see the present regime as the least evil alternative and, faced with another civil war, would support it as in 1936, many differences have come to the surface. The Government's bad economic record has provoked much criticism, and yet it cannot take the drastic steps needed to get it out of its

present difficulties without giving offence to one or other element of its supporters. The black market, for example, cannot be tackled without provoking scandals in the army and administration; official corruption is too widespread to be capable of painless reform; the raw material shortages can only be regulated at the expense of free enterprise. All this puts the Government, with its vague hope of pleasing everybody, in an unpleasant quandary. Inevitably, discontent is growing, particularly among bankers and industrialists. The rise in costs, the social insurance schemes which mean that every worker costs at least 42 per cent more than his nominal wage, controls and shortages, unbalanced budgets, cheap money, increased taxation and the National Institute of Industry with its plans for state intervention: all are most unwelcome to them.

The Split on the Left

It is the Monarchists who represent most closely the feelings of those whose discontent is balanced by their fear of radical change. They have little that is positive in their programme, and they see the problem as one of how to get rid of Franco himself without upsetting the social and political structure of the country. For this reason they are extremely cautious, and their sharing in the recent referendum was undoubtedly feeble. They are frightened of appearing as allies of the Left, and Monarchists in Madrid express horror at BBC broadcasts which suggest that a Monarchist regime would be liberal and democratic. For it is Conservative rather than Liberal grievances of which they set out to be the spokesmen; and whatever they may have against Franco, they have no doubts that they fought on the right side in the civil war. They are thus very reluctant to make any positive gesture.

It is on the point of whether or no to collaborate with the Monarchists that the Left has split. The Monarchists are the only opposition element with a footing inside the regime itself, and without them any attempt to overthrow Franco is likely to result in civil war. On the other hand, their quarrel is more with Franco and the Falange than with the rest of the present system, and they are more anxious to take charge of the machine than to reform it. The Communists emphasise the dangers of such an alliance, while the Socialists and, following their lead, the Anarcho-Syndicalist CNT argue that it is nevertheless the only alternative to a continuance of Franco in power. In this the Socialists are evidently influenced by the consideration that the present situation favours the Communists. The Communists did not organise the Spanish partisans—they organised themselves, and the stories of a Master Mind at Toulouse stirring up civil war is pure rubbish—but partisan conditions are undoubtedly those in which Communists show up at their best, and they favour the party's growth in numbers and influence. So, too, does British policy towards Spain. The Socialists have unwisely tried to justify rather than disown this, and the result has been a tendency to secede to the Communists which seriously worries them. In the circumstances it is natural for the Socialists to wish for a change of regime at almost any cost, while the Communists, who are less impressed with either the possibility of bloodless change or the necessity of forming a regime which will qualify for American aid, can afford to take a longer view.

Growing Unity Against Franco

It is easy to exaggerate the extent to which the Left is split. It is the experienced Republican politicians in exile who are most chary of co-operation, and their divisions are more conspicuous than the sturdily growing unity in Spain itself. Within Spain the ANFD or national alliance of democratic forces, in spite of many weaknesses, does function as a means of consultation between Left Republicans, Socialists, Communists and CNT, with committees meeting fairly frequently even (to judge from Southern Spain) at the town and village level. Socialists of all varieties, Communists and CNT are all represented among the partisans, whose activities seem to be on the increase; and the government, far from relaxing its repressive measures, has had to introduce new and stricter legislation, declare rural areas "military zones" and conduct serious military operations against partisan groups in the Cordoba and Valencia areas.

All of this represents a considerable change from the situation of 18 months ago. Deteriorating conditions at home and the refusal of the Great Powers to remove Franco for them have made the Spanish people more ready to face their problems themselves. In the great Basque strike of May all Republican parties united to make the biggest demonstration against Franco since the civil war ended. The Left's leaders may differ as to methods, but so far this difference has not offset the growing agreement over ends.

Austria Between Two Plans

[FROM A CORRESPONDENT IN VIENNA]

WITH the decision of Czechoslovakia not to attend the Paris economic conference Austria became once again an "Ostmark," the eastern outpost of a world which threatens to fall into two. The economic implications of this are dangerous enough even for the big nations on both sides; for Austria they may be fatal.

Like Britain Austria must export or die. Before the war its foreign trade per head of the population was the biggest in Central Europe, with the exception of Switzerland's. War occupation, and the prolonged confusion of a four-Power administration have left production and foreign trade in a sorry state. The bulk of the badly needed imports of food, agricultural implements and means of transport had to be provided by the Allies, by Unrra and other international agencies. Of the total goods imported in 1946, 79 per cent (by value) came from these sources. The "normal" trade had shrunk in value to about 18 per cent of the 1937 level which, in view of the rise in prices, corresponds to some eight per cent of the 1937 foreign trade volume.

"NORMAL" FOREIGN TRADE (In Million Schillings)

	Imports	Exports
1937.....	1,453.7	1,216.9
1946.....	250.9	219.3

The position was made worse by the fact that the very important invisible items in Austria's balance of payments, the tourist traffic and the transit traffic, had also declined to a very low level.

In such circumstances the only remedy would seem to be a policy which, on the one hand, would try to secure loans in order to obtain the necessary import surplus for the period of reconstruction and, on the other hand, would try to build up as quickly as possible a foreign trade structure which would make such assistance unnecessary. Unfortunately, the Austrian Government's policy so far has been to concentrate almost exclusively on the first line of action. In its desire to obtain American loans it has neglected resolute direction of goods towards exports and has deliberately opposed—for political reasons—essential trade links with Eastern Europe.

The fundamental weakness in Austria's export policy is that of her economic policy in general: lack of control over the use of scarce raw materials. The question "to control or not to control" is discussed at an academic level, while only few seem to realise that argument about principles has little meaning when conducted on a leaking ship liable to sink. This lack of effective control (there is plenty of red tape to drive crazy the honest business man, who really tries to observe the rules) means that a ridiculous surplus of all sorts of unnecessary semi-luxuries exists internally side by side with a shortage of such essentials as nails, while an insufficient proportion of goods is leaving the country. In some cases the producer prefers to sell his goods in the black market at prices which he could never get abroad; in others he will try to leave the income from his exports abroad in the form of precious Swiss francs, pounds or dollars, and thus reduce the already small volume of imports. Such acts, while not the rule, are sufficiently frequent to be disquieting.

The Schilling Undervalued

Then there is the difficulty of the exchange-rate. When the pound sterling was fixed as equal to 40 Austrian schillings, the rate was calculated with an eye on the expansion in Austria's currency volume. But prices had been very rigidly controlled up till 1945 and had risen less than the currency volume would suggest. The consequence was that the schilling was badly undervalued. This meant that Austria could export very easily—the lack of goods set a very severe limit to this—but that it got very little in return. The terms of trade grew increasingly adverse. This undervaluation of the schilling provided a strong inflationary stimulus, which came also from the increased internal spending, as one control after the other lost its effectiveness. Thus prices rose: first in the black market to which former export goods were now diverted, and later also officially, so that prices of many goods reached or even surpassed the world level and found their export opportunities dwindling. Thus Austrian timber houses, which sold so easily in France in 1946, were refused in Britain recently because they had already become more expensive than permanent houses.

Until the present price and currency chaos in Austria has been mastered, it will be difficult to say what the "proper" exchange

rate should be. At present some export prices are still far below world prices, others are well above them. Also, under the abnormal conditions of 1946, many firms began to export which in the long run have no chance of continuing to do so. All this presents a number of intricate problems whose solution is still hardly discussed. The American loan provides a more fascinating topic.

The strength of Austria's foreign trade in the past was the variety of goods and customers dealt with. Raw materials, like timber and magnesite, machines and electrical appliances, tourist traffic, leather goods and arts and crafts, all played their part. Though Germany was the biggest single trading partner, with a seventh of the imports and exports, she never had a commanding position. Goods went to all parts of the world, but the most important area was Eastern Europe. Yet, even before the Marshall offer was made, there was a deliberate attempt to direct trade away from that area and to supplement the western orientation in politics with a similar economic policy.

PERCENTAGE DISTRIBUTION OF THE "NORMAL" FOREIGN TRADE

	Jugoslavia, Poland, Rumania, Czechoslovakia, Hungary		Germany,		Italy,		Belgium, France, U.K., Netherlands, Switzerland		U.S.A.	
	Imports From	Exports To	Imports From	Exports To	Imports From	Exports To	Imports From	Exports To	Imports From	Exports To
1929.....	44	39	21	16	4	9	12	16	6	3
1937.....	39	32	16	15	5	14	14	18	6	3
1947 (1st qtr.)...	21	23	27	6	5	10	39	46	2	7

This policy has already largely succeeded. Though short-term trade agreements have been concluded with the East European states, this was only done slowly and reluctantly, so that in most cases Czechoslovakia got the cream of the business offered. On the other hand, western Europe has now a much bigger share in Austria's trade than was the case before the war. This is above all due to a lively flow of goods to Switzerland, which now takes first place on Austria's export list and second on her import list (Germany keeping the first place, owing to Austria's imports of Ruhr coal).

With the other nations in western Europe trade is still in an experimental phase and hampered by payment difficulties. With a value of 7,366,000 schillings, imports from Britain (in the first quarter of this year) were 4.7 per cent of total imports, and exports to Britain (4,377,000 schillings) came to 4.5 per cent of total exports. Trade with Britain is for the moment concentrated on a few goods and is dominated by contracts whereby Austrian textile factories work for British firms in exchange for raw materials. Thus two-thirds of the imports from Britain from January to March, 1947, consisted of wool and wool-waste, and another quarter of cotton and cotton-waste. The main items on the export list were cotton yarns and goods (44 per cent), cardboard and paper (22 per cent) and silk fabrics (15 per cent). There is no doubt that this trade—as well as the tourist trade now resuming—could be considerably extended and widened.

Role of America

In spite of America's strong influence on Austria's economic policy, it is unlikely that trade relations with that country will ever play an important part. At present (taking again the first quarter of this year) America's share in Austria's exports is actually higher than before the war. But of the 6,538,000 schillings worth of goods that are sent, no less than three-quarters are silk fabrics and glass wares. This is a poor basis for a stable Austrian economy. The slightest fall in American prosperity would lead to a big drop in the scale of these arts and crafts goods.

Tourist traffic, and the export of raw materials, leather goods, arts and crafts, textiles may all bring a big and even increasing income to Austria. But its engineering, electrical and chemical industries cannot be neglected. They always provided an important share of Austria's foreign income. On their foreign sales depended the employment of a large number of highly skilled workers. In a world where the potential of industrial efficiency decreases as one moves from west to east, the eastern edge of a cut-off western half of Europe could only play a minor industrial role. Complete dependence upon America could give Austria immediate benefits. But if it forced the government to sever trade relations with eastern Europe, Austrian industrialists would run the danger of becoming sub-contractors of American concerns.

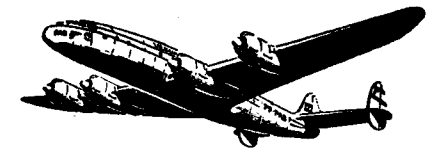


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Ton-miles ..	1,754,984	3,248,967	85%
Passengers ..	75,061	119,824	60%
Cargo—freight, mail, baggage (lbs.) ..	5,203,072	7,520,800	44%

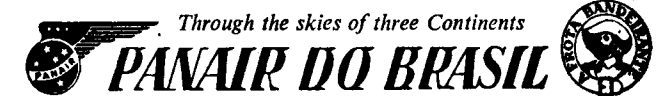
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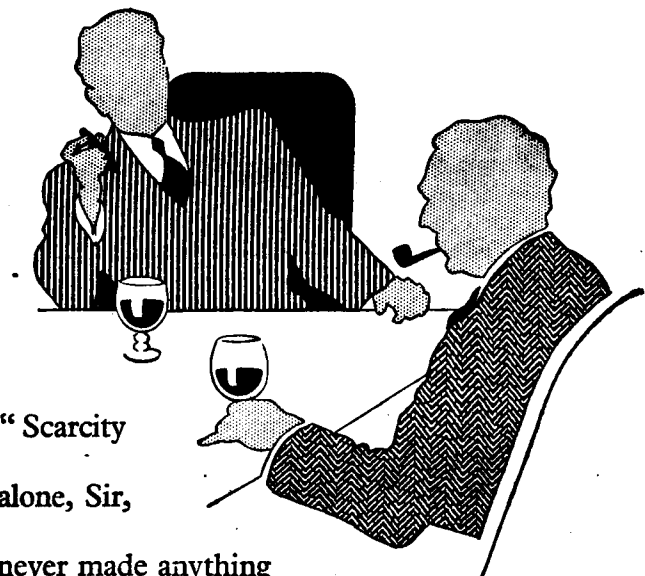
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THE BUSINESS WORLD

The Doctor's Dilemma

"I OBSERVE," said Mr Dalton last week to the assembled bankers and merchants of the City of London, "that the gilt-edged market has been in the doldrums for the last few months. Before that it looked better. Soon, I hope, it will look better again." It is a familiar theme which the Chancellor has always frankly proclaimed by brassy trumpet and big drum. He affirmed his objective of borrowing "as cheaply as economic and financial conditions permit"—a formula slightly more equivocal than his earlier naming of $2\frac{1}{2}$ per cent as the appropriate long-term rate for Government borrowing. But he went on to argue that the present levels of gilt-edged prices reflected no more than a "temporary lapse due to exceptional discouragements and a period of monotonously bad news." A little rest and a touch of the doctor's hearty bedside manner ought to put the market back to normal—which on Mr Dalton's thermometer is still marked $2\frac{1}{2}$ per cent.

Of course the patient has perked up—tell a man he is suffering only a temporary lapse and he is halfway to convalescence. But if Mr Dalton hoped to restore the market to full health, as he conceives it, he has not been altogether successful. His remarks have been followed by rises of three points in $2\frac{1}{2}$ per cent Treasury Stock and Old Consols with a corresponding reduction in their flat yields from 3 per cent to $\pounds 2$ 18s. 2d. per cent. There is a long way to go before "Daltons" reach par and although a moderate amount of speculative buying has occurred it has been based on the argument that the gilt-edged market could hardly go amiss on a strictly short-term view. So far, at any rate, there has been no sign of the sort of big institutional buying which has invariably sustained the cheap money drives of the past two years.

There is another reason for describing the response to the Chancellor's salesmanship as lukewarm. Gilt-edged dealers have been badly shaken by the fall in gilt-edged prices this year, and the anaemia which has long been notorious in other sections of the market has now affected the Funds. In its prime, this was a market where a price in a quarter of a million pounds' worth of War Loan would be quoted with a turn of one-sixteenth—a mere fifteen pence per $\pounds 100$ between the buying and selling prices for stock running into six figures. But conditions are very different today. It is difficult to get a close price in more than $\pounds 10,000$ of stock; in large amounts, the turn is often as much as half a point. These illustrations show the anxiety of the market at present to take no extended position either way; and they explain why, when the market trend is reversed, prices swing round very sharply and it becomes as difficult to buy as it was to sell a few hours earlier. Given the thin markets which prevail today, it might have been expected that Mr Dalton's observations on gilt-edged prices would have made a much sharper impression than, in fact, they have done.

Evidently, even the gilt-edged speculators who have usually been quick (though not so quick in the last six months) to follow Mr Dalton's lead are now sceptical about his ability, or his willingness, to undertake a new cheap money drive of the old pattern. The possibility, to be sure, is not absent from the Chancellor's mind, for in a passage of almost cynical frankness, he pointed out that the lapse in prices during the past six months occurred in a period "when it was not necessary for the Government to borrow," except on floating debt. Further reflection

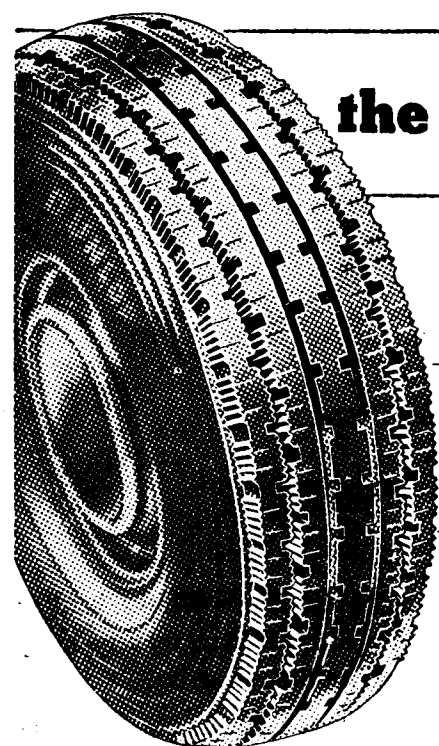
on these words does nothing to abate the suggestion in last week's issue of *The Economist* that the Chancellor must have meant to imply that if the Government had found it necessary to borrow, it would have supported—in plain English, rigged—the market. The next two months will be very different, for on January 1st the Government has to issue, with the backing of its own guarantee, some $\pounds 1,100$ million of British Transport Stock. Under the terms of the Transport Act, this will be "a stock" (the use of the singular presumably rules out the suggestion of alternative stocks of varying dates and rates of interest) which "in the opinion of the Treasury" is equivalent in value to the compensation already fixed for the different classes of railway stocks. To this, Mr Dalton has added that the Transport Stock will be redeemable "within this century."

Obviously, the only basis by which "equivalent value" can be calculated is by reference to a gilt-edged stock bearing broadly the same redemption terms as the new Transport Stock. This, in effect, is what the Act prescribes. "The opinion of the Treasury" will have to be supported by the behaviour of the comparable gilt-edged stock over a respectable period of time before the appointed day. Equally, the Chancellor would hardly escape the odium of sharp practice if he procured a rise in the gilt-edged market before the take over, in order to float off the compensation stock on favourable terms, and then took no responsibility for what happened thereafter.

Until the Chancellor spoke ten days ago there was a general disposition to believe that he might be prepared, reluctantly no doubt, to consolidate his cheap money policy on the line of 3 per cent, and to abandon the $2\frac{1}{2}$ per cent outpost. But there is a passage in his speech which suggests that this may not be the case. He admitted that he was well aware of the prevailing view in the City that $2\frac{1}{2}$ per cent is "unreasonably low," but suggested that claims for higher rates on Government loans might be regarded outside the City as ill-timed and unseemly. That may be so, though it is difficult to see his point in recalling the proverb that sauce for the goose is sauce for the gander now that the lender on Government security gets much less (and after income-tax, far less) while the man who receives income from profits or wages gets a good deal more than he did before the war. The whole point of the doctrine of the euthanasia of the rentier—or the policy of pushing cheap money to extreme limits—is precisely that what is sauce for the goose is not sauce for the gander. And that would still be true even if the goose were garnished with 3 per cent sauce.

If, however, the goose refuses to be cooked except on its own terms, what can the Chancellor do about it? Can he muster sufficient pressure in the market to secure his own terms, or something nearer them than 3 per cent? He may get some assistance from the disbursement of War Damage payments next month, of which part—though perhaps a relatively small part—will find its way into the gilt-edged market. Then there is the Argentine railway compensation amounting to $\pounds 150$ million; much of this belongs to trustee holders, and will have to be reinvested directly or indirectly in Government securities. But an oppressive silence has descended on the negotiations in Buenos Aires about the payment, which was due 30 days after the sanction of the Court had been obtained to the scheme. This sanction was given as long ago as

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It's extremely good. I got some South African wine the other day....

I know. A good wine, but not of this quality.

Precisely, but why the difference?

Well, this is a truly representative South African wine. You see, though the Cape has been for centuries one of the world's finest wine countries, it couldn't compete in Britain with European countries until Empire wines got a duty preference twenty years ago. That bucked up the South African industry.

But why haven't we tasted such wines before?

Because really fine wines are achieved by selectivity, experiment and slow maturing. South Africa has done as much in twenty years with some wines

as the Continent has in generations.

Only certain wines, then?

So far. All are good, but not all are fine. The improvement is naturally progressive.

Were South African wines well-known here before the preference twenty years ago?

Now you're delving into history. They used to be very popular. But in 1860 Mr. Gladstone removed the Colonial Preference and sent the South African wine industry into the wilderness.

Is that likely to happen again?

I hope not. Imperial Preference has encouraged the South African wine growers to tremendous efforts. The British Government is not likely to lead such an important Empire Industry up the garden again. It wouldn't make sense.

So we can look forward to several kinds of really fine wines from South Africa?

You certainly can, and very soon, too."

SOUTH AFRICAN WINE FARMERS ASSOCIATION
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650

August 21st, the day after the convertibility of sterling was suspended, and evidently this new factor in the situation has caused delay. Whether it will be exploited as a reason for reopening the bargain has yet to be seen. All that can be said at present is that the timing of such aid as the Argentine railway purchase may bring to the gilt-edged market is by no means certain. And there are only ten weeks to go before the terms of the Transport Stock have to be fixed.

There is also the question of how the repayment will be financed by the Government. The Argentine sterling balances, which will provide the bulk of the purchase price, are at

GILT EDGED STOCKS: GROSS REDEMPTION YIELDS*

Stock and Redemption	Sept. 7, 1945	Nov. 14, 1946	Mar. 24, 1947	Aug. 13, 1947	Oct. 9, 1947	Oct. 15, 1947
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
SHORTS						
1½% Exch. Bds., 1950....	1 13 6	1 5 6	1 8 10	1 17 6	1 14 5	1 14 4
2½% Nat. War Bds., 49/51	2 0 8	1 7 9	1 13 9	2 3 4	1 19 3	1 18 5
3½% War Loan, from 1952	2 19 0	2 1 0	2 14 7	3 4 8	3 1 7	2 18 11
3% Conversion, 48/53....	2 13 0	1 7 8	1 13 1	1 2 9	1 5 10	1 6 7
MIDDLES						
2½% Nat. War Bds., 54/56	2 10 0	1 17 5	2 6 9	2 15 8†	2 14 6†	2 12 8†
3% Nat. Defence, 54/56	2 14 7	1 18 8	2 9 4	3 0 0	2 17 1	2 14 8
3% War Loan, 55/59....	2 14 0	1 19 7	2 8 10	3 0 6†	2 16 7	2 14 7
MEDIUM LONGS						
3½% Conversion, from '61.	3 0 6	2 5 8	2 15 10	3 5 11	3 2 0	2 19 2
2½% Funding, 56/61....	2 13 11	1 18 5	2 9 0	2 16 10	2 15 9†	2 13 1†
3% Savings Bonds, 55/65	2 17 10	2 5 11	2 10 11	2 16 10†	2 19 11	2 16 9
LONGS						
3% Savings Bonds, 60/70	2 19 4	2 4 8	2 13 8	3 2 3†	3 0 7†	2 18 8†
2½% Savings Bonds, 64/67	2 13 11	2 3 8	2 11 10	2 19 0†	2 17 11†	2 15 2†
3% Savings Bonds, 65/75	3 0 3	2 5 11	2 14 7	3 2 3†	3 0 8†	2 18 11†
3% Treasury Stock, '66..	...	2 7 5	2 15 9	3 6 8	3 3 8	3 1 3
UNDATED						
2½% Consols†.....	2 16 10	2 10 6	2 14 0	3 1 11	3 0 3	2 18 2
2½% Treas. Stk., from '75†	...	2 10 6	2 13 6	3 2 5	3 0 1	2 18 2

Note.—Yields have been given for significant dates: Sept. 7, 1945, opening of cheap money drive; Nov. 14, 1946, high point reached in cheap money drive; Mar. 24, 1947, low point reached in fuel crisis; Aug. 13, 1947, low point in summer reaction; Oct. 9, 1947, eve of Chancellor's speech.

* Yields to earliest date where not otherwise indicated. † Yield to latest date. ‡ Flat yield

present lent to the British Government against floating debt created when the debt to Argentina was incurred. To enable Argentina to use these balances to pay out the stockholders, the Treasury must repay the debt, and to do so it must first raise the cash. In present market circumstances it is unthinkable that the Chancellor would attempt to raise the wind by forcing departmental holdings of long-term securities on to the market. Hence he has no alternative but to borrow on floating debt from the banking system. The Argentine pay-out will therefore inevitably involve an inflation of domestic credit; but, to the extent that the reinvestment demand of Argentine rail stockholders so far relieves the gilt-edged market as to enable the authorities, if they thought fit, to sell departmental holdings, a portion of this additional credit would eventually be cancelled.

From the Chancellor's point of view, the necessary mechanics

of the operation are therefore rather convenient; he has a good excuse to create more credit, in the knowledge that some of it will find its way into the gilt-edged market. But when that has been said, it is surely inconceivable that, on the eve of a Budget which is to be devoted to relieving inflationary pressure, the Chancellor would be prepared to heighten still further the very forces which he is endeavouring to suppress—to produce at one and the same time a Budget of unparalleled austerity and a Stock Exchange boom of unparalleled ferocity. He can no longer count on the sedative effect of the American loan in countering the visible effects of inflation at home—save, of course, to the extent that sales of gold perform the same function. What then remains? Thinly veiled "requests" to City institutions to accept 2½ per cent as the right rate? But the City cannot hoist itself by its own bootstraps. It functions through the Stock Exchange, which, for all its imperfections, is still a market where prices are determined by the balance of supply and demand. Does Mr Dalton propose to change that?

Last week, the Chancellor made his now-familiar diagnosis of the gilt-edged market, but he was careful not to say anything about his prescription. He rules out higher rates of interest on the not wholly convincing ground that under present conditions they would not assist the work of the controls in "screening" capital projects. And he repeats the familiar—and surely exaggerated—proposition that a rise in interest rates would increase the already heavy burden of the public debt. Leaving floating debt out of the reckoning, there are £1,800 million of stocks and bonds which are finally or optionally redeemable during the next three years, and even a rise of half of one per cent on the average on these issues would add no more than £9,000,000 to the cost of the National Debt—and this would be subject to taxation. Would that be a devastating addition to inflationary pressure? Might it not be a fair price for a modest lever to help in bringing that pressure under control? This is not an argument for dear money; but it is an argument for a sense of perspective in the pursuit of cheap money at a time when the real rate of interest may be four or five times higher than the return on Government securities. There is no tolerable rate of interest under present conditions which would bring the demand for and the supply of real capital into equilibrium. But equally no policy is acceptable which threatens to widen the already extreme gap between the two rates. That is the Chancellor's dilemma. He has built much on the assumption that the railways might be taken over on a 2½ per cent basis. He should have the courage to re-work his sums of the "profit" from this operation on the basis of 3 per cent, or perhaps a little less, simply because that rate fits the facts of the market, and cannot be manipulated in his favour without running grave inflationary risks. That it might also secure more reasonable treatment for the railway stockholder is, in that context, only incidental.

Winter Coal Supplies

WHAT the Ministry of Fuel and Power has lately lost in volubility and volatility has been more than made good by the straightforward clarity of Mr Gaitskell's remarks on the coal problem since he became Minister. There is more scope for confusion and misunderstanding about coal figures than about any other industrial statistics. There have been times in the past—the summer coal budget in its original and revised versions was certainly one—when even those who are practised in the devious task of unravelling the figures had to admit defeat. It is a great relief to have the figures clearly explained and assembled in a winter coal budget which, as far as is possible at this early stage of the winter, carries a convincing air of good sense.

The new Minister begins the first winter for which he has direct responsibility in a much happier position than his predecessor twelve months ago. For that, he and his present Minister in Chief deserve much of the credit. Last autumn, of course, everyone knew about the imminence of a fuel crisis except the Minister himself—as Mr Shinwell proudly boasted six months too soon. The new Minister stops short of guaranteeing that industry will get its needs met in full, whatever happens. But the programme of coal supplies this winter—"not targets or aims which we should like to achieve, but hard objective estimates of what we think is likely to happen"—contemplates no cut in industry's full consumption requirements. It is only six months ago, in the panic atmosphere of the fuel crisis, that industry was being allocated a total coal supply which would have covered no more than two-thirds of its summer requirements. Panic gave place to the realisation that this sort of planning meant industrial suicide, and the basis of the summer supplies was later revised for the five months June to October to supply industry at the same level as in the summer of 1946—that is with roughly 85 per cent of its solid fuel requirements.

To give even a guarded promise that industry's fuel requirements will be met in full during the winter is at least one bright feature in a dark industrial scene. How is it possible? First—let it be recorded with all solemnity—a target has been achieved, and even bettered. Coal stocks at the beginning of the winter coal period (which runs from November to the end of April) are likely to be 15½ million tons. Instead of adding 4,000,000 tons to the stockpile as in the summer of 1946, 9,000,000 tons have been added. The crazy risks run last year when the winter coal season started with less than 11 million tons of distributed stocks, are not to be repeated. But, as Mr Gaitskell properly emphasised on Tuesday, the improvement of 5,000,000 tons in summer stock building is not altogether meritorious. Two million tons have come from the elimination of exports during the summer—at a time when British coal was never more sorely needed abroad. Of the increase of 1.3 million tons in coal supplies this summer, nearly half has come from imports. Thus more than half of the increase in stocks has been due to the failure of the industry to produce and export. And a bright summer has largely to be thanked for the saving of 1.6 million tons in internal consumption of coal, compared with the summer of 1946.

When industry was brought to a standstill last February, coal stocks were 5½ million tons. Mr Gaitskell has put the minimum figure for safety at 6½ million tons—and that will be none too high for comfort. This leaves a total supply to be drawn from stocks during the winter six months of 8½ million tons. Output of deep-mined coal in this same period is put at 97 million

tons and of opencast coal at 4½ million tons—together they produced 97½ million tons in the winter months of 1946-47. Total supplies for the winter 1947-48 should therefore amount to 110 million tons. The estimate for winter production makes certain optimistic assumptions—that there will be a net gain in output from working longer hours (about which two precious months have already been wantonly wasted), and that production will average 3½ million tons a week. An output of this order is by no means impossible, as the results obtained in the first flush of enthusiasm after the five-day week was introduced last May clearly show. But if account is taken of holidays it means getting 3.9 million tons in most weeks, and that is a figure which, as Mr Gaitskell frankly pointed out, has only been touched on one occasion this year. As for the increase of 500,000 tons in opencast production, much depends on the weather and the introduction of new American diggers. None of these assumptions is necessarily unrealistic, but it is as well to recognise that they have been made.

Inquests on dead targets are not very profitable, but a few tears on the "indispensable minimum" of 200 million tons for coal production this year which the "Economic Survey" proclaimed are called for. It was obvious, even on that bleak February morning when the target was set, that it would not be hit. The best revision which Mr Gaitskell can offer is 197 million tons, and the coal account has been balanced only because consumption this summer was 3,000,000 tons lower than was expected. The "most drastic economy" which the "Economic Survey" contemplated has been further stiffened, and perhaps those who were busy earlier this year with arguments that the coal target should be raised to 225 million tons have now learned a little realism.

Given total supplies of 110 million tons this winter, how are they to be distributed? The detailed answer is given in the accompanying table, which sets out the figures for industry, public utilities and railways, domestic and other consumption, and bunkers, and relates them to production and changes in stocks. The budget for the coming winter and the actual consumption for last winter were given by the Minister. The original summer budget is also included in the table, not because it had any contact with reality, but because it provides material for a diverting study in comparative planning:—

COAL SUPPLIES
(Million Tons)

	Consumption Last Winter Nov., 1946- April, 1947	Original Summer Budget May-Oct., 1947	New Winter Estimate Nov., 1947- April, 1948
Large industrial consumers	19.87	17.6	23.51†
Electricity	15.50	11.8	16.45
Gas	12.70	9.7	13.75
Coke ovens	9.70	5.2	10.75
Railways	7.70	7.0	7.50
Collieries and miners' coal	8.40	7.4	8.70
House coal	16.30	12.8	16.90
Other merchants' disposals	1.38	1.2	1.30
Miscellaneous	8.34	5.2	8.34
Inland distribution	99.89	77.9*	107.20
Bunkers	2.90	3.1	2.80
Production:—			
Deep-mined	93.8	83.0	97.0
Opencast	3.7	6.0	4.25
Change in stocks	-4.86	+10.0	-8.75

* Less 2 million tons to be saved by oil firing.
† After allowing for 900,000 tons saving by oil firing.

Large industrial consumers should get no less than 23½ million tons this winter, plus the equivalent of 900,000 tons in the form of fuel oil. This represents an increase compared with

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1946-47 of nearly 25 per cent, and industry as a whole will have no cause for complaint if it receives a total supply of this size.* Of the other allocations, electricity requirements (already covered by stocks to the extent of 5½ weeks' winter consumption) have again been generously conceded—come what may the power stations will not go short this winter. A 10 per cent increase in coal for coke ovens recognises the still severe shortages of coke and pig iron—both urgently needed to sustain the increased target for steel production next year. By this means, the steel industry will get 25 per cent more coke than it did last winter. Railways are slightly cut, while domestic and miscellaneous consumption remains on the same basis as last winter. In addition, the household consumer is expected to make a 10 per cent saving in electricity and gas.

These figures relate to the broad sections of industry as a whole. They are based partly on the assumption that firms in each of these sections will have enjoyed an equal opportunity to take coal into stock during the summer—an assumption which has been qualified by disputes and other interruptions of supply. When the summer re-stocking target of 15 million tons was set, the Government gave a specific undertaking that the size of stocks held by individual firms would not be taken into account in fixing their winter coal allocations. For steel firms, this undertaking has been replaced by another which ought to provide each company with its full requirements. For the rest of industry, the undertaking stands, but it is coupled with the assumption that each firm can draw upon stocks to the extent of 2½ weeks' supplies (10 per cent of requirements, or 1,800,000 tons). By the end of the winter, the steel industry should have 1½ weeks' supply of coal in stock, and industry generally about 2 weeks' supply. For those companies which have been unable, for causes beyond their control, to build up stocks during the summer to the required level, supplementary

*A recent note in *The Economist* did less than justice to the planned supply of 24½ million tons—now slightly bettered—to industry this winter, by suggesting that it was less than the summer allocation. The table above shows that this is not the case, and the confusion arose partly because Sir Stafford Cripps's original forecast of winter supplies to industry a month ago did not make it clear that coke ovens were excluded.

Business Notes

Markets and Ministers

One by one the leading Government spokesmen are tuning their speeches to the same sombre pitch, and are now approaching unison upon the austere note first struck and least waveringly held by Sir Stafford Cripps. In content, there was nothing novel in Mr Morrison's speech last weekend, but his tone reached new depths. Three months ago he was talking mildly of the prudence of carrying an umbrella because of a passing shower. Now he is grim and earnest, and the metaphor changes to the choice between the "fatally dangerous way and the sound way," with doubts whether even that choice now remains. It was perhaps this contrast, this proof of belated progress towards realism, which most affected the City. The speech had more discernible effect in the markets than the much more informative "downward spiral" speech from Sir Stafford a week earlier, and even than the first announcement of the export programme. Industrials in the closing phase of the last Account faced a fresh bout of weakness in narrow markets, and the *Financial Times* index on Tuesday stood nearly seven points below its level of ten days ago (but a similar amount above the nadir touched early last month). It is naturally impossible, however, to apportion responsibility for this weakness between the Chancellor's confirmation that a new budget is imminent (the share index dropped two points on the morrow of his Mansion House speech) and Mr Morrison's warnings of the unpleasantness of the industrial change-round and of deepening austerity. For investors, the industrial uncertainties—heightened as they are by the risks of Whitehall bottlenecks on the one hand and the rapid changes in overseas markets on the other—are perhaps the more important; but it is questionable whether the Stock Exchange takes this view. At all events, the coincidence of the opening of the new Account with the announcement of a winter

allocations will be made through the machinery of the Regional Boards.

Here, at last, is a coal budget which is intelligible and reasonable. If it errs towards optimism on the side of future production, it may be also that it sets out to give industry slightly more coal than will, in fact, be consumed this winter. It would be altogether too optimistic to suppose that the winter coal budget represents the turning point in the coal situation. Indeed, its success is the measure of failure to supply any coal at all for export. Coal-hungry Europe will certainly be looking enviously at British industry going flat out this winter—or, perhaps more accurately, not prevented from doing so by lack of coal. The Paris Report contains an undertaking that Britain will export 6 million tons of coal to Europe next year, to which the Minister of Fuel and Power has added the postscript this week that if this is to be done, the job must be started before the winter is over. "We will," he said, "probably be pressed to start soon." But his estimates of production this winter are not so optimistic as to suggest that towards the end of the winter supplies will be running sufficiently above the present level of requirements to provide half-a-million tons a month for export. The export target next year is more likely to involve cuts at home; and the only consumer who can be cut is the domestic consumer.

Meanwhile, for this glimpse of realism in coal budgeting, industry will be grateful. True, it might be fairly described as "pit-head budgeting"—at least on present indications of a severe shortage of coal wagons this winter. In view of that shortage, it may well prove to be a good thing that the miners insisted on having their way and working on Saturday morning instead of an extra half-hour on five days. There may be risks of increased absenteeism among the coal producers as a result, but an extra half day will make a great difference to coal movement. Present shortages of coal supplies and of transport to move them could not decently be accompanied by the shocking waste of loading and transport facilities standing idle on two days every weekend this winter. Given the transport, the coal budget is capable of realisation. But transport (as a later note shows) may be a serious threat to its achievement.

coal programme which might have been expected to be regarded as tolerably reassuring for industry quite failed to arrest the market trend.

At least until the budget, the markets will obviously remain both narrow and cautious. Is there any budget portent in the fact that the problem of industrial costs, previously rather neglected in Ministerial speeches, was selected for special emphasis both by Mr Morrison and Sir Stafford? To the extent that Government policy can check the rise in costs or influence a reduction, it is with the Chancellor rather than with his colleagues that the initiative lies; and now that Mr Morrison has dropped his voice from the note of truculent optimism it is Mr Dalton whose tone is most jarringly out of tune. Certainly, it is his turn to pipe down. But the kind of budget which is now most commonly expected—there is some discussion of the probabilities in a Note on page 632—would impose only indirect and secondary pressure upon the costs level, though it would tend to restrain the rise. The first effect of a budget of indirect taxation, whether or not combined with a reduction in subsidies, would be to raise prices further, and hopes of a reduction in the unit costs of industry would then have to rest wholly upon the chances of preventing a further rise in wages and of securing greater efficiency from labour and management—apart from the uncontrollable factor of import costs. To make a frontal assault on the cost structure, the only fiscal approach would be by way of increases in direct taxation, and the effects of these upon costs would be at least partially neutralised by the repercussions upon incentive and efficiency. For Britain to achieve competitive costs internationally is obviously imperative, but in the long run the only practicable means of doing so may be, not by reducing internal prices, but by writing-down external prices—in other words, adjusting sterling at the right time.

Miners' Hours and Wages

The miners' acceptance of the scheme to work longer hours this winter—it is limited to the six months from November to April—now awaits confirmation by union branches. At last, some of the lost ground can be retrieved. Had the scheme started at the beginning of September, as was originally intended, the chances of reaching the target of 200 million tons in 1947 would have been much greater. As it is, Mr Gaitskell does not apparently expect the introduction of longer hours to accomplish any miraculous improvement; he cautiously expects "something more from longer hours." The miners' own estimate of the results of overtime is considerably higher, but, in the light of past experience, the Minister of Fuel is wisely adopting a more cautious view. There may be technical difficulties in working out the scheme. If districts agree to extend the working day, the vexed question of revision of "stints" and tasks will arise. If, as seems more likely, they adopt Saturday working, the problem will be to secure the full attendance of all workers of all grades.

The miners' conference last weekend, having agreed unanimously on hours, proceeded to adopt their Executive's proposal to press for an increase of £1 a week in minimum wages, though with considerably less unanimity, for many delegates hoped that the reported increase of £2 would be sought. The proposed minima are £6 for underground workers and £5 10s. for surface workers; the underground minimum is only slightly higher than the national average of weekly earnings in coalmining in 1946 of £5 18s. 7d. But there are wide variations between districts; the average for Leicestershire was £7 7s. 1d. and for Nottinghamshire £6 14s. 8d. but the figures for South Wales were only £5 10s. 5d. and Durham £5 14s. 6d.

The avowed purpose of the miners' claim is to raise the standards of lower paid day workers, but it is coupled with a demand to maintain existing differentials, between the various grades, by increasing day rates to 3s. 4d. per shift with a corresponding increase in piece rates. The claim in no way replaces the union's intention to secure a radical revision of the wages structure. It is put forward rather as an "interim" measure until the more complex and fundamental changes can be tackled. But it is an ominous omission that the claim is not related to higher output. Unless an undertaking of higher output is given, and effectively carried out, the result of a wage increase of this formidable character can only be further inflation of costs, which domestic and industrial consumers must meet. The omens for success in the export drive are already obscure enough. A further inflation of British export costs would be the sure guarantee of defeat.

* * *

"Save the Franc"

Another "Save the Franc" campaign has been launched in France—and not a moment too soon. Monetary stability and a balanced budget which were repeatedly stated to provide the twin pillars of the Monnet Plan for capital reconstruction have signally failed to do the task that was expected of them. In the past year the note circulation of the Bank of France has risen by 30 per cent. The cost-of-food index for Paris has almost doubled and the cost-of-living index has risen by 45 per cent. There has been no holding back the tide of demands for increased wages, many of them backed by strike action and damage to national production. The ordinary budget has been running at a deficit of close on

100 milliard francs a year and has left the whole of the supplementary budget to be covered by borrowing. Since the general public has lost confidence in the currency there has been no genuine flow of savings into Government securities, and the greater part of the borrowing has been made direct from the banking system. The nationalised institutions have been working at a loss. Fortunately there has been a substantial inflow of imports, financed by external borrowing, to neutralise a good deal of this inflationary material. But that is now virtually at an end. The only terms on which appreciable Marshall aid can be forthcoming will be a genuine evidence of self-help and financial rehabilitation by France. Hence the latest campaign which M. Ramadier launched towards the end of last week. It is a plan of budgetary economy and of tax revision.

The target is to balance not merely the ordinary budget, but also the supplementary budget—in the latter case by cancelling the whole of the capital programme which it covers. Ordinary expenditure is being reduced partly by substantial curtailment of the number of recruits called up for the army this year. Taxation will not be increased but its collection made more efficient. In particular, agricultural, commercial and professional incomes, which M. Ramadier with considerable understatement said "bear a tax burden much lower than wages," will be made to pay their fair share of taxation. All this is aspiration and oratory. France now awaits the deeds that will translate these brave words and intentions into a positive and effective policy. The first technical development in the campaign was an increase in the Bank of France discount rate from 1½ per cent to 2½ per cent. This could have little but psychological effect, but nevertheless is a welcome evidence of the intentions of the authorities. Meanwhile, the immediate crisis in the balance-of-payments is being met by emergency help from the United States, in particular by the return of nearly \$100 million of captured French gold from Germany and of nearly \$40 million that was stolen in India and China by Japan. In addition some dollars earmarked for later purchases out of the Export-Import Bank credit are to be made immediately available. A considerable sum of urgently needed dollars may also be forthcoming from the vesting of dollar assets held by French residents. The United States has been asked to help such an operation by disclosing to the French Government all dollar balances, securities and gold held for account of French nationals. Another small instalment of interim aid for France will be made available by the direction given to the US army authorities to purchase francs to the equivalent of \$50 million in anticipation of their French currency needs. These expedients will help to tide France over the immediate emergency. In itself, however, this emergency aid will do little to prepare the ground for the longer term plan of which the domestic financial rehabilitation scheme must be deemed an integral and essential part.

* * *

Gold Movements

Seldom have international gold movements assumed such a disparate pattern as in recent times. Up to the end of July the United States was actually exporting very small amounts of gold to the United Kingdom. The amount, however, did not total more than some \$1,500,000 for the first seven months of this year. Since then the movement has been reversed and though no details are as yet available the reports of substantial shipments of gold from Britain to the United States may be taken as well founded.

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South Africa continues to make regular monthly exports of gold to the United States, but it is Latin America which in recent months has provided the main source for the influx of gold into that country. In July no less than \$104 million was imported from Latin American republics, reversing the movements which were apparent in the years 1944-1946. Small amounts of gold continue to be exported from the United States to British India. More recently a new factor has appeared in the world of international bullion movements, namely the resumption of appreciable gold exports by Russia, most of which are canalised to the United States. The latest weekly figures, covering the period to September 24th, show that 160,000 oz of gold as well as 1½ million oz of silver was imported into the United States from the USSR.

International movements of bullion are unlikely to reflect the recent freeing of gold to Italy and France. The equivalent of £6 million in gold, which was captured from the Germans by the Allies in Northern Italy, is being handed back to the Italian Government. This is likely to be held in Italy, and even if it forms the basis of US emergency aid for Italy it is probable that Italy will remain in physical possession of the metal. In the case of the French gold recaptured in Germany and in Japan, restitution is also unlikely to make itself apparent in actual international shipments in the near future. The general trend of gold shipments continues unmistakably in the direction of the United States. The diversity of the currents along which this flow is moving is a token of the gradual breakdown of the normal mechanism of international exchange, of the fact that overdraft facilities under existing payments agreements have either been reached or exceeded, and that the world is slowly drifting back either to the bilateral balance of barter agreements or to payments in specie for the settlement of net differences on international accounts.

* * *

Second Thoughts on South African Loan

The most important implications of the financial agreement between the United Kingdom and the Union of South Africa are those that derive from the clause referring to control of movements of British capital to the Union. The main part of the arrangement dealing with the loan of gold and the consequential changes in the arrangements for the sale of newly mined South African gold amount to little more than a change of timing in the arrival of South African gold to the central reserve of the sterling area. What could have been counted on over the next three years is promised, subject to ratification by the Union Parliament, early next year. Moreover, this is the offer of a net figure of gold whereas the yearly sales agreements which operate until the end of 1947 left it open to the Union of South Africa to have recourse to the sterling area dollar pool in order to meet the whole or part of its deficit with the dollar area. From the beginning of next year, that deficit will have to be met from South Africa's own resources. The clause in the agreement regarding the exchange of information on the movement of capital between the Union and other parts of the sterling area, and the possibility of measures to control or prevent movement of capital to South Africa from the United Kingdom should remove a factor which in the recent past has seriously disturbed the balance of payments between the two countries and has caused South Africa to misread the strength of its own position and to indulge in a grossly excessive import programme.

It is estimated that over the past twelve months close on £100 million of capital has left Britain for the Union of South Africa. The bulk of this was refugee capital, some of it accompanied by its owners who emigrated, but most of it driven out of this country by the fears of a deteriorating political and economic situation and by the search for the greater security that the Union was thought to offer. Most of that money has remained in South Africa in the form of cash. A small trickle may have made its way into dollars because the control over the export of capital from South Africa, particularly capital which accompanies emigrants, has been decidedly less stringent than in the United Kingdom. Far more important has been the effect of this movement of sterling from Britain to South Africa on South Africa's import programme. There is no clear demarcation between capital and current payments in sterling area machinery and this substantial inflow of British funds into the Union led inevitably to an increase in the Reserve Bank's sterling balances—a movement which the South African authorities have constantly resisted. On this occasion they have resisted it by holding back their gold deliveries under the current sales contract and also by dipping into the sterling area dollar pool on a larger scale than they would otherwise have done. If, therefore, the further movement of such refugee capital is controlled or prevented, and since at the same time South

Africa is to remain directly responsible out of her own resources for her dollar deficit, it follows that South Africa will be compelled in the immediate future to curtail very considerably her substantial imports from the United States.

* * *

Transport Crisis Next?

There is every justification for the recently increased anxiety about the ability of the railways to meet the heavy demands of the coming winter traffic. The volume of rail traffic is still above the prewar level and coal and mineral movements are higher than they were a year ago. Freight movement on the railways will increase during the winter as the volume of heavy traffic shows its usual seasonal rise and particularly if bad weather affects coast-wise shipping and canals. Additional traffic will be diverted to the railways this winter owing to the 10 per cent cut in petrol for road haulage. And owing to the general adoption of the five-day week in industry, which now affects about 30,000 firms, a large number of important concerns are now refusing to accept traffic or put it on rail on Saturdays. This contraction of the working period is creating an uneconomic peak demand for transport services and entails the provision of additional vehicles and tractive power.

When the war ended, transport was in sore need of overhaul after the tremendous load it had carried in the previous six years with the minimum of attention to maintenance. Since then the arrears have not been overtaken; it has not even been possible in all cases to deal with current maintenance. The inevitable results of such enforced neglect are becoming increasingly apparent. There are, in particular, no fewer than 200,000 railway wagons out of service for repair, compared with the standard under normal efficiency of about 60,000. Last August the number was 170,000 and the subsequent increase to the present unprecedented figure is contrary to the normal seasonal cycle of wagon repairs. Nearly 20 per cent of the railway locomotives are out of service for repair and the percentage of heavy freight locomotives is even higher. Last winter's coal crisis has left its legacy of reduced new construction. Thus, at the onset of the winter, there is the prospect of greater demand for transport and fewer resources to meet it. The risk of a further slowing down of traffic movement is high; and perhaps only a benign winter will avert a serious breakdown. It is, frankly, an alarming outlook, and it obviously tempers the favourable character of the winter fuel allocations. The coal may be got but will it all be moved? And in the middle of this critical winter, the Transport Commission and Railway Executives will take over full responsibility—and will inevitably add their quota to the prevailing uncertainties and difficulties.

* * *

Doubts About Oil Conversion

The coal-to-oil conversion programme is making laboured progress. The annual rate of fuel oil consumption in October last year, for all industries, was just under 2,000,000 tons. The official programme of conversion published in the summer aimed at raising this figure to 8,000,000 tons by the third quarter of 1948. At present, the prospects of fulfilling this programme within the next twelve months are remote. Of the additional 6,000,000 tons, about 4,500,000 tons have been authorised for industry and 1,500,000 for the railways. Within the industrial group, the steel industry accounts for 900,000 tons, glass for a much smaller tonnage, the non-ferrous metal industries for another slice, and the remainder—which comprises the bulk of the authorisations—has been allocated for boiler conversions in steam-raising plant.

Out of this expansion programme installations of rather less than 2,000,000 tons have been completed. If allowance is made for an increased consumption of fuel oil by plant already using oil before the present programme was drawn up, it is probable that the present rate of fuel oil consumption is about 4,000,000 tons a year—about halfway towards the target. The slowest pace has been made in the locomotive conversion programme; the ultimate target here is 1,500,000 tons a year, but so far capacity for using only 40,000 tons has been completed and there is little hope of raising it above 70,000 tons by the end of this year. One of the chief obstacles to the programme, at least until recently, has been the shortage of storage capacity. An additional difficulty in delivering oil from bulk storage centres to users' tanks. These various shortages have become so acute that some firms, whose conversions have been authorised, have been advised to continue on coal for the time being.

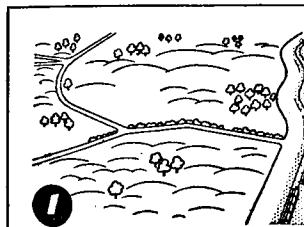
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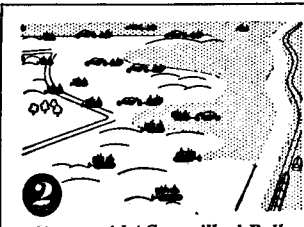
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Altogether the relief which coal-to-oil conversion will afford this winter and the next is likely to be much smaller than the original programme contemplated. It is essentially a relief scheme, and particularly so in steam raising, and the recent increase in the price of fuel oil to about £7 10s. per ton (equivalent roughly to £4 8s. per ton for coal) has further underlined the need for serious reconsideration of its long-term possibilities for different uses. Steam raising (as distinct, say, from steel smelting) is one of the least efficient ways of consuming fuel oil.

* * *

Anglo-Argentine Trade Talks

A trade delegation from the Board of Trade and the Ministry of Supply will visit Argentina early next month to discuss trade problems with the Argentine authorities. They will be joined in Buenos Aires by representatives of the Treasury and the Ministry of Food. The groundwork of the talks is obvious enough—Argentina requires British manufactures and Britain desires Argentine foodstuffs—but the crux of any actual bargaining will undoubtedly be the financial problem which has arisen from non-convertibility.

The current discussions on the use of sterling balances for the purchase of the British-owned railways have already been prolonged owing to this new factor, and both countries are concerned about their trading deficits. Useful trade negotiations can hardly proceed very far until the two sides have reached an accommodation about the acceptability of sterling as a basis for mutual trade.

The meat contract with Argentina runs until September, 1950, and agreement has already been reached about the proportion of Argentina's exportable surplus which is to be shipped to Britain next year, in addition to the minimum fixed supplies under the contract. But Britain would be willing enough to take additional quantities provided that the price was reasonable and that sterling was acceptable in payment. As for supplies of feedingstuffs, the present slight improvement in the British position is only likely to be temporary, and stocks will be very low by the end of the winter. Future supplies are problematical in view of the world grain shortage. Earlier this year Britain purchased a million tons of maize from Argentina (of which 250,000 tons is to go to Eire), but annual prewar requirements were nearly 3½ million tons. Linseed oil is another commodity which Britain would be willing to purchase, but not at an exorbitant price.

Many of the import restrictions which the Argentine Government imposed on British goods in July and August have been relaxed, but many import permits which have been recently issued by the Argentine authorities are only valid for 15 days. That fact alone makes export trade to the Argentine a difficult business. The new discussions will accomplish a good deal if they can restore trade between the two countries on a more permanent and stable basis. But this will not be done without assurances about delivery of British exports which Argentina most urgently requires. The general expansion of exports contemplated in the 1948 targets is not much of a bargaining counter in discussions with countries who want particular classes of goods at particular dates.

* * *

Sauce for Surtax-Payers

The National Savings Committee was certainly wise to drop the style "small" savings from the activities which remained to it after the issue of "large" securities ceased. For now it is frankly addressing an appeal to the surtax payer to buy savings certificates. It is true that the new "Save the Bank Way" scheme is designed to extend the practice of regular purchases beyond those who are within the reach of the familiar group schemes, and hence is directed to "the middle income groups, the professional man, the salaried executive, farmers, in fact all those with a private joint stock banking account"—and by no means all these persons are payers of surtax. But the notable feature of the publicity drive is that it points out more blatantly than in earlier advertising the special attractions of savings certificates to those beyond the standard income tax brackets.

The savings certificate, it deserves to be recalled, is traditionally an instrument designed for the small saver, and if held to maturity carries an unusually high gross rate of interest. Before purely political considerations came into the reckoning, this was justified almost wholly by the fact that the genuine small saver before the war was either wholly exempt from income tax or paid only a very low effective rate. This principle is underlined by the

existence of the limits upon individual holdings—limits which have recently been raised. Now that genuine small savings are lagging so badly—total net subscriptions for the first twenty-seven weeks of this year, despite the large repayments of Defence Bonds at maturity, have been running at only 36 per cent of the target rate—the National Savings Committee is dangling the small saver's carrot before the noses of the large savers. While the Chancellor is declaiming that 2½ per cent gross is a fully adequate rate for Government securities, the Committee goes out of its way to point out that its own particular brand of Government securities returns no less than £11 16s. 3d. per cent gross to tax-payers in the 15s. 6d. bracket—with, of course, much higher rates to those in the highest brackets. Mr Dalton's warning about "sauce for the goose being sauce for the gander" was obviously addressed to the wrong audience.

The evil is minimised, of course, by the existence of the limits. But the Committee's tactics are in principle well calculated to arouse resentment among the only classes whose "savings" really count; but for their ignorance of the inwardness of such matters, this resentment would probably take a very concrete form. It must be conceded that the conversion of bank deposits into savings certificates must tend to reduce the disposition to spend, but this tendency is at its greatest with genuine small savers and can scarcely be said to exist at all when the "savings" are made from surtax payers' accumulated bank deposits. Yet the genuine savers earn a little under 2½ per cent and the sterile subscriptions cost the Government a multiple of that rate. If the "large" savers now take the hint—it is surprising, indeed, that they needed any reminder—the extent of the inevitable shortfall from the year's target will be smothered in a smoke-screen. The Committee may thus secure a book-keeping "success," in a fashion which fittingly parallels the Chancellor's techniques of 1946—but at what a cost in terms of hard cash and of retreat from the principles and dignity of a great movement. Why cannot the authorities honestly face the facts? It is better to fall short of the target by £200 million than to pretend that it has been reached by collecting the subscriptions from moneys which would not have been spent in any case, for that process hides even from the Movement itself the magnitude of the job it is tackling. An extra £10 million of genuine savings from the little men would be worth incomparably more than twenty times that sum "saved" by subscriptions from the middle and upper income groups—even if these "savings" were not being extracted by questionable means.

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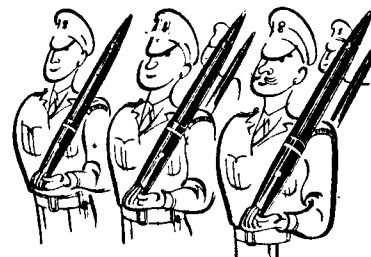
Car Production and Exports

The Ministry of Supply has now agreed not to press the motor car manufacturers for a greatly accelerated rate of standardisation of manufacture as a means of speeding up the export drive. When he outlined his plans to the industry last August, Mr Wilmot went so far as to suggest "one factory one model," an idea which found little favour with the industry. Their reply to the Minister, which was discussed in a Business Note in *The Economist* on October 4th, stressed the danger of interrupted production which might arise if standardisation were pressed too quickly.

The Ministry has now agreed that standardisation must come second, and the attainment of the export target first. But although it has bowed on the question of fewer models, it has carried its point about steel allocations. In their memorandum three weeks ago the Society of Motor Manufacturers and Traders asked for enough steel in 1948 to make 475,000 cars, of which 315,000 were intended for export and 160,000 for the home market. The Ministry has countered with a suggested programme of 400,000 cars: 315,000 for export and 90,000 to 100,000 for the British market. There figures are apparently based upon a realistic estimate of the probable steel supplies to the industry next year.

Car manufacturers will no doubt be well satisfied with the outcome of their exchange of views with the Ministry. They have secured an unspecified extension of time for the standardisation of models, and though they have been advised to plan their production on the basis of a severe cut in sales of cars to the home market, they could hardly have expected to obtain enough steel to meet their original target of 160,000 cars. But the industry would do well to recognise that, except for a few specialist firms, it will be under continuous pressure to produce a minimum number of models which can command a ready sale at home and abroad. After 1948, when industry will be faced with the problem of holding its export target, the two issues—standardisation and expanding exports—will become even more closely interdependent.

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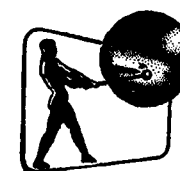
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'World markets' are sometimes in out-of-the-way places, and the story of the post-war selling of British films for export deserves a film script to itself.

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The game is worth the hazard. There is more at stake than a British export, vitally important though that may be. For at journey's end there are the richer rewards of good will and better acquaintance. Through the new British films Mr. Tang of China sees the British people, sees Mr. McLeod of Edinburgh, Mr. Smith of London.

Nowadays we are all so much 'involved in mankind,' so much in need of this closer view of one another. Edinburgh may be eight thousand miles from Cheng-tu—but good films diminish the distance.



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NEW PRIORITIES SCHEME

AGA HEAT LIMITED have recently had to make an embarrassing decision. The problem was this. The backlog of orders for Aga Cookers and Water Heaters is now so great that the earliest delivery date for any normal order now received must, at the present rate of production, be set some 27 months ahead.

Recently, however, Aga opened new works at Ketley in Shropshire. In consequence the present rate of production should be materially increased. In normal circumstances this would mean that the period of waiting for delivery could be proportionately reduced.

But meanwhile the National economic crisis has come to a head and it is clearly

the duty of every responsible British firm to allocate as much of its production as possible to Exports which alone can save this country from disaster and starvation.

Against this, Aga Heat Ltd. had to consider the fact that their home sales are also of value to the nation. The country is short not only of foreign exchange but also of fuel. And the Aga cooks more food and heats more water to each cwt. of fuel than any other stove of any description. In fact the Aga Cooker and Water Heater is not, as some people seem to think, a luxury toy for the well-to-do but an engineering invention of importance to the whole community. Besides directly saving solid fuel, Agas also relieve the load on

Gas and Electricity undertakings. What's more, the country is also short of manpower and the Aga, which requires only a couple of minutes attention a day, is a valuable labour-saver.

Aga have reconciled these conflicting considerations as follows:

Until further notice the entire production of Heavy Duty Aga Cookers will be exported, as well as an increasingly high percentage of the production of Domestic models. First priorities of deliveries at home will be given to Farmers and Doctors, who most urgently require, in the National interest, the saving of fuel and labour which the Aga affords.

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Discount Company's Loss

Most of the effects upon individual investors of the aftermath of Mr Dalton's excursion into market-boosting will never be traceable, but some of the consequences for the discount market have been revealed this week. The discount houses prospered in the phase of rising gilt-edged prices, and during the war years it became apparent that the profits they were winning came from the pursuit of a function of real importance—that of providing a very necessary "cushion" in the rapidly expanding market for short bonds. When, therefore, Lombard Street sought in 1945 to expand its capital to meet the expected impact of industrial reconversion upon the bond market, its wishes found favour with the authorities; but it can safely be assumed that Mr Dalton's market-boosting designs contributed not a little to the official blessing. In 1946 and early 1947 the discount market added roughly 50 per cent to its capital resources and, in the conditions of the market at the time, was quickly called upon to increase its bond portfolios more or less proportionately, and thus gave important technical support to the Chancellor's drive.

This year the tide in the gilt-edged market has turned, and its ebbing has confronted all gilt-edged holders with substantial capital losses. The first discount house to make up its annual accounts since the major weakness occurred is Allen, Harvey and Ross, Ltd., whose year ends on what has proved to be the particularly unfavourable date of September 30th. At that date, 1½ per cent Exchequer Bonds and 2½ per cent National War Bonds 1949-51 were standing fully two points and the National War Bonds 1951-53 nearly five points below the high levels reached early this year. To provide for the depreciation on its portfolio and to meet realised losses upon sales, the company has had to find £275,650, which more than absorbs the year's gross profit of £269,907. Hence, after charging administration expenses and crediting recovered income-tax, there was a net loss of £14,972. An interim dividend of 4 per cent had been paid on the ordinary capital last April and, despite the subsequent bond depreciation, a further payment of 1 per cent is now recommended both on the ordinary and (necessarily) on the participating preferred ordinary shares. These payments involve a draft of £23,000 upon the general reserve and a reduction of £17,000 in the carry forward.

In all the circumstances, it would be unreasonable to cavil at the decision to pay a modest final dividend—despite the uncertainties of the market outlook. The discount houses confine their operations to short-dated bonds and naturally reckon to amortize any premiums at which they are bought out of current profits during their life. But in this case the capital loss which, on an optimistic view, might have been expected to have been spread over two or three years was compressed within as many months, and Allen, Harvey and Ross, by accounting thus early, have had little time in which to repair any of the damage. But, if the bond market does not fall further, the amortization process will now proceed more rapidly than could have been expected twelve months ago, for the effect of the depreciation and the writing down has been to raise yields upon book values and upon new business to levels which afford extremely generous margins over the ½ to ¾ per cent which has to be paid for the call money by which the portfolio is financed. After so long a period of continued expansion, this recent experience has been salutary for Lombard Street, but it is to be hoped that it will not induce in the discount market such timidity as to prevent it from performing fully its function of shock absorber when next a bout of heavy pressure occurs.

* * *

South African Food Supplies

Before the war South Africa had built up a flourishing export trade in agricultural product to Britain. South African grape fruit, oranges, fruit juice, raisins, jam, rum and wines were among the larger import items. But in addition Britain bought three staple commodities—maize and maize meal, sugar and butter—which are now in short supply in this country. In 1938 250,000 tons of South African maize and maize meal were imported into the United Kingdom (representing 7 per cent of annual requirements) and 215,000 tons of unrefined sugar (equivalent to 10 per cent of Britain's yearly consumption). Quantities of South African butter were relatively small and most of it was used for blending.

The decline in shipments of these staple commodities from South Africa, which is shown in the table below, was due in the main to increased industrialisation and prosperity in South Africa during the war years. Wages for both Europeans and natives rose considerably, but food prices were kept fairly stable, and a sharp increase in food consumption inevitably followed. Rationing was attempted but it was found to be administratively impos-

sible, owing to the widely differing tastes and the great differentiation which existed between the various income groups.

South Africa is not basically a producer of staple commodities; its agriculture is more concentrated on fruit production. But at the present time, any increase in the supply of grains, especially for feedingstuffs, would be of great assistance to the world in general and to Britain in particular. Moreover, the dollar

PRODUCTION AND EXPORTS OF SOUTH AFRICA '000 tons

	1937-39	1941-42	1942-43	1943-44	1944-45	1945-46
<i>Production:—</i>						
Maize	514	542	365	543	410	408
Sugar	542	452	525	586	615	553
Butter*	16	18	20	20	17	14
<i>Exports:—</i>						
Maize*	400	165	22	1	4	—
Sugar	297	59	48	154	112	72
Butter*	3	2	1	1	1	—

* Calendar years of first year mentioned.

shortage will probably force Britain to curtail its sugar purchases from Cuba and St. Domingo, which together supplied three-quarters of the entire sugar imports to this country last year. South Africa's fruit and wine will brighten a dark winter in this country; but the winter would be less dark if there were more basic foodstuffs.

* * *

Powell Duffryn and Coal Compensation

Voices have been raised in recent weeks against the hardships which are likely to arise under the "interim income period," which is defined in the Coal Nationalisation Act as 1947 and 1948. Shareholders of Powell Duffryn, whose colliery assets have been vested under the Act, will find grounds for satisfaction in the latest consolidated accounts of the group. This is the first set of accounts from a large colliery company which does not intend to liquidate. It shows a subdivision of its assets between those vested in the National Coal Board and those remaining at the disposition of the company. Naturally the bite taken by the state from this group's assets is a big one—Powell Duffryn formerly had the largest coal output of any one group in the country with an annual production of some 20 million tons. Even so, the transfer of its colliery assets represents little more than one-third of the balance-sheet total. In the case of fixed assets (which are by far the greater part of those handed over) some £7,241,097 has been written off the book value out of depreciation and other reserves. The result is that assets with a written-down value of £9,359,651 have been vested, and assets valued at £8,338,899 net have been left in the group's control.

It would not be right to presume that the former total of £9.4 million will be identical with, or approximate to, the group's claim as a "compensation unit" for its share of the global sum

"The Economist is not doing its duty"

But it is not our fault. We cannot find paper for all the facts and figures which are essential for the business man and the student of affairs. So last January we shed the load on to the

Records and Statistics

Supplement to The Economist

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THE ECONOMIST, 22 RYDER STREET, LONDON, S.W.1.

of £164 million which is to be distributed under the Act. It is stated quite categorically in a note to the accounts that compensation is to be assessed on the basis of what a willing buyer will pay to a willing seller and that book values will not necessarily be a guide to the final figure. In any case, an agreement on compensation with the District Valuation Board cannot be reached independently; it will emerge as the result of an accommodation of the several claims of companies in the same district.

Two other items appear in the Powell Duffryn accounts under the heading of vested assets. The first, "mineral rents paid in advance," is self explanatory; the other consists of consumable stores. Compensation for both these items will be paid in cash and will be met outside the global sum of £164 million, though claims for payment for these items will be adjudicated by the District Valuation Boards on the basis of a willing buyer-willing seller. But here there is obviously a greater degree of likelihood that the company's estimates of the value of such assets should be fairly close to the eventual purchase price—there cannot be much dispute about mineral rents (except perhaps on the score of interest), while the valuation for consumable stores has been based on inventories already submitted to the authorities. It now seems likely, moreover, that contrary to a previous Treasury ruling which actually proposed not to pay for these items until the end of the "interim income period" in December, 1948, a substantial payment on account will be made before the end of 1947.

Improved Steel Allocation

The announcement by Sir Stafford Cripps on Tuesday that the existing method of allocating steel is to be improved, turns out on examination to be only slightly more precise than his general comments on its inefficiency five weeks ago. Sir Stafford described the existing procedure, which is notoriously inefficient and suffers in each succeeding production period from an inflation of the "M" forms against which steel should, notionally at any rate, be supplied. Any scheme for allocating steel must retain some degree of flexibility if it is to work at all. Licences to obtain steel cannot be exactly matched by supplies in each production period and some carry-over of licences is necessary and desirable.

For example a main contractor who obtains a bulk licence for steel supplies may have to sub-divide these licences to innumerable sub-contractors whose contribution to the finished output of the main contractor may not be required until several months have elapsed. The fact that any particular firm may find it necessary to obtain licences from a number of authorising departments is another feature of the existing scheme which sets in circulation far more paper than can be backed by current supplies of steel. It would probably not be very far wide of the mark to say that 90 per cent of the steel output actually to be produced in

the fourth quarter of this year is already earmarked by "M" forms which are already in issue, and that the time lag between the issue of a form and its redemption in hard steel may be anything up to six months.

Sir Stafford suggested that the "M" form system had resulted in the accumulation of about two million tons of steel which had been allocated on paper and not met by supplies. He hopes that it will be possible to revise the present method of control and "in the course of some months" to get rid of the excessive amount of "M" form paper which is now in circulation. Obviously the comparative success of the "M" form system during the war was due to the fact that the number of end products needed in wartime was limited and the main producers of them were large and few. In peacetime, the tremendous variety in end products for which steel has to be used, and of the firms making them, has led to a partial breakdown of the system. The Minister for Economic Affairs hopes that the new scheme will avoid undue complication and will not require extra staff for the steel industry. "The Government," he said, "will need four or five extra officers to assist industry in working the scheme." This may sound a little optimistic. But until the details of the scheme are published the fairest comment is that it could hardly be less efficient and more productive of friction than the existing arrangements.

Wool Tops Decontrolled

The Board of Trade have announced that the maximum price schedule for wool tops, noils and waste will be removed at a date to be determined. Maximum prices for these products have been a recurrent source of trouble to the worsted industry ever since the war, for as fast as they were raised, the price of raw wool rose further and made it impossible for the topmakers to commission tops within the permitted prices except by incurring a loss. It has, admittedly, sometimes been difficult to distinguish between cause and effect—to some extent the increases in maximum prices for tops have encouraged the topmakers to bid higher prices for raw wool at the auctions. But usually higher top prices have lagged well behind the rising price of raw wool.

The full implications of the projected removal of price control, however, are not yet clear, but at least the differential prices for tops for export and home use (the latter, of course, have been effectively restricted by the ceilings on utility clothing prices) will disappear. Hitherto, top prices have been the determining factor in utility price control for worsteds; under the new system it is to be expected that maximum prices will be retained only for utility cloths. But even if price control is still kept on at the earlier stage of worsted yarn, the industry would still enjoy a greater degree of flexibility than in the past.

As soon as the control is removed, top prices are certain to rise, for the present maximum prices are well below the free market level. But after an initial, and possibly exaggerated, advance,

top prices might well settle down at a more stable level. If so, they may have an important stabilising influence on the raw wool market. If the existing specifications of utility cloths are maintained, however, it will be difficult to make them within the limits of the maximum utility worsted prices which are at present permitted. The wool industry has not, by any means, seen the end of its problems.

A further restriction is to disappear next month, when auctions of home-grown wool are to be resumed, after a lapse of eight months. The Order which lays down official maximum prices for British wools has been revoked and in future the price level will be determined in the open market. Provision has been made for reserve prices to operate at these sales, on the same lines as for Dominion wool.

New Union Goldfields

When the first undercurrent of rumours about the affairs of New Union Goldfields became evident in the mining share market several weeks ago, it was generally presumed that the difficulties sprang from differences between the leading personalities connected with the company, in particular the former chairman, Mr N. S. Erleigh, and his co-director, Mr J. Milne. As *The Economist* was going to press last week, news from Johannesburg suggested that more fundamental changes had been taking place. Certainly Mr Erleigh, a star who had risen very rapidly on the Rand firmament, was out, and Mr Milne, a less spectacular figure, was in. But the greater part of their "empire" has passed to the control of a new set of directors who, it is reported, have been "invited to take over."

But these changes of management, and the marking up of the share prices of the company and associated issues, have not prevented the persistence of underlying doubts about the position. The decision of the new board about the new issues which had already been planned for next month for New Union and Rooder-land is awaited with some uncertainty. Other observers have been critical of the obscurity with which the changeover has been effected. And so far there has been no comment from Mr Erleigh, save that he is tired of the whole affair and would like to play golf with Mr Bobby Locke. Neither side in the dispute has shown any inclination to unravel the mystery. It is rumoured

that the Union Free State group which now comes under the control of Mr J. Milne is to take over more of the companies of the New Union group in addition to Free State Mining and Finance Corporation, Free State Gold Areas and Bloemfontein Consolidated Investment Corporation which he acquired under the deal. Another message invites the investing public to await a full announcement from New Union on the terms of the new issues. The Stock Exchange has views of its own about the affair, and remains for the time being unimpressed by these *ex parte* statements. But it is high time that some definite facts emerged about it from Johannesburg.

Manpower Movements

The Ministry of Labour's latest manpower return relates to August, and does not therefore show any reactions in the redistribution of manpower for the export drive. The August unemployment figure of 238,078 is the lowest since October, 1945, and represents a mere 1½ per cent of the total insured population. A considerable rise in temporary unemployment may, however, be expected in future, to the extent that it proves possible to close down less essential production and to switch the manpower to export production.

The total number recorded as working for exports in August was 1,580,000—an increase on the previous month's figure and representing 160 per cent of the mid-1939 figure. But this monthly division between home and export manpower is arbitrary and probably exaggerates the export total. The total working population continues to decline, though it is still some 250,000 above the 1939 level. It is discouraging that in spite of the effort to recruit women to industry, a slight net loss of 9,000 occurred between July and August, though the present total of 5.6 million women in employment is about 750,000 higher than at the beginning of the war.

Shorter Note

Regulations have now been made under the Factories Act, 1937, to reduce the risks to health in potteries. They follow recommendations made by the National Council for the Pottery Industry to prohibit the use of glazes, except "leadless" or "low-solubility" glazes, and restrict the use of powdered flint or quartz.

SECURITY PRICES AND YIELDS

A fuller list containing 370 securities appears weekly in the *Records and Statistics Supplement*. Notes on the following company reports also appear in the Supplement: British Celanese; Austin Motor; Electrical and Musical Industries; Powell Duffryn.

Stocks and Bonds—Continued—Industries; Powell Duffryn													
Prices Jan. 1-Oct. 15, 1947		Name of Security	Price, Oct. 8, 1947	Price, Oct. 15, 1947	Net Yield, Oct. 15, 1947 (a)	Gross Yield, Oct. 15, 1947	Prices, Jan. 1-Oct. 15, 1947		Last Two Dividends	Name of Security	Price, Oct. 8, 1947	Price, Oct. 15, 1947	Yield, Oct. 15, 1947
High	Low						High	Low						(b)	(c)
British Funds													
103½	100½	Conversion 3% March 1, 1948-53.	101	101	1 6 7 c	1 6 7 c	113½	99½	(d)	Australia 3½% 1965-69.	103½	105½	2 18 4 c
103½	100½	War Bonds 2½% August 1, 1949-51.	100½	101	0 15 6	1 14 4	105½	89	(d)	Birmingham 2½% 1966-71.	95½	94	3 0 1½
102½	98½	Exchequer Bonds 1½% Feb. 15, 1950.	100½	100½	0 17 6	1 14 4	102	100½	(d)	Argentine 3½%	101½	101	3 10 0
105½	98½	War Bonds 2½% March 1, 1951-53.	100½	100½	1 7 0	1 14 4	142½	113½	40 c 50 c	Anglo American Corp. 10s.	131½	135½	3 14 5
105½	97½	War Bonds 2½% March 1, 1952-54.	99½	99½	1 10 1	2 13 4	80½	56½	10 c 25 b	Anglo-Iranian Oil £1	167½	161½	3 14 5
108½	101½	War Loan 3½% (after Dec. 1, 1952).	103½	103½	1 5 6	2 18 12 c	42½	25½	10 c 15 c	Assoc. Port. Cem. Ord. Stk. £1	62½	60½	5 0 0
106	97½	War Bonds 2½% Aug. 15, 1954-56.	98½	98½	1 9 7	2 12 8½	95½	73½	7 a 40 c	Austin Motor 'A' Ord. Stk. 5s.	37½	32½	6 2 2
106	97½	Funding 2½% June 15, 1952-57.	100½	101½	1 8 11	2 14 6½	245½	167½	120 b 7 a	Barclays Bank Ord. 'B' £1	79½	80½	3 9 7
108½	99½	National Def. 3% July 15, 1954-58.	101½	102½	1 9 9	2 16 6½	115½	80½	12 b 15 a	Bass Ratcliff Ord. £1	200½	195½	2 11 3½
109½	99½	War Loan 3½% Oct. 15, 1955-59.	101½	101½	1 9 6	2 16 2½	58½	40½	7 a 9½	British Oxygen Ord. £1	92½	89½	4 9 7
108½	97½	Savings Bonds 3% Aug. 15, 1955-55.	100½	101½	1 11 3	2 18 4½	29½	22½	8 c 8 c	Courtaulds Ord. £1	47½	42½	3 11 9
105½	95	Funding 2½% April 15, 1956-61.	96½	98½	1 10 5	2 13 1½	81½	57½	12 c 15 c	Dorman Long Ord. £1	25½	25½	6 8 0
109½	98½	Funding 3% April 15, 1959-69.	100½	102½	1 10 7	2 17 2½	63½	40½	7 b 3 a	Dunlop Rubber Ord. £1	73½	67½	4 9 3
122½	109½	Funding 4% May 1, 1960-90.	111½	112½	1 2 5	2 15 1½	49½	39½	7 c 10 c	Imp. Chem. Ind. Ord. Stk. £1	73½	67½	4 9 3
110½	97½	Savings Bonds 3% Sept. 1, 1960-70.	99½	101½	1 11 8	2 18 8½	57½	45½	5 c 10 c	Langs. Cotton Ord. Stk. £1	45½	45½	4 8 11
104½	92	Savings Bonds 2½% May 1, 1964-67.	94½	96½	1 12 3	2 15 2½	77½	50½	10 c 12½	Lever & Unilever Ord. £1	51½	48½	4 2 9
123½	96½	Victory Bonds 4% Sept. 1, 1920-76†	112½	113½	1 6 2	2 19 5*	63½	44½	(d)	London Brick Ord. Stk. £1	53½	50½	4 18 6
111½	96½	Savings Bonds 3% Aug. 15, 1965-75	108½	109½	1 11 11	2 18 11½	36½	32½	4½ b	L.M.S. 4½% 1st Pref. Stk.	78½	78	5 3 6
117½	106	Consols 4% (after Feb. 1, 1957).	108½	109½	1 2 7	2 17 8 c	68½	47½	5 a 20 a	P.-Eastn. Elec. Ord. Stk. £1	33½	33½	4 4 3
115½	102½	Conversion 3½% (after Apr. 1, 1961).	104½	106½	1 8 7	2 19 2 c	39	29½	169-58 c	P.-H. Tinson Ord. Stk. 10s.	59½	54½	4 11 9
100½	80½	Treas. Stk. 2½% (after Apr. 1, 1975).	83½	85½	1 11 11	2 18 2½	108½	80½	12½ a	Prudential 'A' £1	53½	53	5 0 0
110½	95½	Treas. Stk. 3% (after Apr. 5, 1966).	97½	99½	1 14 0	3 1 5*	147½	108½	12½ a	Stewarts & Lloyds Def. £1	52½	53	2 4 11½
117½	97½	Redemp. Stk. 3% Oct. 1, 1986-96.	99½	102½	1 11 9	2 18 5*	96½	68½	8½ b	"Shell" Transp. Ord. Stk. £1	83½	80½	1 17 2½
99	80	Consols 2½%	83½	85	1 12 0	2 18 2½	107½	71½	55 b	Tube Invst. Ord. Stk. £1	122½	119½	4 3 10
† Redemption yields on stocks optionally or finally redeemable within the next five years are worked out on the assumption that they will be repaid at the earliest date.													

Redemption yields on stocks optionally or finally redeemable within the next five years are worked out on the assumption that they will be repaid at the earliest date. Redemption yields on other dated stocks assume that stocks paying over 3 per cent will be redeemed at the earliest date (these are marked 'e'), and those paying 3 per cent or less will be repaid at the latest date (marked 'f'). (n) Net yields are calculated after allowing for tax at ½% in the £. (f) Flat yield. * Assumed average life 17 years 6 months.

(a) Interim. (b) Final. (c) Whole year. (d) Int. paid half-yearly. (e) To earliest redemption date. (f) Also a capital bonus of 2½ per cent free of income tax. Yield worked on 15 per cent basis. (h) Fifteen months to March 31, 1947 (yield basis 1.6 per cent.) (i) To latest redemption date. † Free of tax.

"Not to develop a gift,
Brother, is to be unworthy
of it. We might have
accepted tobacco as it was.
Instead, by care and inspira-
tion, men have produced
this Mixture—a veritable
work of Art, a hymn in
praise of Providence."

Fryer's Special 4/4 for 1 ounce
S M O K Y N G E M I X T U R E



COMPANY MEETINGS

RANSOME AND MARLES
BEARING COMPANY, LIMITED

SALES A PEACETIME RECORD

The thirty-first annual general meeting of Ransome and Marles Bearing Company, Limited was held at Newark-on-Trent on the 9th instant.

Mr Fred W. Baker (chairman), in the course of his speech, said: The sales for the year were a peacetime record. The large purchases of new plant reported last year have been in production for nearly the whole period and have contributed to the increased output and helped materially to counteract rising costs. A new works purchased during the year has also made a considerable contribution for part of the period. Throughout the year we have not obtained all the labour, steel and other necessities which we could have used, and had also to close for two weeks owing to the fuel crisis. These difficulties have naturally curtailed our output during the past year.

PROFIT AND DIVIDEND

The actual net profit for the year, without the non-recurring items, amounts to £152,830 against the previous year's comparable figure of £102,018. This result does not represent a record, and is a very smaller percentage on our sales than pre-war profits were. The capacity of the plant, however, is now such that, given the necessary materials, labour and power, we can achieve a turnover many times greater than in pre-war days, which enables us to work on a much smaller margin of profit. This is the justification of our policy for many years of putting back into the business large portions of our profits.

We have available for distribution £265,132. To make up the usual annual payment to 20 per cent., less tax, for the year, requires £48,125, and we propose in addition to distribute part of the accumulated overseas profits brought in by paying a small bonus of 5 per cent., less tax, in addition to the usual 12½ per cent. final dividend.

The liquid assets exceed the current liabilities by almost one million pounds, which indicates a very sound position. All indications are that demand is likely to continue at a very high level for a considerable time ahead. We have today more orders on hand than a year ago, and there is every evidence that the use of our products is expanding rapidly in many directions. Before the war the motor industry took over 50 per cent. of our output. Today, with the application of bearings to every type of machinery and equipment, this proportion is very much lower, although the motor trade volume is as great as ever. We are making a considerable contribution to the drive for mining machinery and generating plant, and also in the no less essential agricultural equipment field.

EFFECT OF SHORTAGES

The difficulties and shortages during the past year have compelled us to refuse many orders, and it is particularly unfortunate that

much export business had to be sacrificed. We must agree, however, that from a national point of view our products, after meeting home priorities, have a higher exchange value when fitted into a valuable machine or vehicle than if exported by themselves. It is a matter of urgency that we do an increasing

export trade, as many of the Dominions and other countries are developing secondary industries and require quantities of bearings far in excess of their pre-war demands. We therefore hope that our output this year will show a substantial rise on last year. The report was adopted.

MERCANTILE AND GENERAL
REINSURANCE COMPANY, LIMITED

GRATIFYING RESULTS

MR RICHARD GUINNESS'S SPEECH

The ordinary general meeting of the Mercantile and General Reinsurance Company, Limited, was held, on the 14th instant, at 25-31 Moorgate, London, E.C., Mr Richard S. Guinness (chairman of the company) presiding.

The manager and secretary (Mr H. P. Hewitt) having read the notice convening the meeting and the report of the auditors,

The Chairman said: The accounts before you show once again gratifying results, with an increased net premium income on fire and miscellaneous accounts totalling £1,691,324.

A special feature of the year's operation is that we have provided at our branch office at 46 Moorgate a department equipped to underwrite facultative fire risks. It is evident that these facilities are useful to our ceding friends, and it will be our endeavour to combine helpful service with sound underwriting.

INCREASED ACCIDENT INCOME

I am happy to be able once more to report a large increase in accident premium income both at home and abroad, together with a compensating margin of profit. The volume of business offered to us gives an opportunity for careful and yet liberal selection which is exercised by those in charge. Our management strive to combine full facilities to our ceding friends with well-adjusted balance of risk; it is to their success that we owe the good results now before you.

The marine account also shows a gratifying increase in premium income. It is our endeavour to build up this branch on the basis of careful selection and steady progress. The balance carried forward on marine account is £158,040 against a premium income of £94,539.

LIFE ACCOUNT

The life account has shown once again increased vitality and expansion of home and abroad. New business written has reached the record figure of £3,131,000. It is evident that throughout the world the security offered in these troubled times by a life policy with definite terms of payment, and, if desired, the prospect of bonus additions has a strong appeal both to the capitalist and to those of modest means. In consequence, we have enjoyed our share in the large accretion of business to life offices at home and abroad.

I would mention that we recognise the responsibility of husbanding the assets pertaining to the life funds, and to that end your directors have permitted the funds of the life account to accrue since this branch was established.

In all branches the past year has been full of endeavour not only to maintain, but to cement by personal contact our happy relations with friends at home and abroad. Our

general manager has been untiring in the task of renewing contacts with our friends in Europe. He is now on a visit to the U.S.A. and we miss his presence here today. Other members of the management and staff have been equally active, and the results of their combined efforts have borne fruit in the figures we are enabled to lay before you.

STRONG RESERVES

Profit and loss account shows increased interest and dividend receipts totalling £80,992, while the transfers from fire, miscellaneous and marine accounts total £93,484. Provision for taxation calls for £80,000, and there is also a debit item of £25,000 to provision for exchange and investment fluctuations. It is essential for us to maintain strong reserves to cover these ever-present risks, and therefore your board has decided to allocate thereto an additional £50,000 out of the credit balance carried over at the close of the year.

The board, with the approval of the trustees of the superannuation fund, have revised and increased the benefits thereunder in view of the ever increasing cost of living. They have no doubt the shareholders will endorse this decision and a special allocation of £10,000 to strengthen the fund in addition to an annual contribution of £6,000.

The same dividend as in 1945 is proposed for the year 1946, viz., 5 per cent. free of income tax on the paid-up capital.

Let us hope that England and the British Empire will give the lead in peace, as already in war, to the restoration of freedom of world trade untrammelled by forms, permits and other methods of political interference. Mankind can only restore the ravages of war and continue to progress in peace and prosperity on the basis of individual effort and inspiration guided and fostered by free and enlightened government.

TRIBUTE TO MANAGEMENT AND STAFF

I conclude by inviting our shareholders to join in a vote of thanks to our management and staff for the satisfactory results presented to you today as the result of their untiring efforts, for which we are sincerely grateful.

I beg to move the adoption of the report and accounts now before you and the declaration of a dividend of 5 per cent. per annum, free of income tax, for the year 1946, upon the paid-up capital.

Mr C. M. Woodbridge seconded the resolution and it was carried unanimously.

The retiring directors, Mr Richard Sidney Guinness and Mr Erwin Hurlmann, were re-elected; and the auditors, Messrs Peat, Marwick, Mitchell & Co., having been re-appointed, the proceedings terminated with a vote of thanks to the chairman.

There is a vacancy in the Marketing Advisory Division of Lever Brothers and Unilever Ltd., London, for a first-class writer to undertake the preparation of a series of studies of marketing developments at home and overseas. The work requires ability to assemble arguments, evidence and conclusions in orderly and logical form, and to present them in forceful English in a style that is easily translated into foreign languages. An essential qualification is first-hand knowledge and experience of the modern practices of selling and advertising. The position will be well paid and offers considerable scope. Written applications, giving full details of experience and qualifications, should be addressed to Marketing Advisory Division, Lever Brothers and Unilever Ltd., Unilever House, London, E.C.4, marked "Personal".

EXPORT specialist from Canada having large experience, technical know-how and substantial contacts, seeks employment.—Box 579.

GOVERNMENT RETURNS

For the week ended October 11, 1947, total ordinary revenue was £40,062,577, against ordinary expenditure of £37,371,425, and issues to sinking funds £248,328. Thus, including sinking fund allocations of £8,551,310 the surplus accrued since April 1st is £6,612,548 against a deficit of £502,314,924 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING
REVENUE AND EXPENDITURE

Revenue	Estimate, 1947-48	Receipts into the Exchequer (£ thousand)			
		April 1 to Oct. 12, 1946	April 1 to Oct. 11, 1947	Week ended Oct. 12, 1946	Week ended Oct. 11, 1947
ORDINARY REVENUE					
Income Tax	107,300	435,842	396,347	13,575	7,943
Sur-tax	80,000	17,016	19,755	300	600
State, etc., Duties	155,000	75,315	88,579	2,050	3,000
Stamps	57,000	17,405	25,830	300	1,000
N.D.C.	18,152	18,152	18,570	867	700
E.P.T.	202,000	178,991	137,598	6,760	7,400
Other Inland Rev.	1,000	158	115	...	...
Total Inland Rev.	156,800	742,879	686,794	23,852	20,643
Customs	736,960	313,355	411,244	11,981	13,360
Excise	643,040	287,900	293,300	5,725	4,885
Total Customs & Excise	1,380,000	601,255	704,544	17,706	18,245
Motor Duties	50,000	10,413	11,109	594	504
Surplus War Stores	95,000	34,849	105,112	...	137
Receipts from Trading	55,000	...	30,175	...	...
Post Office (Net Receipts)	11,000	3,070	3,970	...	...
Wireless Licences	1,000	450	450	...	...
Crown Lands	21,000	7,559	16,705	66	55
Receipts from Sundry Loans	270,000	19,341	169,852	2,088	478
Miscellaneous Receipts	...	...	...	...	...
Total Ord. Rev.	3,451,000	1,419,817	1,728,711	44,306	40,062
SELF-BALANCING					
Post Office	144,230	65,150	71,780	1,700	1,800
Income Tax on E.P.T. Refunds	49,000	115,569	12,817	5,142	524
Total	3,644,230	1,600,536	1,813,308	51,148	42,386

Expenditure	Estimate, 1947-48	Issues out of the Exchequer to meet payments (£ thousand)			
		April 1 to Oct. 12, 1946	April 1 to Oct. 11, 1947	Week ended Oct. 12, 1946	Week ended Oct. 11, 1947
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	525,000	270,144	280,644	3,887	3,872
Payments to N. Ireland	23,000	9,197	11,373	...	...
Due to Nat. Land Fund	...	50,000	...	...	...
Other Cons. Fund Services	8,000	3,658	3,476	...	...
Total	556,000	332,999	295,494	3,887	3,872
Supply Services	26,351,114	15,809,978	12,180,541	41,600	33,500
Total Ord. Exp.	3,191,114	1,913,977	1,513,548	45,487	37,372
SELF-BALANCING					
D.O. & Broadcasting	144,230	65,150	71,780	1,700	1,800
Income Tax on E.P.T. Refunds	49,000	115,569	12,817	5,142	524
Total	3,383,344	2,094,696	1,598,145	52,329	39,696

After increasing Exchequer balances by £132,853 to £3,031,655 the other operations for the week increased the gross National Debt by £9,256,935 to £25,729 million (corrected total).

NET RECEIPTS (£ thousand)		NET ISSUES (£ thousand)	
Land Settlement (Facilities, Acts, 1919 and 1921)	11	P.O. and Telegraph	350
		E.P.T. Refunds	640
		Overseas Trade Guarantees Act	9
		Local Authorities Loans Act, 1945, Section 3 (1)	5,400
		Miscellaneous Financial Provisions Act, 1946	1,500
		Damage: War Damage Commission	3,678
		Finance Act, 1946, Sec. 26 (7), Post-war Credit	1,577

Statistical Summary

CHANGES IN DEBT (£ thousand)		NET REPAYMENTS	
NET RECEIPTS		3% Def. Bonds	*2,051
Treasury Bills	46,804	Tax Reserve Certs.	3,117
Nat. Savings Certs.	650	Other Debt	39
2½% Def. Bonds	635	Internal	5
		External	20,120
		Ways & Means Advances	13,500
		Treasury Depos.	38,832
	48,089		

* Including £1,415,000 paid off on maturity.

FLOATING DEBT (£ million)

Date	Treasury Bills		Ways and Means Advances		Treasury Deposits by Banks	Total Floating Debt
	Tender	Tap	Public Depts.	Bank of England		
1946						
Oct. 12	1990-0	2525-5	462-7	14-8	1775-0	6768-0
July 5	2180-0	2584-9	356-7	6-25	1368-5	6496-4
" 12	2180-0	2541-0	378-6	...	1358-5	6486-0
" 19	2180-0	2503-1	328-9	...	1408-5	6420-5
" 26	2180-0	2493-4	270-9	2-5	1400-5	6352-8
Aug. 2	2180-0	2470-4	317-7	2-5	1400-5	6371-0
" 9	2180-0	2424-0	348-4	3-5	1400-5	6356-4
" 16	2180-0	2428-2	336-7	1-75	1380-5	6337-1
" 23	2180-0	2467-9	336-9	9-75	1350-5	6345-1
" 30	2190-0	2428-5	339-8	4-75	1323-0	6286-1
Sept. 6	2190-0	2466-4	369-6	4-75	1304-0	6334-8
" 13	2190-0	2499-9	357-1	4-25	1296-5	6357-6
" 20	2190-0	2533-0	327-7	8-0	1299-0	6361-9
" 26	2190-0	2557-1	322-3	10-8	1292-5	6385-4
Oct. 4	2200-0	2534-8	363-9	10-8	1267-0	6398-6
Oct. 11	2210-0	2571-7	343-2	20-3	1253-5	6398-6

TREASURY BILLS (£ million)

Date of Tender	Amount			Average Rate of Allotment %	Per Cent. Allotted at Min. Rate
	Offered	Applied for	Allotted		
1946					
Oct. 11	170-0	273-4	170-0	10	1-61
July 11	170-0	299-8	170-0	10	1-09
" 18	170-0	294-5	170-0	10	1-49
" 25	160-0	292-4	160-0	10	1-24
Aug. 1	160-0	287-9	160-0	10	1-11
" 8	170-0	276-6	170-0	10	1-48
" 15	170-0	235-6	170-0	10	2-34
" 22	170-0	258-4	170-0	10	1-58
" 29	170-0	251-9	170-0	10	3-14
Sept. 5	170-0	276-8	170-0	10	2-54
" 12	170-0	269-7	170-0	10	2-85
" 19	170-0	253-5	170-0	10	3-10
" 26	180-0	277-4	180-0	10	2-66
Oct. 3	190-0	299-9	190-0	10	1-39
" 10	180-0	291-3	180-0	10	1-36

On October 10th applications for bills to be paid on Monday, Tuesday, Wednesday, Thursday and Friday were accepted as to about 47 per cent. of the amount applied for at 99 17s. 5d. and applications at higher prices were accepted in full. Applications for Saturday were accepted at 99 17s. 6d. and above in full. £170 million (maximum) of Treasury Bills are being offered for October 17th. For the week ended October 18th the Banks will be asked for Treasury deposits to an amount of £115 million (max.).

NATIONAL SAVINGS (£ thousand)

	Week Ended		Totals Mar. 31 to Oct. 4, 1947
	Oct. 5, 1946	Oct. 4, 1947	
Savings Certificates:—			
Receipts	3,050	2,750	118,350
Repayments	2,100	3,400	76,100
Net Savings	950	Dr 650	42,250
Defence Bonds:—			
Receipts	1,870	640	40,895
Repayments	1,025	970	20,335
Net Savings	845	Dr 330	20,560
P.O. and Trustee Savings Banks:—			
Receipts	15,200	12,699	341,003
Repayments	9,414	9,267	334,431
Net Savings	5,786	3,432	6,572
Total Net Savings	7,581	2,452	69,382
Interest on certificates repaid	318	612	14,700
Interest accrued on savings remaining invested	2,219	2,219	56,443

BANK OF ENGLAND
RETURNS

OCTOBER 15, 1947

ISSUE DEPARTMENT

Notes Issued:		Govt. Debt...	
In Circulation	1368,646,147	Other Govt. Securities	11,015,100
In Bankg. Department	81,601,686	Other Secs.	1438,296,609
		Coin other than Gold	678,741
		Amt. of Fid. Issue	9,550
		Gold Coin and Bullion (at 172s. 3d. per oz. fine)	1450,000,000
	1450,247,833		247,833
			1450,247,833

BANKING DEPARTMENT

Capital		Govt. Secs.	
.....	14,553,000	Other Secs.	310,569,705
Reserves	3,167,352	Discounts and Advances	5,837,804
Public Depts.	11,456,911	Securities	19,383,296
Other Depts.	295,763,808	Notes	25,221,100
Other Assets	94,590,086	Coin	81,601,686
	390,353,894		2,138,666
	419,531,157		419,531,157

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

COMPARATIVE ANALYSIS (£ million)

	(£ million)			
	1946	1947		
	Oct. 16	Oct. 1	Oct. 8	Oct. 15
Issue Dept. :				
Notes in circulation	1362.5	1375.5	1374.3	1368.6
Notes in banking department	37.8	74.7	75.9	81.6
Government debt and securities*	1399.3	1449.3	1449.3	1449.9
Other securities	0.7	0.7	0.7	0.7
Gold	0.2	0.2	0.2	0.2
Valued at s. per fine os.	172/3	172/3	172/3	172/3
Banking Dept. :				
Deposits :				
Public	17.4	9.7	12.3	11.4
Bankers	260.0	297.4	288.0	295.5
Others	56.4	94.9	92.2	94.6
Total	338.8	402.0	392.5	401.5
Securities :				
Government	287.2	301.5	303.5	310.0
Discounts, etc.	9.2	14.5	10.0	5.0
Other	16.3	27.6	18.6	19.9
Total	312.7	343.6	332.1	335.5
Banking dept. res.	38.7	76.9	78.1	83.0
	%	%	%	%
	11.6	19.1	19.9	20.0
" Proportion "				
* Government debt is £11,015,100, capital £14,553,000				
Fiduciary issue raised from £1,400 million to £1,450 million on December 10, 1946.				

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Calcutta	Kandy	Rangoon	
Cawnpore	Karachi	Tuticorin	Uganda
Chittagong	Lahore	Zanzibar	
Dar-es-Salaam	Mwanza	Tanga	

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PAID-UP CAPITAL £2,000,000
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(1946 Accounts)

THE ALEXANDRIA WATER COMPANY, LIMITED

ALEXANDRIA—EGYPT

INTERIM DIVIDEND.

NOTICE IS HEREBY GIVEN that an Interim Dividend of FOUR SHILLINGS per £5 share on Coupon No. 118 will be paid without deduction of British Income Tax, but less Egyptian Government and Alexandria Municipal Taxes amounting to 5.904d., making 3s. 6.096d. net, on and after October 15, 1947, at the National Bank of Egypt, in Alexandria at Rue Toussoun, or in London, at 6, King William Street, E.C.4.

Dated, Alexandria, Egypt, September 10, 1947.

By Order of the Board,

J. C. de V. BISS, Sub-Manager.

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Applications are invited for the CHAIR OF ACCOUNTING. The salary is £1300 per annum plus a temporary cost of living allowance on the Public Service Scale (at present £84 per annum for a married man and £28 per annum for a single man).

Applications must be submitted in triplicate and must give age, qualifications and experience and the names of two or three referees to whom the University may refer. Two copies of the application must reach the Secretary, Universities Bureau of the British Empire, 8, Park Street, London, W.1, by 30th November, 1947 and the other copy should be sent direct to the Registrar, University of Cape Town, Private Bag, Rondebosch, South Africa. A memorandum giving the general conditions of appointment and a special memorandum on the Chair of Accounting are obtainable from the Secretary of the Universities Bureau.

NATAL UNIVERSITY COLLEGE

DEPARTMENT OF ECONOMICS

Applications are invited for two Research Posts for duties in the DEPARTMENT OF ECONOMICS and centred mainly in Durban. The appointments will be on probation for ONE YEAR from January 1st, 1948 and will be renewable for at least TWO further years. The Research Fellow will also be required to assist in the organisation and training of research workers.

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Further particulars may be obtained from the Secretary, Universities Bureau of the British Empire, 8, Park Street, London, W.1. Closing date for the receipt of applications is 24th November, 1947.

CANADIAN PACIFIC RAILWAY COMPANY—(Incorporated in Canada with Limited Liability)—ONTARIO AND QUEBEC RAILWAY CO. FIVE PER CENT DEBENTURE STOCK. SIX PER CENT COMMON STOCK.—In preparation for the payment of the half-yearly interest payable on the 1st December next, the Debenture Stock Transfer Books will be closed on 31st October and will be re-opened on 2nd December. The half-yearly interest on the Common Stock will be paid on 1st December to holders of record 3 p.m. on 31st October. R. F. TREMAYNE, Deputy Secretary, 8, Waterloo Place, Pall Mall, London, S.W.1, 9th October, 1947.

UNIVERSITY OF BRISTOL

DEPARTMENT OF ECONOMICS (AGRICULTURAL ECONOMICS).

Applications are invited for the following appointments:

Agricultural Economist: Salary of £470 (plus £90 bonus) rising by £25 annually to £710. Candidates must possess a University degree in Economics and preferably should have a sound knowledge of agriculture.

Assistant Agricultural Economist (B grade): Two vacancies. Salary: Men £230 (plus £78 bonus at age of 21), rising by £15 annually to £290. Women £230 (£63 bonus at age of 21) rising by £10 annually to £280, with further possibilities of substantial improvement. Candidates should possess a University degree. Preference may be given to candidates holding a degree in Economics or Agricultural Economics.

Successful candidates will be required to work under the direction of the Provincial Agricultural Economist at Newton Abbot, Devon.

Applications should be addressed to the Registrar, University of Bristol, Bristol 8, to be received not later than 14 days after the appearance of this notice.

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Further particulars may be obtained from the undersigned, with whom applications should be lodged not later than November 14th.

N. B. BAIN, Secretary, 6, Blythswood Square, Glasgow, C.

LEADING Agricultural Industry in Kenya invites applications for post of "Economic and Development Commissioner." Salary £2 per annum on five years contract, with one year's probation. Age limits 35 to 45 years.

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Position involves overseas travelling and the conduct of high-negotiations with Government Departments and commercial firms; also a measure of public speaking; it calls for a man of proved initiative, drive, creative imagination and tact of the highest order.

Applications invited only from those who have held similar positions commensurate with the salary stated.

Further details regarding security of tenure, provident fund, housing, and travelling allowances will be given to applicants at personal interview.

Apply in first instance to—Box 583.

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LEADING LONDON BUSINESS group wishes to establish contact industrial psychologist with a view to regular consultations covering production incentives, welfare etc. Please communicate with—Box 582.

FINANCIAL ACCOUNTANT required to take charge of Accounts of well-known food manufacturing company (medium sized London. Age 30/40. Must have had experience of supervising accounting routines handled on a strict time schedule. Commencing salary exceeding £750, according to experience.—Write Box 2051 c/o W. Ltd., 72, Fleet Street, London, E.C.4.

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SCOT (29), B.Com., A.S.A.A., ex-naval officer, no commercial, but considerable admin. exp., desires opportunity (at home or N. Am.) in commerce or industry, to use energies and initiative.—Box 581.

LADY DR. ECONOMICS with wide experience in research administrative work at institutions, government departments, is looking for responsible, interesting and permanent post. Languages: Polish, French, Russian and German.—Write Box 576.

DOCTOR OF SCIENCE (English, aged 38), with a background administrative experience in the biochemical sciences, esp. nutrition and agriculture, is open to offers of appointment as tech executive to an industrial concern with overseas interests. Esp. interested in development schemes associated with vitamins, hormones or pesticides.—Box 553.

AMBITIOUS GRADUATE, aged 21 having gained B.Com. hon. degree (London) while serving in R.A.F. seeks an entrance commercial life. No practical experience of anything but willing competent to learn everything.—Box 578.

AMERICAN MAGAZINES available. *Magazine of Wall Street*, 63 *Saturday Evening Post*, 50s.; *Fortune*, 67s. 7d. Incl. one year. list of other magazines send s.a.e. to Willen, Ltd. (Dept. 50), 120 George's Road, London, E.10.

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Mischief at Westminster

THE KING opened the third session of the present Parliament on Tuesday with the customary Speech couched in the customary words. Possibly there is something to be said for understatement in times of crisis, but the Cabinet, in choosing the words for His Majesty's speech, seem to have pushed that doctrine to its logical conclusion. The Oracles could teach them little. However, consideration of the content of the Speech falls into three parts: the proposals for constitutional reform, the remainder of the legislative programme and the omissions.

The history of the legislation to "amend the Parliament Act, 1911," is not difficult to piece together. It springs from the conflict within the Cabinet over the timing of the Bill to nationalise the iron and steel industry. One section of the Cabinet desired that to be the main doctrinal part of the activities of the new session. Another section considered that to introduce such a controversial Bill while the economic situation of the country is as it is would cause more embarrassment than gain to the Government. But, said those who disagreed with this latter view, if the Bill is not taken this session, it will then be at the mercy of the House of Lords. Under the Parliament Act, 1911, it needs two years for a majority in the House of Commons to override the power of veto possessed by the Lords. And no doubt at some stage of the ensuing argument someone proposed a compromise. Let the time limit within which the House of Lords can delay a Bill be shortened. In that way the 1947-48 session will be spared controversy over iron and steel and yet this Bill can still, by some juggling, be carried over the heads of the Lords before the natural term of life of the Government expires. It is quite likely that whoever proposed such a solution was hailed as a brilliant tactician.

Nothing could be further from the truth. Once again the Cabinet, and the Prime Minister, have taken evasive action and called it statesmanship. Nationalisation of the iron and steel industry is a real political issue. It has meaning in public life today. Politically, it may be a good policy or it may be a bad policy—*The Economist* is not among those who think it good politically, still less so on economic grounds—but it is an issue which must be decided one way or the other if the industry itself, and so, in a great measure, the whole industrial life of the community, is to be given stability and an atmosphere in which it can think of production and efficiency first and last. It would at least be honest, if misguided, to introduce the Bill now. It would be honest, and realistic, to say that the Bill will be postponed until the electorate can vote on it again, in the light of what they think of the other industries that have already been nationalised. But what has, in fact, been done? The Bill has been placed in storage—and not even cold storage—and instead a new, distracting and basically irrelevant issue has been dragged out of the past. Why have the Labour Government chosen to draw this very old red herring across the political arena? For it cannot be claimed that the Government have by this manoeuvre diminished the chance of a General Election next year. The power of veto possessed by the Lords does not impose two years of delay upon a Government. It presents a Government with the need to decide whether to accept two years of delay or make an immediate appeal to the

country. If a Government, faced with a rejection of a Bill, decided to ask for a dissolution of Parliament, and if it were successful at the resulting General Election, it is inconceivable that any House of Lords—certainly not the present House—would refuse to pass a measure which had been so recently approved by a majority of the electorate. Is the House of Lords more or less likely to accept a Bill to amend the Parliament Act than it is one to nationalise iron and steel? The Government, like a conjuror, is diverting the public mind from the real issue and, again like a conjuror, its purpose in doing so can only be to bewilder, not to assist. It may well be that many in the Cabinet are afraid that they have not a majority of public support behind them on the nationalisation issue. Hence this ghost, this reference to a reform of the Senior Chamber, this proposal which is not a reform at all.

This is not to claim that the House of Lords is perfect. No sane constitution maker would—or could—have invented the British Constitution as it exists on paper. But the essential thing about the British Constitution is that it changes without recourse to paper. The House of Lords of 1947 is not in any way, either in its personalities or in its ideas or in its powers, the House of Lords that existed in 1911. Imperceptibly it has grown into a body that is Conservative in name but far from partisan by nature. Its contribution to national life in general, and to legislation in particular, has over the last two years been enlightened and informed. The Prime Minister does not dispute that, but claims that its leadership might fall into less "responsible hands." By the steps it is now taking the Government is doing its best to ensure that in fact this calamity does take place.

*

Few will quarrel with the remaining items in the list of impending legislation. Final judgment on any measure from the present Government on a reform of the franchise and electoral procedure must wait until the actual proposals can be examined, but almost all the other items in the list will be welcomed. The poor law proposals follow from the vast social service schemes already passed. Rating reform is long overdue. So is the Bill on criminal justice; that for the better care of children deprived of home life is another non-party measure. The Bills on Burma and Ceylon are a proper mark of the development of those two countries. The two Bills likely to cause controversy in Parliament will be that to nationalise the gas industry and that to control the proportion of British films that must be exhibited in every cinema. The most mysterious Bill is that which is proposed for the reform of the law relating to actions for personal

Climax to the Cold War?

FOR seven months now Mr Marshall has been trying to seize the diplomatic initiative from Mr Molotov. On paper he appears to have succeeded beyond all expectations; in practice it remains to be seen whether the American people will give him the power and the money to hold it. His blocking moves in Greece and Turkey have proved for the time being effective; the positions he has taken up in Western Europe and at Uno have still to be consolidated and reinforced. All over Western Europe, as far away as Austria, the centre and the right have taken heart; and the Communists have been forced away from tactics of coalition with Socialists into campaigns of opposition and coercion. The balance of power established at Yalta has been shaken. So far so good—but not entirely good. For the question arises, more insistently than ever: What is the immediate objective of American foreign policy? And when it is reached, where do we go from there?

injuries. If that is the Bill to abolish the legal doctrine known as "common employment" few will object.

Thirdly, there remain the omissions. Clearly none of the Bills enumerated above has any bearing on the crisis that faces the country. That is not an argument against them. Parliament has no reason to drop its normal legislative functions simply because so much of what has to be done—and of what it can do to help—needs no legislative action. The one remaining Bill of importance is that needed to carry an autumn Budget into effect, but it would be unfair, if not improper, to expect a Chancellor of the Exchequer to anticipate his autumn budget speech and give in any detail what his proposals are. Yet if the King's Speech, and the debate that follows it, are to be considered as a general survey of the work that awaits the leaders of the country, there are still many gaps in the picture yet to be filled in. Sir Stafford Cripps had just made his statement on the cuts in capital expenditure and on the balance of payments as *The Economist* was going to press, and though some discussion of the announcement will be found on p. 691, full consideration of the effects of the cuts will have to be deferred. But it is now nearly three months since it was first said that some were essential. Does Sir Stafford Cripps's statement mean that the Government has at last made up its mind? That it has at last decided what capital expenditure, in the present context, is productive and what not?

Suppose it is impossible to redress the adverse balance of payments. What plans exist for alternative ways of meeting the situation? The descent on the spiral of bilateralism in international trade has not been halted. What can Britain do to lead the sixteen nations that met in Paris towards a reversal of that movement? Suppose the attempt to increase the numbers of men and women in the coalmining, agricultural and textile industries by direction of labour on the present pattern fails, as so many think it will? The list could be continued almost indefinitely. Mr Dalton's task is comparatively easy. Cuts in the food subsidies and an increase in the purchase price are at least something of a way out for him if he chooses to take them. The problems that face Sir Stafford Cripps are of a different order, for he must add persuasion to decision and flexibility to his figures.

All these are questions that will be asked and not all of them can be or will be answered at once. But the country is coming to see that while legislation may fill files and bookcases, it does not fill order books, coal cellars or shopping baskets. And it will not be diverted from asking pertinent questions by Mr Attlee's references to the need for fire extinguishers when it is his Government which is responsible for starting the fire.

Obviously, the British should not be the first to cast a stone at Mr Marshall's methods. The revelation that they were unable any longer to shoulder the entire burden of guarding Greece and Turkey was the shock that jolted Mr Truman into proclaiming his challenge to Communism in March. The imminence of the British financial crisis was in Mr Marshall's mind when he framed his offer of economic aid to Europe in June. And, at this very moment, the State Department is considering the alarming increase in appropriations for Germany that will be needed if Britain is to slip off the burden of paying dollars for the food and raw materials with which the German pump is to be primed. It has to be recognised that Mr Marshall's strategy is urgently and decisively influenced by the need to make good British weakness in the counsels of Europe. To resent this situation, and to pretend that it need not continue is ungenerous and dishonest. But it must be emphasised

nevertheless, that it is one in which the British Government may find itself suddenly committed to action beyond its calculations, and in which every effort must be made to foresee the trend and consequences of American policy. It is common knowledge that London was surprised—if not shocked—by Mr Marshall's three main strokes: the Truman speech, the offer of economic aid, and the proposal to circumvent the Russian veto at Uno by setting up the "little Assembly." It would be deplorable if the London conference of Foreign Ministers, which opens a month hence, were to produce another surprise attack by the Americans, with Mr Bevin bringing up the rear with a different set of maps. Mr Marshall must not expect the British and the French to toe the line wherever he chooses to draw it.

This is a good moment to examine some of the doubts which are exercising Americans as they look back on the diplomatic excitements of the summer. In the last six weeks they have been publicly accused by Mr Vishinsky of being warmongers; they have read in Mr Byrnes's "Speaking Frankly" that Mr Marshall's predecessor contemplates a challenge to the Russians to withdraw their troops from Europe—a challenge to be backed, if necessary, by the forces of members of the Security Council. They have seen written in billions the sums of dollars needed to make Europe safe for democracy. They have been told that the next war might begin in their garbage cans.

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Against such a background of rapid developments and almost world-shaking decisions, two alternative developments are to be expected: firstly, a growing impatience for results—one of the most disturbing features of democratic foreign policy; secondly, a growing fear of consequences. The logic of the first, pushed to extremes, is that America should threaten Russia with preventive war; of the second, that America would clear out of Europe and become as self-sufficient as Russia. Either development would have serious effects on British policy; even more disturbing is the possibility that American opinion would waver nervously between them. Some of the arguments and less rational processes which affect that opinion have been made clear in Mr Walter Lippmann's striking series of articles on "The Cold War" in the *New York Herald-Tribune*. He asks the question: Can the western world operate for ten or fifteen years the policy of containing Russia, which is the essence of the Truman doctrine? He gives numerous and cogent reasons for deciding it cannot. An unplanned economy, he says, cannot wage diplomatic war against a planned one. A policy of mere containment means that Moscow would choose the issues, the area and the weapons for sporadic tests of strength. It implies a diplomatic struggle on the lines of trench warfare, a form of campaigning for which America lacks the infantry, and for which it would have to rely on an uncertain coalition of Chinese, Afghan, Persian,

Turkish, Kurd, Arab, Greek, Italian, Austrian, Polish, Czech, Bulgarian, Yugoslav, and German parties—some of them unreliable, and others disreputable, allies for an America pledged to defend freedom and national independence.

Such a coalition of mercenaries and satellites—it is argued—could not be held together; it would be torn and shaken by Communist counter-tactics. It would split European Socialists (though Mr Lippmann does not make this point, it is important) by forcing them reluctantly into the anti-Russian camp. Its manipulation would give decisive powers to American diplomats—some of them very inexperienced—in storm centres. It would mean dispersing American resources over a wide perimeter, instead of concentrating them at strategic points. In short, for wise and solid reasons, Mr Lippmann is unwilling to see American foreign policy dissipate its strength by manning the Yalta frontiers with an army of mercenaries.

He then goes on to narrow the field of vital American interest by pointing to the main objective of Russian ambition. He asks Americans to forget their obsession with Communism and to think of the Soviet rulers as heirs of the Romanovs. He points out that Mr Molotov sacrificed all ideological prejudices to secure from Hitler in August, 1939, territorial concessions in Eastern Europe; that the peace treaty with Rumania and the agreement of August, 1945, with Poland completed the process of regaining everything that Russia lost between 1917 and 1921. Beyond those territories Russia has established a sphere of influence up to the Elbe which, says Mr Lippmann, is maintained not by the power of Communist parties, but by the imminent power of the Red Army. If the Soviet leaders can be persuaded, by ransom or by force, to withdraw their troops 500 miles east of the Elbe, then the balance of power in Europe can be restored by the free development of the large and small states between the Rhine and the Soviet frontier. The Communist Fifth Column would remain; but much weakened by the departure of the other four.

Mr Lippmann then approaches his problem from another angle. He wants American policy to be morally and legally right beyond reproach. The Russians have agreed there must be peace treaties; it is therefore right to use every effort to obtain them. Once they were concluded, the obligation to remove armies from Austria and Germany, and from the lines of communication to both countries, would be clear and specific. If it were ignored by the Russians, Europe would be solidly against them. If it were observed, and if Russian troops subsequently returned, America and its associates would have a cast-iron case to present to the Security Council, at worst a clear *casus belli*. In either case, the issues between America and Russia would be concentrated and clarified. The obstacle to a settlement would be single and unavoidable. To those who would object that such a confrontation makes agreement impossible, Mr Lippmann answers: "To think that rival and

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unfriendly powers cannot be brought to a settlement is to forget what diplomacy is about."

There is no denying the cogency of this analysis and this criticism of the Truman doctrine, always remembering that Mr Truman last March had to startle Congress into action to help Greece. But there are implications and assumptions which need more cautious examination. Why, for example, is Mr Lippmann in a hurry—as was Mr Byrnes? Why does he think a settlement with Russia possible within a year or two? Is it because he fears that the American people will grow impatient with the long and tortuous processes involved in carrying out Mr Roosevelt's injunction to be patient and firm? Again—is he confident that American diplomacy can confront the Russians at the climax of its pressure with a threat that will work? Or is he thinking of a bargain in central Europe, an acceptance of Russian claims to reparations out of current German production, and agreement to withdraw American and British and French as well as Russian troops from Germany? If so, does he realise the immense popular appeal of the mere suggestion that the troops should all come home?

For the moment, it is sufficient to ask and ponder these questions, bearing in mind that Mr Lippmann has in the past accurately forecast, if not determined, American policy; and that there has been so far no other hint of the kind of settlement with Russia which Mr Marshall is aiming at. But it is not too early to point out that a trial of diplomatic strength of the kind Mr Lippmann recommends could not possibly be staged with Mr Bevin and M. Bidault out of the ring; clever footwork by Mr Molotov could cause confusion among the western Foreign Ministers if they begin next month with no knowledge of one another's intentions. It is not absolutely in-

conceivable that the suggestion to withdraw all troops from a united Germany might come from the Russians. For Mr Molotov cannot wish to see Western Germany, as a possible source of reparations and a certain centre of industrial power, being given its own central government and a prominent share in the benefits of a Marshall Plan. He must realise that the attractive power for Germans of that plan and of talk of West European unity is something that did not exist at the Moscow conference. And he must see, too, that the basis of Mr Bevin's brief at that conference has now been changed; that British policy for Germany must be to ensure the maximum contribution of the Ruhr to the success of Mr Marshall's policy.

It looks at present as if Mr Bevin will have to use his patience to temper Mr Marshall's firmness with his Soviet colleague. Unless he does so, using the British stake in Germany with skill and imagination, there is a risk that his American and Russian colleagues will try simultaneously to seize the initiative and meet headlong at the very outset. If they do, the London conference will fail, and the temptation for American policy to follow the path so brilliantly illuminated by Mr Lippmann might be overwhelming. It is as much in the British as in the American interest that the occupying armies should leave Europe, freeing it from its non-European liberators. But it is not in the British interest that Mr Marshall should attempt, single-handed, to force the Red Army out, nor that the Security Council should be brought into the argument; nor, indeed, that the effort to reach agreement with the Russians should be made only in Europe. The London conference may prove to be the "last chance" for some years to agree on Germany; it need not be the last chance for American diplomacy to seek a general agreement with the Russians.

Democracy in Japan

DIVERGENT views are held by those most closely concerned about the health of the democratic regime created in Japan since the end of the war. General MacArthur is very pleased with it. After all, it is primarily his own creation, and like an earlier and even more eminent Creator, he sees that it is good. The Japanese with whom he comes in contact all say too that it is good, and a leading soothsayer called Tomioka has informed the Japanese public that the General will not only be the next President of the United States, but is also destined to receive as a supplement to his allotted span of life the years "sacrificed" by Mr Atcheson, the representative of the State Department in Tokyo, who was drowned when a flying boat plunged into the ocean on the way back to North America. With such good things coming to him the Supreme Commander is optimistic about the Japanese. What is more, Dr Evatt, when he came from Australia to Tokyo to see for himself, saw and was converted. On the other hand, Mr McMahon Ball, who formerly represented the British Commonwealth on the Allied Council in Tokyo and resigned on losing the support of Dr Evatt, strongly disagrees and says that no people are as experienced as the Japanese in "hiding their real feelings." Even more dissident is the Soviet representative on the Allied Council, who sees nothing but a country dominated by imperialism and reaction, with fascist beasts prowling behind every rubble dump.

Amid such a confusion of reports it is difficult for the world to judge, and it is not likely that any better agreed story could be obtained by interviewing Japanese politicians. But it is possible by surveying what has actually been done in the past two years against the background of prewar and wartime Japan to make a tentative and provisional estimate of the stability of the new regime. That it has been imposed from outside and not produced by a spontaneous popular movement within Japan

cannot be denied. There was no revolution in Japan; on the contrary it was finally pulled out of the war by the monarchy turning against the army. And, whereas in Italy the Badoglio pull-out did not absolve the monarchy in public eyes from its responsibility for originally giving power to Mussolini, in Japan the convention remained strong that good acts of state manifested the Imperial will, while bad ones were the work of evil counsellors. Certainly there was in August, 1945, no sign there of political disintegration; the change of government came about in a constitutional manner and the last fighting War Minister, General Anami, very properly committed suicide.

Nevertheless, defeat in a protracted and bitter war, in which great human and material losses had been suffered, and nearly all the larger cities had been laid in ruins, could not have failed to shake the established political and social order to its foundations; and the economic sequel, with its stagnation and impoverishment, was bound to produce serious tensions in Japanese society. The Army was discredited and its abolition, decreed by the Allies at Potsdam, must have profoundly affected the internal balance of forces, even if the Allies had not undertaken directly to transform Japanese political and social institutions. Japan, after all, had already had for many years multi-party elections to the House of Representatives on a basis of universal male suffrage. The power of this institution had been to a great extent restricted and thwarted, partly by constitutional provisions which diverted power elsewhere—notably the convention which gave the Army and Navy control of the service ministries—and partly by police pressure in elections. In 1940, under the stress of the nationalist reaction, there was a forced amalgamation of parties which virtually put an end to all political freedom. Yet in 1937 the party of labour, the Shikai Taishuto, had managed to double its representation in a general

election—a fact which indicated at least a certain vigour in popular political life and the possibility of its legal expression. With the abolition of the Army and Navy and the catastrophic failure of the policies associated with ultra-nationalism, it is probable that in any case there would have been—even within the existing constitution—a revival of parliamentary politics, a strong movement towards the Left and, what has actually happened in the General Election this year, the emergence of the Social Democrats as the strongest single party in the elected House.

The Americans, however, were not content with the abolition of the Army and Navy or with insistence on freedom of speech and elections. They decided to present Japan with a new constitution, which was written by American political experts on General MacArthur's staff and put out as a Japanese document—this, indeed, saved Japanese face, but did not conceal its origin from any well-informed person. The Japanese thus now, as before, have a Constitution which has neither been in fact produced by a popular Constituent Assembly nor grown by a long evolutionary process of national political life; instead it has been delivered to them from on high, only this time by the Supreme Commander of the victorious enemy, instead of by the Emperor Meiji. It is true that this constitution removes the checks on popular sovereignty which existed in the old one, and is an interesting composition of what certain intelligent American theorists regard as the strong points of various existing systems. Nevertheless, it can hardly be expected, in view of its mode of inception, to command any deep loyalty or enthusiasm in the Japanese mind.

More important have been the social changes ordered by Allied Headquarters directives—notably the agrarian reform and the dissolution of the great *Zaibatsu* family trusts, which formerly dominated Japanese banking and industry. Both these measures went beyond the purge of individuals held responsible for promoting national aggression. It was held that an oppressive agrarian system (loosely called "feudal") and the exceptional degree of concentration of capital had been factors disposing Japan to aggressive policies and would, in future, be obstacles to democratisation. It was thus officially recognised in Washington that political democracy was not sufficient without certain social changes—a view which had something in common with the conception now familiar to us as "Eastern democracy" and was ardently supported by the "fellow-travellers" still influential in planning circles in 1945. But, whereas real Marxists regarded trust-busting and giving land to peasants in private ownership

as steps towards socialisation, both in industry and agriculture, the believers in the American way of life saw in them conditions of stability for a system of capitalist democracy. The social reforms imposed by the Americans in Japan are now indeed clearly envisaged as prophylactics against Communism. A society in which the majority of peasants are tenants paying high rents on plots of land insufficient to maintain them, while most of the profits of business enterprise are devoured by a few great monopolists, is obviously vulnerable to a propaganda of violent social revolution unless it is held together by a very strong authoritarian government.

It is on the success of its social policy rather than on its purely political constitutional innovations that the viability of the American-sponsored new order in Japan depends. Great difficulties have been encountered, for the vested interests affected were deeply entrenched and had a strong hold on the new parties of the Right which had replaced the dominant parties of the prewar Diet. Land reform was persistently obstructed under the Shidehara and Yoshida Cabinets, and in the last elections many peasants voted Social Democrat. With the Social Democrats coming in as the strongest party and the Right having to compete for the peasant vote, better progress in land distribution is now being made, and peasant ownership is gradually being extended. Less successful has been the attempt to disperse the holdings of the confiscated *Zaibatsu* companies; small investors are reported to have shown great reluctance to take up the shares; this is presumably due to pessimism about the future of industry which must continue until the reparations question has been settled and there are some signs of real commercial revival. At present in Japan it is more profitable to put capital into commodity speculation and black market transactions, and the "new millionaires" who arise from this kind of economy are not factors of social stability.

If the agrarian reform is carried through and if there is a revival of foreign trade or an extension of American credits sufficient to cover the imports of food, raw materials and new capital equipment on which Japan depends for adequately feeding its urban population and restoring its ruined industry, then the social bases for "Western democracy" will have been laid. Then the labour movement, now under predominantly Social Democrat leadership, will be able to develop by constitutional, parliamentary methods. But in the present conditions of economic collapse and unconsolidated reform, there is no reason to believe that democracy would survive in Japan if the American forces of occupation were to be withdrawn in the immediate future.

NOTES OF THE WEEK

Schism in France

The great schism which divides France into two irreconcilable and potentially warring factions was dramatically brought to light by the results of the municipal elections on Sunday. It is now apparent that French political opinion is being polarised round General de Gaulle, arch-enemy of the Communists, and round M. Thorez, arch-enemy of the Gaullists. Nevertheless, among the total number of voters there remain substantially more non-Gaullists than Gaullists, and almost twice as many anti-Communists as Communists.

Between these major political forces the lesser parties now present a sorry spectacle, divided within themselves and between themselves, and torn apart by their conflicting attitudes towards their successful rivals. The Socialists, MRP, UDSR and Radicals can be compared with the smaller governments on the international scene, unable either to prevent a conflict or to constitute an effective balance between the hostile giants of East and West. All are in danger of becoming "satellites."

Whether or not the present deadlock will resolve itself in civil war, which many Gaullist and Communist leaders are not only discussing but also "defensively" preparing for, will depend on

international rather than on domestic developments. For the time being it seems likely that France will continue to be governed either by a precarious coalition or again by a homogeneous Socialist Cabinet; neither would command the support of more than a small minority of the country. It is at any rate clear that the progressive Catholics of the MRP have suffered severe punishment in the elections, and were the chief agents of the Cabinet reshuffle which M. Ramadier has carried out.

Minority government could not command the authority needed to combat inflation and so to avert economic catastrophe. The capitulation to the Paris transport workers was perhaps necessary to avert a general strike and political calamity. But there is no doubt at all that the all-round wage concessions which now seem inevitable will make nonsense of the plans of intensive work worked out by the inter-ministerial committee, set up to prepare plans for balancing the budget and rescuing the franc. M. Robert Schumann's resignation precipitated a governmental crisis, but he can hardly be blamed for withdrawing after the reversal of a policy to which he has been constantly and ineffectually pledging himself for almost a year. This week has also seen a new decline of the withering confidence in the franc, since the danger signal has been officially hoisted over the dwindling French gold reserve.

What Could de Gaulle Do?

In these circumstances, with prices swerving upward and diminishing food reserves failing to enter the legitimate markets, there is a good case to be made for the Gaullist view. France's first need is a stronger executive authority. The Right cannot be expected to listen to lectures on constitutional legality from the Left, when the Government is submitting to the control, not of the elected representatives of the sovereign people, but of the trade unions who evidently command far greater authority.

On the other hand General de Gaulle has yet to reveal how he proposes to prevent workers from striking, peasants from hoarding, towns from starving, or what measures he would take to suppress the "party of separatists" as he calls the Communists. If the methods he proposes are to be violent, authoritarian and contrary to the liberal tradition of the West, then it may reasonably be asked whether the remedy would not be worse than the disease.

If the threatened parties of the centre are to save the young Republic from the authoritarians on the Right and the Stalinists on the Left, the first condition of success is substantial and prompt American aid. But the latest concessions to strikers, the governmental crisis and the apparent political deadlock are so many factors likely to discourage Americans from aiding France. The Communists must be expected to press this advantage as part of their effort deliberately to disgust the Americans with Europe in order to cripple the Marshall Plan. Certain Congressmen, now falling over one another in their enthusiasm to resist "Communist activity" in the grand purge of Hollywood, are in fact serving Moscow's interests, in their isolationist and anti-European campaigns, with a blindness which from Paris looks incredible.

From the British point of view it is plainly desirable that the traditions of western democracy and counsels of moderation should prevail across the Channel, although it is hard to see what can be done to help the French ally.

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The New Session

Does the fact that the Government's new programme is to be what Mr Attlee calls "balanced" mean that, in the new parliamentary session, MPs will have time to breathe, time—and opportunity—for constructive criticism, not only of legislation but of the Government's policy in general? There certainly seems a good chance that last session's overcrowding, with attendance in standing committees three, or even four, afternoons a week, and of the guillotine closure of important debates will not be repeated. The amendment to the Parliament Act (discussed in an article on page 665) apart, much of the coming legislation would have been introduced by a Conservative Government. There will be little party controversy over the poor law bill, the deprived children bill or the criminal justice bill; and on these matters, as on the bills for promoting production in the Empire, for reforming local government finance and for reforming the law relating to actions for personal injuries, ordinary MPs will be able to apply their special interest and knowledge.

The private member, however, is still not restored to his own. Once again, the Government has decided to take "private members' time"—the time, that is, allotted under standing orders to private members for bringing in bills and motions. There was the usual protest against this decision on Wednesday, and, indeed, the Select Committee on Parliamentary Procedure recommended a year ago that private members' time should be restored as soon as possible. It may be questioned, however, whether the right to bring in bills and motions is the best way to use a back-bencher's talent and to retain his keenness. Too often in the past, private members who were successful in the ballot for bills and motions introduced bills that had the support of the Whips; thus, private members' time was often merely an addition to Government or Opposition time. Often, too, they brought forward eccentric or crank measures that could never reach the statute book. The truth is that, today, when the Government's sphere of influence becomes wider and wider, the scope for private members' bills is contracting. It is difficult to believe that the most famous private member bill of recent years—the Herbert Marriage Act—would not today be a Government measure.

Too many tears should not, then, be shed over the denial of private members' time—however desirable it may be, in theory, to give an outlet for cranks and to test the readiness of public opinion for measures not officially adopted by any party. But the true value of the private member today, and in the future as far as can be seen, lies in informed and constant criticism, by the back-bencher on the Government's side as well as on the Opposition's.

It is a poor demonstration of the value placed on the services of Labour back-benchers that when the Prime Minister was speaking on the debate on the Address, and referring to such an important topic as demobilisation, large numbers of Labour MPs left to attend party meetings.

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Trimming the Services

The first day's debate on the King's Speech produced some further information from the Prime Minister on the exact size of the cuts to be made in the Armed Forces. The original figure for March 31, 1948, in the White Paper earlier this year was 1,087,000. In August last Mr Attlee announced a reduction of some 80,000 men and women below the earlier total. It has been known that further cuts were being made. The revised figure announced on Tuesday was that the present total for March, 1948, is expected to be 937,000, which is a reduction of 150,000 on the original total. From the symmetry of the figure it looks as though the total had been cut from above, rather than that the Services themselves had worked out reduced figures for their commitments. This lends point to the criticism that has from time to time been made, that the Service chiefs have never been won over to belief in the need to economise in man-power, and therefore to the need for applying their minds to how much more effective each man in the Service can be made to be.

The Prime Minister's statement was enlivened by an interjection by Mr Churchill suggesting that the present effective strength of the Home Fleet was one cruiser and four destroyers. On Service matters Mr Churchill does not usually speak without some information in his possession; and the Admiralty have not helped to build up confidence by the tone of their recent announcements over cuts in naval strengths and establishments. Nor, indeed, did Mr Attlee rise to the occasion, since he found himself unable to contradict Mr Churchill in other than general terms. The general impression left at the moment is that if the Russian Fleet did come again to the Dogger Bank all Britain would have with which to meet them would be a fishing fleet. However, it is perhaps best not to be alarmist. Again, what is important is that the 140,000 men under the Admiralty should be effectively used and trained, even if on any one day in the last few months only four vessels of the Home Fleet could have raised steam at immediate notice.

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Housing Cuts

The announcement by Sir Stafford Cripps of the cuts in the building programme came too late for proper discussion in this week's issue of *The Economist*. Nor is it possible yet to estimate in detail their effects on the output of houses. It may nevertheless be useful to give a brief summary of the dilemma in which the Government has been placed.

The quick and painful way would be to cut the immediate building programme drastically and to throw a large proportion of the present labour force (260,000 working on new houses) out of work and to let economic forces compel these men to move into the expanding industries. This method would permit of a concentration on the most urgent housing schemes and might even result in more houses, not less, being completed over the next six months and a sustained output thereafter at the same level. At present the dispersing of effort over some 250,000 houses under construction is extremely wasteful. The drastic policy has, however, already been strongly opposed by the building trade when they met the Minister of Works last week, and their opposition carries great weight.

The slow, less painful but less effective way is to reduce the number of new contracts and so taper off the effects of the cut over many months, by letting existing contracts work themselves out. This is the decision the Government has apparently taken; for Sir Stafford Cripps said that the 260,000 permanent houses under construction and the 90,000 under contract would be completed "in the shortest possible time." But at the present rate of building it would take nearly two years before the houses now being built were completed; and even if the rate were doubled the contribution to the solution of the present crisis would be negligible. The only immediate contribution would be from the industries producing housing materials and components; for the flow of new orders to them would be checked, and they would be freed to adapt their output to the needs of exports or to work more in accord with the straitened circumstances of the country, or even to close altogether. Sir Stafford's emphasis on the need

to save more steel for export and to economise in timber imports is one reason for the housing cuts bears this out.

But what the public will want to know is the effect of the Government's decision on the actual completion of houses. It has already been shown that target and performance are so wide asunder that the two are unrelated. If the Government were only to determine that, say, 10,000 houses are to be completed a month and gear the labour force in the industry, both in the factory and on the site, to that number, the country will in fact get no fewer houses than it is getting now, but will have a larger reserve of labour to move elsewhere. The process will be painful, but it will at least be healthy.

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Independent Burma

The treaty with Burma was signed at 10 Downing Street on October 18th by Mr Attlee and the provisional Prime Minister of Burma, Thakin Nu. A bill ratifying the treaty is to be introduced in Parliament this week, and until then the text is not to be made public, but it is known that the intention is to complete the transfer of power before the end of the year.

Burma came under British sovereignty as a result of three wars; that sovereignty is now renounced without a war, except for that war against Japan which Britain decisively won. There was a moment last year when it seemed that a clash between the residual British authority and Burmese nationalist forces was imminent; but it was averted by the Government's timely action in implementing the promises which had been made to Burma, and the final agreement appears to have been reached in a spirit of great cordiality. In the internal affairs of Burma there is still much local disorder, which remains a serious problem for the new administration, but there has been no major outbreak of party violence since the assassination of Aung San and his colleagues (for which the former Prime Minister, U Saw, is now on trial) and there is no communal strife comparable to that which has marred India's achievement of independence. There is still a problem of the Indian minority, but since the flight of a great number of Indians from the country in 1942 it has been less acute than it was before the war. The principal minority problem is now that of the Karens—a people who have a special claim on the gratitude and consideration of the British nation. There are those who think that the Karens have not been well treated by Britain in the settlement with Burma, and the word "betrayal" is sometimes used. But in the long run it would certainly have been unwise for Britain to have assumed the position of guarantor for any special status of the Karens in an independent Burma; it is better that Britain should be able, if any trouble arises, to give informal friendly advice without infringement of Burmese sovereignty.

Economically, Burma is of considerable importance both for the world market and for this country. It was before the war a large-scale exporter of rice for the Indian and British markets; apart from Indonesia and Sarawak it has the only significant oilfield in Asia east of the Indus and south of Sakhalin; it has a large share of the world's wolfram, and is a principal producer of teak, now in desperately short supply. Provided internal order can be established and production restored to prewar levels, Burma should be in an exceptionally good economic position, with its large surpluses of exportable commodities. To bring about this recovery will now be the common task of Britain and independent Burma.

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New Constitution for Mauritius

The announcement that a new constitution is to be given to Mauritius will arouse little general interest in this country which seldom hears of the island unless it is visited by cyclones or disease. But the correspondence between the Governor and the Secretary of State on constitutional reform, which has now been published (Cmd. 7228), is well worth study, for it illustrates to the full how difficult it is to grant even a measure of responsible government in the dependent Empire.

Wherever one turns in the colonial empire, with the exception of the West Indies, the communal problem is seen as the big obstacle in the way of self-government. Fortunately, if the special case of Palestine is excepted, it has nowhere been necessary to fall back on the drastic solution of partition adopted for Ireland and now for India. Nor has it been necessary to adopt the delaying principle of communal representation, which freezes a country into the mould cast by its different communities. Constitutional reform has instead proceeded on traditional British lines, but reserves for the Governor power to safeguard the rights of minority communities, either through the direct appointment

in colonial legislatures of persons to look after their interests or through his right to veto or confirm legislation affecting them.

It is against this sort of background that the proposals for Mauritius, where the adult Indian population outnumbers the combined French, Coloured, British and Chinese adult population by 135,900 to 83,000, should be judged. An unofficial elected majority in the Legislative Council will be partly kept in hand by the twelve unofficial members directly nominated by the Governor. Similarly, although the introduction of a literacy test in the franchise qualification is at first sight distasteful, the Governor's explanation—that otherwise the proposed abolition of the property and educational qualifications would cause the electoral roll to be "swamped by thousands of persons whose inability to read the printed word places them at the mercy of those who can"—is reasonable. More questionable, perhaps, is the proposal that the Legislative Council should elect four unofficial members of the Executive Council. It is made as a means of solving yet another difficult problem in colonial constitutional progress—how to prevent a largely elected legislature, which has no responsibility for government, from degenerating into a place for abusing an "alien Government." But it is a device that has not had much success when it has been tried elsewhere.

On the whole, however, the new constitution proposed for Mauritius is satisfactory. It is as liberal as can be devised for such a heterogeneous population at its present stage of development. It is along lines such as these that Ceylon began to move towards self-government—not so very long ago.

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The American Reply on Korea

The Russian proposal to end the Russo-American deadlock in Korea by simultaneous evacuation of the Russian and American occupying forces has now brought an American counter-proposal calling for a general election under supervision of Uno before the evacuation. The Russian proposal contemplated evacuation without any internal political settlement in Korea, leaving the Koreans themselves to work out their destiny. In the absence, however, of any proof of the proportions of popular support enjoyed by the various Korean parties, it seems only too probable that after withdrawal of Allied troops the composition of the Government would be decided not by the ballot-box but by the bullet, and in such an initial contest of force the Communists, who are believed to have built up a strong armed force in the Russian zone, would be likely to have the advantage. To avert this development and secure free elections, the United States has now proposed to the United Nations Assembly that the occupying powers should hold elections in their respective zones under the observation of the United Nations not later than March 31, 1948, as the initial step in the creation of a National Assembly and a central Government in Korea; this Government, when set up, "will constitute its own national security forces and will arrange with the occupying powers for the early and complete withdrawal from Korea of the armed forces of the USSR and the United States."

There has been some very pretty diplomatic swordplay in this succession of proposals. Russia gained the initial advantage by suddenly coming out as the champion of early independence (after having for months refused to have any dealings with Korean leaders who rejected trusteeship for Korea) and putting on the United States the onus of a refusal to evacuate. But by making evacuation conditional on a Uno-supervised general election, Washington has turned the tables; it has brought Uno into the middle of the picture and put on Russia the onus of refusing to allow Uno supervision of elections in a country not yet sovereign. The Communists and their associates might gain a majority in free elections in Korea; on the other hand, they might not. It remains to be seen whether Russia will now produce new proposals which accept the principle of Uno intervention without unduly exposing Russia's Korean protégés to the risk of not being able to control the Government. In any case the idea of trusteeship now seems to be dead and buried.

* * *

"Little Assembly"?

Mr Foster Dulles's exposition last week to the Political Committee of the Assembly, of the American scheme for a "Little Assembly," which would relieve the General Assembly of some of its burdens, received the rather uneasy approval, in principle, of most of the delegates, but was uncompromisingly rejected by the Russians and their satellites. Timid compromise proposals brought forward by Sir Hartley Shawcross provoked even more violent reactions from the Russians, and when Russia and Czecho-

slovakia were elected to sit on a sub-committee to study the American proposals, they promptly announced their refusal to serve. Although the Americans have denied that their proposals are intended to interfere with the work of the Security Council, their general effect would be to set up a committee with wide and rather loosely defined powers to investigate and discuss matters of international peace and security. The British proposals, on the other hand, strictly defined the matters which the Interim Committee could discuss, and refused it the powers, which the Americans would give it, to consider and make recommendations on "the principles of co-operation in maintaining peace."

The Russians and their friends gave full rein to their imagination in condemning the American proposals as attempts to further the sinister aims of American foreign policy which, Mr Gromyko said, were "only liable to push the United Nations closer and closer to the abyss from which it might never be able to come out." They could only regard them as an attack on the Security Council, and as an attempt by the Americans to nullify the veto by the use of what Mr Modzelewski of Poland bitterly called their "mechanical majorities."

Most of the delegates outside the eastern bloc were hampered in judging the American proposals by their inability to decide whether they were really designed to create a body which would make good the deficiencies of the Security Council. Although they felt it wrong that problems of security should not be dealt with because members of the Security Council were at loggerheads and because the Assembly was not in permanent session, they were not prepared to drive the Russians into the last ditch of opposition. Sir Hartley Shawcross's proposals for a "Little or Minute Assembly" were designed to purge the discussion of the passions aroused by the veto, thereby leaving it weak and ineffective. He felt that there must be in continuous session a body through which world opinion could make itself heard, even if it could not enforce its will. But many delegates wondered whether all the trouble and expense involved would be worth while, if they only produced another sounding-board for Messrs Gromyko and Vishinsky.

* * *

Denmark's Other Customers

Behind the stubbornness of both parties to the suspended Anglo-Danish food talks lies a basic conflict of opinion about the world market for agricultural produce and, in particular, for butter. The British say that the Danes have no other markets comparable in size to Britain and will therefore be forced to sell to Britain. The Danes say that if the price offered by Britain is not raised, they must find other markets to avoid ruin. They are therefore energetically looking for them.

In, say, the next six months they must dispose of an export surplus of about 30,000 tons of butter, of which about 20,000 tons would normally go to Britain. Markets have so far been found for about 25,000 tons, mainly in Russia, which is to take nearly 12,000 tons, Switzerland, which is to take about 5,000 tons, Belgium, which is to take 4,000 tons. Also France will get 1,500 tons and Czechoslovakia 1,000. Negotiations are in train with the United States, where a figure of several thousand tons is mentioned, and Italy and Spain, which both appear unlikely to take much butter. And an agreement involving goods worth some 200 million kroner is expected soon with Poland.

It is thus evident that the Danes are getting nearer to finding adequate markets than might have been supposed. But these markets are unlikely to be permanent. The butter that goes to Russia, for example, is said to be for the Leningrad region—the Baltic states are at present unable to produce adequate supplies and Russian transport cannot bring them from more distant Soviet lands. Similarly, as Swiss agriculture recovers from its wartime pattern, the Swiss demand for Danish butter will fall. Moreover, several countries have attached to their various trade agreements conditions distasteful to the Danes. From France, for example, unwanted wine, perfumes and silks must be taken and from Czechoslovakia bicycles and various other machines.

It should be frankly recognised here and in Denmark that most of these arrangements, however necessary now, are in truth a second best. They are emergency measures pending the re-opening of the British market and, implicit in this, resumed deliveries of British coal. Coal stocks in Denmark are now very high—but so was the price paid for them. And when one recalls the interruptions and serious distortions from which the economies of Denmark and other western nations suffer, owing to lack of British coal, attempts to justify the low prices we offer for Danish dairy produce by the alleged inefficiency and feather-bedding of Danish agriculture, even though partly true, look largely irrelevant.

The most relevant fact is that 1½ million tons—say two days' output—of British coal would buy about 12,000 tons of butter even at present Danish prices. But if the coal came the prices would drop.

* * *

Two Voices on Steel

The speeches by Mr G. R. Strauss at Cardiff and Mr Aneurin Bevan at Hull, delivered on the same day last week and reported in piquant juxtaposition in the daily press, make one wonder just how close are the political and intellectual sympathies which rumour attributes to these two Ministers. The Minister of Supply had good news to tell, of a weekly rate of steel production during September higher than any attained since the record month of October, 1940, exceeding the average weekly rate for the first quarter of 1947 by nearly 20 per cent, and accelerating in most promising fashion towards the Prime Minister's target figure of 14 million tons a year. After all due allowances have been made for the fact that September always has been a good month for steel production, that the first quarter of 1947 is a datum-line to be used with extreme reserve, and that fuel, raw material and transport difficulties lurk ahead for the winter months, this is a good showing and Mr Strauss had reason for his congratulations.

The Minister of Health sees things in a different light. The coal industry had had to be nationalised, he told his audience, "in order to rescue it from the situation in which it had been placed"; and the same destiny awaited the steel industry, which would not be left in the hands of those who had betrayed the nation's trust and could not be trusted to develop the industry to the extent required by national necessities. The charge of "betrayal" he supported by references to the inter-war years, when steel production was allowed to fall off for want of profitable outlets. (Nobody would deny that the conduct of the steel industry was in many respects reprehensible; but the presumed duty, in Socialist eyes, of every capitalist to run his works at a loss if the national interest appears to demand it, has never been balanced by a corresponding obligation on the workers to work for nothing and pay for the privilege of doing so.) Of the present performance of the steel industry he had nothing to say, except that the target had been set too low; and in view of the comparison which he tacitly invited between the relative performances of nationalised coal and as yet un-nationalised steel, he was certainly wise. (Such a comparison would, of course, be extremely unfair; but Mr Bevan does nothing to call forth even that degree of chivalry needed to point this unfairness out.) How delightful it would be, how all concerned would cheer and throw their caps in the air, if coal production were up by 20 per cent, however tendentious the datum line with which it was compared.

* * *

Thanks from the Spivs

The tangles into which the trade unions are liable to get themselves through their advocacy of the "closed shop" were beautifully illustrated by a statement from the Ministry of Labour this week. Mr Raymond Blackburn, MP, asked the Ministry what would happen to a man who refused to join the appropriate trade union when he was directed to the mines or to some other industry. The Ministry replied that

A person who expressed objections to joining the trade union would not be directed to a job in which membership of a trade union was a condition of employment, or in which refusal to join a trade union was likely to cause an industrial dispute.

What more perfect loophole could be devised for the workshy, the black marketeer or the inessentially occupied? They have but to express a high-principled objection to the union into whose close embrace they are being pushed by the Ministry's National Service Officer, and the road to their old freedom is clear. It is little use for the Ministry to claim that the worker would then be available for direction into an occupation where his objections would not be likely to cause difficulties. For the more essential the occupation, the stronger the union and the more stringent the conventions about membership. It is, of course, still possible to choose a type of employment where trade unionism is weak, but this would merely be moving the butterflies from one resting place to another.

The situation has its humorous side, for it is the trade unions who have voiced the most outspoken criticism of the spivs, drones and butterflies, and have forced the Government to spread nets to catch these relatively insignificant creatures. And now when their capture seemed imminent it is the unions' own policy on membership which will permit them to escape. The unions will receive a vote of thanks from the spivs.

The End of Plural Voting?

In this egalitarian age neither education nor property are any longer to provide their owners with special voting rights. That appears to be the object of the proposal contained in the King's Speech for electoral and franchise reform; it is intended, rumour says, to abolish plural voting. Equality before the law is to be matched by equality at the polling booth.

The proposal will not provoke widespread interest, for quantitatively it touches only two small sections of the nation. The electorate possessing an additional university vote is only some 214,000, and that possessing an additional business property vote only 57,000. Out of a total electorate of 28 million these figures are very small. Nor can many tears be shed at the disappearance of the plural vote for business property holders, for they elected no special representatives but merely swelled the number of votes for the normal run of parliamentary candidates. No members of Parliament represent, at least outwardly, the interests of property holders as such.

The position is rather different with the university vote, for the university voters directly elect thirteen members of their own. These members have usually been of high calibre and often of genuinely independent views, and their influence has been out of all proportion to their number. Eleanor Rathbone was an outstanding example, but the character of the electorate and the special status of the universities has meant that good candidates have usually been forthcoming. It would be a pity to destroy this tradition of independence and high quality.

The terms of the new bill are not yet known, but it is thought that the intention is to abolish plural voting without abolishing either the university or business property vote, and that voters now possessing two votes will be able to opt for the one they prefer. The details of how this is to be done will be interesting. At what stage will the option have to be made—before or after the candidates are known? Since a change in procedure is coming it might also be desirable to alter other aspects of the university vote. At present Oxford and Cambridge universities each have two members, London one, all the other universities of England only two between them, Scotland three, and Wales and Northern Ireland one each. This is patently unfair and should be re-adjusted. There may well be a case for giving all the universities together a single list of thirteen members and for electing them by proportional representation. There, if anywhere, PR should work to advantage.

* * *

Problem of the Blitzed Cities

Mr Silkin is holding a series of conferences with representatives of the "blitzed" cities. The grandiose plans for rebuilding the centres of these cities still exist only on paper. The "blitzed" parts and the "blighted" parts (that is, areas of obsolete housing) of these cities are inextricably interwoven—in fact, many of the central areas consist of little else but blitz or blight. Under the 1944 Act, by which their finances have until now been regulated, adequate grants are not available for the "blighted" parts. This situation should be remedied when the new Town and Country Planning Act comes fully into operation, which is hoped by the Ministry to be next April 1. Exchequer grants will then be available for an initial five years at the high flat rate of 90 per cent in respect of blitz, and on a sliding scale of up to 80 per cent for blight; and thereafter grants continue at reduced rates for the full loan period of 60 years. In the period before the Act comes into force, however, the cities are experiencing several problems, which it will be the duty of Mr Silkin to clear up.

Finance, however, is becoming almost the least of these cities' problems. It will be impossible for a further indefinite period to secure labour and materials for ambitious schemes of capital construction. There is sure to be renewed pressure for the sanctioning of makeshift building schemes. It is tragically ironic that when, for the first time, Britain's cities have the opportunity of being properly built on spacious and imaginative lines, when plans are ready and finance is available, much of the actual building should consist of temporary houses and other structures which offend against the long-term intentions. But it is still far too early to despair. What is important is to see that any temporary expedients do not seriously impede the eventual and gradual execution of the cities' plans. Later this year, the Ministry plans to issue a manual of guidance on the rebuilding of central areas, which ought to point the way to the reconciliation of long-range planning with the satisfaction of immediate needs. Such reconciliation is not easy and may involve some forgoing of immediate advantage; but the vision which has been seen of a new England is surely worth some sacrifice.

Time-saving in Teheran

It looks as if the Persian Prime Minister is following British advice in guiding the deputies of the Majlis away from a challenge to Soviet oil policy. For, although they rejected by implication on Wednesday the agreement he signed with the Russians in the spring of 1946, they have approved by 102 votes to two a resolution which would allow negotiations with the Russians to continue. It appears—though reports are sketchy—that they oppose any further oil concessions to foreign Powers, that they want prospecting to begin in north Persia, and that they would like to see their government getting a larger share of profits from the Anglo-Iranian company. Clearly Qavam-es-Sultaneh has secured himself a brief which will be useful in another battle of wits and patience with the Soviet Ambassador. He can plead that he is not to blame for the failure of his conscientious efforts to get Majlis support for the project of a Soviet-Persian oil company in the north; the agreement he signed in 1946 was the price of Russian troop withdrawals from Azerbaijan and is regarded by his countrymen as a promise made under duress.

But it must be realised in Washington and London that Qavam cannot stall for ever. The Russians need oil—that has never been disputed—and the only question is whether they insist on immediate and exclusive rights to get it themselves from northern Persia or whether they get it as a result of commercial negotiations. Their choice will depend on the British and American attitudes, which still seem neither clear nor co-ordinated. If ever there was a case where constructive proposals made through diplomatic channels might receive attention in Moscow it is this one. Far too little attention is given to the economic bases of Soviet policy, and to the possibility of patient negotiation about them.

* * *

Tonic for the Control Commission

Every inquirer who has visited the British Zone of Germany with serious intentions pays tribute to the energy and outstanding competence of the higher officials of the Control Commission. The average level of intelligence and integrity is high, and the presence of weaker brethren in the lower ranks is criticised nowhere more forcibly than in the Commission itself. Mud thrown at them sticks to all their colleagues, and one or two recent indiscriminating attacks by newspapers have been bitterly resented. Now Mr Bevin has done as the retiring Commander-in-Chief of the British Forces did—expressed publicly his confidence in the CCG, and paid tribute to its constructive achievements.

Yet more than a heartening and loyal message is needed to restore the low morale which is reflected in the flow of resignations and the difficulties of finding an adequate training staff. The success or failure of the November conference of Foreign Ministers may help to remove some of the causes: the quadripartite frictions, the uncertainty about how long jobs will last, and about future relations with the Americans. But there are others: the sense of isolation, the general ignorance of the lower ranks about control activities as a whole, the apparently haphazard methods of appointment and the tendency to substitute orders for leadership. These need some thought and attention if remedies are to be found. There are war-time precedents—for example, in the submarine service—for giving CCG its own British newspaper. There seems to be no good reason why the Civil Service "house party" or the methods of the War Office Selection Board should not be used for selecting staff. Everything possible should be done to get preparatory training transferred from rural England to a school in Germany. Along these lines much could be done to stimulate the self-confidence and team-spirit of the 19,000 members of CCG. Even then the basic difficulty will remain: the growing inability of Britain—for economic reasons—to maintain its dominant position in the north-west and the resultant hardening of German minds against spiritual and political values half-heartedly asserted.

* * *

Scientific Manpower

Two hundred thousand scientists with university degrees will be receiving a questionnaire from the Ministry of Labour during the next two weeks asking for details of their present and past employment, their qualifications, salaries and other particulars relating to the nature of their work. This inquiry is not a sleuth hunt to dig out the drones of the scientific underworld (no scientist could surely ever be a spiv) but a much needed investigation into

the existing resources of trained scientists which the country already possesses; it follows from the recommendations of the Barlow Report on scientific manpower (Cmd. 6824) that the output of scientists from the universities should be doubled.

Since the publication of that report there have been many suggestions for more detailed inquiries to fill in the picture sketched only in outline by the Barlow Committee. The universities and education authorities need more than global figures if they are to plan the expansion of particular departments in relation to the demand for, say, electrical engineers, or geochemists or nuclear physicists, and the present questionnaire is intended to find out what is the existing manpower in the scientific and technological fields and to do so in considerable detail. This is the supply side of the picture.

On the demand side the procedure adopted is different. As a legacy of the wartime scientific and technical Register seven committees, covering the main branches of science and technology, have been reviewing the demands for fully qualified men and women in their fields. The committees consist of academic and industrial experts and their recommendations will carry weight. In many cases their inquiries have revealed that earlier assumptions about the need for large increases of particular types of scientists are not justified by the facts, and the work of the committees may, therefore, result in lower demands than were expected. How far their recommendations will be related to what industry wants rather than what it ought to want remains to be seen.

When these two sides to the inquiry are complete it will be for the universities to adjust their programmes accordingly. The quicker the results are published the better, since the universities are well away with their development plans and it is important that they should have the benefits of the information which the Ministry is collecting before their schemes are too far advanced to change.

* * *

Parish and Neighbourhood

The parish council or parish meeting still plays a greater role in the life of the countryside than an analysis of its strictly

legal powers would suggest. These powers, although they cover numerous activities, are not considerable. Save in rare cases, the parish does not itself possess compulsory powers and where compulsion is necessary the legal proceedings must usually be taken through the medium of the district or county council. Its expenditure is limited, at the most, to the product of an 8d. rate (more can be raised if some service is delegated to it by the district council).

The parish council's own powers consist of effecting local improvements, such as the provision of allotments, recreation ground and village hall, the purchase or repair of footpaths, and the improvement, from local sources, of the water supply. In theory, most of the functions of the rural district council may be delegated to a parish, and one or two functions—such as street lighting and burial grounds—are fairly often delegated. The parish council's most important activity, however, is to act as the watchdog of village interests, to relay local opinion and complaints to higher authorities, and to seek representation in appropriate quarters such as the management of primary schools.

This watchdog role is becoming increasingly important. Since however, it is optional, and since the parish council's initiating powers are mainly permissive, everything will depend upon local enterprise. The first national conference of parish councils, held this week, will have done a good job if it drives home the fact that a vigorous parish council can accomplish a great deal, whilst a passive one is virtually useless. The democratic roots of the parish are probably still sounder and stronger than those of other local bodies. It is a surprising fact that, in spite of the enormous difference in powers, the parish election is often contested far more hotly than the district or county elections; and it is refreshing to have one brand of election where personality is everything and politics nothing. The vigour of parish politics suggests that it might be no bad thing to institute elected neighbourhood councils inside the larger county boroughs. The population covered would need to be larger than for the parish—10,000 might be an appropriate figure—but many of the functions should be similar.

Letters to the Editor

End of Act Two

SIR,—I was surprised to see in your leader that you attributed so much significance to the Cambridge Union's vote against the Labour Government. My surprise is not occasioned by your use of the Cambridge figures; doubtless you would have preferred the similar Oxford figures if they had been available in time. My surprise is occasioned rather by the uncritical use of any such figures. I question your conclusion that the "young people have also turned against them" (the Labour Government) for the following reasons:—

- (1) The majority of votes are cast immediately after the main speakers have finished. Then those who attend debates for the entertainment value, and they are many, file out through the "Aye" and "No" doors.
 - (2) The vote is often cast (as many think it should be in debating societies which have no responsibility) for the speakers who spoke best as distinct from the merits of the motion.
 - (3) The "best" speakers are, from a very justifiable point of view, the most entertaining.
 - (4) Defence is never so entertaining as criticism. A partially developed critical faculty—and surely few undergraduates would claim more—finds greater scope in attack. The cynical laugh—and laughter there must be in the Union—is easy to provoke.
 - (5) The "floor" debate, which continues after the main speakers and the passive audience has left, is invariably more evenly contested. Votes cast during the floor debate are invariably more evenly divided than those cast after the main speakers have finished.
- The truth is, it is no longer daring to be a "red" at Oxford. Opposition to the Government is still as fashionable as it was between the wars, but it happens to be a different government.

It requires either firm prejudice or firm conviction to stand up week after week and defend the Labour Government. It is too much to expect many young undergraduates to have either. There is, however, a small but increasing number of faithful supporters who withstand the scorn and criticism. They will not "change colour" on leaving the university as readily as many of our predecessors did between the wars.

It is my considered view that if a Conservative Government came to power, before very long it would be earning much the same votes of censure from the two Unions. We do like to defeat the Government—whatever it may be.—Yours faithfully,
Lincoln College, Oxford

D. S. TIMMS

SIR,—I was very impressed by your article, but to my mind you ignore the most serious feature of the modern political scene—the absence of any new approach or creative thinking.

It is most disturbing to see what a great opportunity has been thrown away by the Liberal Party. Its policy statement is a collection of generalisations. Its leaders have an invariable formula for a speech "one-third devoted to roundly condemning the present Government, one-third to explaining how the Conservatives are unfit to govern and, finally, a third in praise of the liberty of the subject." There are indications from reports of their speeches that the Liberal leaders are increasingly attracted by a return to *laissez faire* as the answer to twentieth-century problems, whereas the Conservatives accept the need for compromise and the middle way. But, however attractive they may make their policy, they are suspect as a party. Furthermore, the Conservatives give no indication of a willingness to reorganise the party on broader and more democratic lines comparable with Liberal Party organisation.

In the absence of any reasonable alternative I shall continue to support the Government, but the Labour Party itself is another matter. I am increasingly distrustful of it because of the growing strength of authoritarian elements. I believe party government is right and proper, but find myself in that barren no man's land of "progressive independence." To many of your readers it will no doubt appear sheer nonsense, but I submit in all seriousness that there is a case for a new progressive party in British politics in which "new dealers" of all parties could unite, released from the personal vendettas, outworn shibboleths and old orthodoxies that become increasingly meaningless as the nature of the postwar world reveals itself.—Yours faithfully,
The Cottage, Forest, Kinver, Stourbridge

G. E. MINNIS

SIR,—While I agree with much of your leading article in your issue of October 18th, there are two points which I should like to challenge.

First—it is incorrect to assume that the young people have turned against the Labour Government on the basis of the Cambridge Union vote. Cambridge, like all Universities at present, has a substantial student population of ex-officers working on Further Education and Training grants. These men were always anti-Labour (with some exceptions, of course).

Second—do you really believe that we would have got as much coal as we have if the mines had not been nationalised? I am certain that though the nationalisation of the mines has not yet solved the coal crisis, it has at least created a more hopeful prospect in the industry. I think, therefore, that this particular act can be said to have made some small contribution to our defences against the coming storm.—Yours faithfully,
The Lodge, Culverwood, near Hertford

L. E. BALL

Balkan Justice

SIR,—A "Note" in your issue of October 11th mentions the allegation by the Yugoslav prosecutions, at the recent trial of Jovanovitch and Gazhi, that I had instigated these men to form a "peasant bloc." May I use your columns to declare that this allegation is utterly false?

During part of the war I served in a department of GHQ, Middle East, whose activities were directed against the Germans and in favour of the Yugoslav resistance movement of Tito. In so far as Gazhi, then in exile in the Middle East, assisted this work he was doing his duty as a patriotic Yugoslav. It should be counted to him as a merit, not a sin. Neither then nor later was he an "agent" of the British. He returned to Yugoslavia after the war, not (as the Yugoslav public prosecutor at the trial alleged without a shred of evidence) to spy for the British, but to take part in his country's reconstruction.

After I was demobilised, and had severed all connection with my wartime work, I went to Yugoslavia as your correspondent. I met both Gazhi and Jovanovitch (whom I had also known before the war). In our conversations we simply discussed the political situation in the normal manner of a journalist with two old friends. Our talks at no point bore the character attributed to them by the prosecutor and his Ozná police spies.

Both Gazhi and the far better known Jovanovitch have since long before the war stood for a policy of left-wing peasant democracy, which specially stressed the solidarity of Serbian and Croatian peasants. This led them at first to co-operate with Tito's Communists. They broke with the Communists only when they became convinced that the Communists did not intend to carry out the democratic programme which they had proclaimed during the war. Since then they have been in opposition. It is childish to suggest that I, or any other British subject, put into their heads ideas which they have so long held.

Up to the summer of 1946, British visitors to Yugoslavia, whether friendly to the regime or not, were agreed that it was possible to talk freely with Yugoslavs. The recent series of trials suggests that this situation no longer exists. Must we conclude that no British journalist who is not a Communist or "approved fellow-traveller" can now talk to a non-Communist Yugoslav, except in the presence of a known Communist or Ozná spy, without bringing innocent people into great danger and incurring wild accusations against himself?—Yours faithfully,

HUGH SETON-WATSON

The South African Loan

SIR,—In your reference to the South African gold loan in your issue of October 11th, you state that the British Government will receive £80 million (gold) in the near future, but will forgo gold shipments which in 1946-47 will have produced about £55 million. With due respect I suggest that this does not follow.

As Dr de Kock pointed out last August, in his speech at the Reserve Bank meeting, the Union had an adverse balance of payments in the year ended March 31, 1947; in consequence the Reserve Bank's reserve of gold and foreign exchange assets fell by £84 million. During the year the Bank purchased £97 million gold, being the Rand output, and sold £86 million to the Bank of England and £55 million to the US Assay Office, New York. It is submitted that these transactions would have been effected whether or not there had been an agreement between the SA Reserve Bank and the Bank of England because the balance of payments required them.

It follows that each year the Reserve Bank must sell gold to the Bank of England to cover our adverse balance of trade with the sterling bloc, and this will only become unnecessary if the transfer of capital to the Union should suffice to cancel out our adverse balance. If that should occur, under the present arrangement, the Reserve Bank, under its agreement, would nevertheless sell gold to the Bank of England to the tune of £80 million per annum and, presumably, would invest the surplus proceeds in London. But as this is an unlikely contingency, I suggest it will be found that Britain will receive the £80 million gold on loan and will also receive its customary gold shipments each year.

Of course, the aforementioned contingency is a possibility—at least in some degree—as import of capital to the Union has been on a fairly substantial scale of recent months, but the Union is still importing heavily, and there is a strong demand for British goods, especially capital equipment. If Britain can deliver the goods we want, we are in the fortunate position of being able to pay for them by shipping gold in exchange.—Yours faithfully,
Pretoria

L.

The Savings Campaign

SIR,—Mr Fenn, in his letter published in your issue of October 18th, suggests that our savings, when we withdrew them, should be "scaled up or down according as the [price] index has moved."

In the possible, though admittedly improbable, event of the cost of living index having dropped appreciably in five years' time, perhaps Mr Fenn would be prepared to advise the then Chancellor of the Exchequer how to placate members of an irate public who find that the £1 invested in National Savings in 1947 is, in 1952, returned to them as, say, only 18s.

It is dangerous to forget the "shortcomings" of the ordinary citizen who does not understand high finance, and who instinctively mistrusts any "juggling" of figures by financiers.—Yours faithfully,
H. B. M. JOHNSTON
Seven Sisters, St. Lawrence, Isle of Wight

From The Economist of 1847

October 23, 1847

THE following memorial to the First Lord of the Treasury would be submitted for the approval of a public meeting at Birmingham last night.

The memorial of the Undersigned Inhabitants of Birmingham—Showeth—That your memorialists have witnessed with grief and astonishment the unchecked progress of much which will have made the last twelve months fatally memorable in the history of this country. Houses whose experience and wealth had grown up with the growth, and were interwoven with the existence, of English commerce, have been suddenly destroyed; and other houses, whose vast fortunes had been shattered by former shocks of our monetary system, have now been swept away by renewed calamities. The place of the great agents of English commerce, prosperity, and power cannot be suddenly filled up. The wealth and experience necessary to create and sustain these great houses must grow up together. Your memorialists lament the attempts which have been made to conceal the ruin caused by the bill of 1844, by attacking the character of its victims. These unfortunate and libelled men have not fallen from any imprudence of their own; they are found generally not to have extended their enterprises beyond the healthful requirements of trade, or beyond that due proportion to the extent of their property which ordinary experience had justified, but they have undeniably been destroyed by the fatal law of 1844.

When the high price of food . . . the great railway contracts . . . and other circumstances combined rendered an increase of monetary facilities imperative, then the Bank of England, notwithstanding the exportation of 10 millions of gold money for the needful purchase of food, was compelled by the law of 1844 further to contract its paper issues. With an abundant gold circulation, the law of 1844 permitted the issue of 30 millions of paper money by the Bank of England. The nation was tempted into enterprises of great extent by this large basis for its operations. The gold money has been reduced by at least 10 millions, and the law of 1844 has reduced the issues of paper money by the Bank of England to £21,961,585; and the Bank of England . . . has been compelled to reduce the actual circulation of legal tender paper to £18,639,885. The completion of undertakings and the payment of obligations, entered into when gold was plentiful and paper money abundant, are thus rendered impossible. It is the madness of the law . . . and not the speculative spirit of the people, that has produced the ruin that now affects the country. . . .

Books and Publications

Local Development

"Plan Your Own Industries." By M. P. Fogarty. Basil Blackwell. 320 pages. 25s.

THE spontaneous growth of private organisations which rapidly achieve a *modus vivendi* with the central and local government agencies, like the central Government's practice of delegating some of its functions to *ad hoc* unofficial committees, is one of the most interesting and important expressions of the British political genius, and every major manifestation of it deserves study. Mr Fogarty has produced a thorough study of the movement which resulted in the formation of many committees or councils for promoting local development, which will be of the greatest interest alike to economists and to students of government. As a history of the movement, this is an admirable book, though many readers who approach it without any previous deep interest in the subject will doubtless find the mass of detailed information somewhat overpowering (one suspects that its readability might have been improved by a greater use of classified lists of organisations).

There have so far been, roughly speaking, three phases in the story. First, soon after the first World War, health resorts began to advertise their attractions, and this example was followed, even before the depression, by certain industrial areas. Incidentally, it would be interesting to compare this manifestation of local patriotism with the corresponding, vastly greater, movement in the United States. The British movement, in its first phase, was largely (like its American counterpart) a product of an expansionary spirit; in its second phase, however, which began with the depression, it flourished in an atmosphere of general unemployment and of immensely sharpened competition between regions and districts for the small amount of new enterprise available. It was in this period that the movement took on its characteristic form. The third phase dates from the war; joint production machinery, and concern with the prospects of postwar adjust-

ment, have given a new impetus to the movement; but even more important for it has been the great growth of Governmental concern both with the location of industry and with the economic health of separate localities.

At first sight, this growth of the regional machinery and the regional consciousness of the Central Government might seem to destroy the case for development organisations as they grew up in the thirties. Then, they were effective largely in calling attention to lacunæ in central Government policy; and some departments are asserted to have salved their consciences by merely pointing to the organisations, or attributing to them functions which they could not effectively perform. Now, the central Government intervenes in local and inter-local development to an extent which many people regard as excessive. Mr Fogarty, however, believes that local Development Committees should play an increasing part; he argues that joint bodies consisting of local business, trade union, and other interests are highly desirable both for working out the details of development plans emanating from the centre, and for canalising local opinion on development. Perhaps he is right; but certain dangers require to be guarded against. Since organised interests are the ones which cause trouble to the administrator, there is much to be said, from his point of view, for letting them knock their heads together in the committee-room instead of converging directly upon him. It should also be remembered, however, that the organised interests are not the only ones, or, necessarily, even the most important; and much watchfulness is required to avoid giving undue weight even (or perhaps especially) to the views in which they agree with each other. The inclusion of a strong element independent of the organised interests—something analogous to the independent members of the Working Parties—would appear to be the minimum condition of safety.

The recommendations of this book, however, though formally set out at the end, are not its most important feature; it is as a history of an instructive episode in the development of the British



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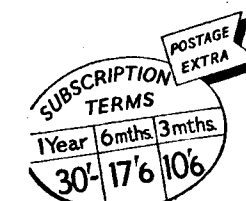
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economic system that its readers will mainly appreciate it. Incidentally, they must not take its title too seriously; one point that emerges from its pages is that the development bodies with which it deals have had singularly little to do (in any reasonable sense of one of the most overworked of words) with the "planning" of anything.

The American People

"A Diplomatic History of the American People." By Thomas A. Bailey. F. S. Crofts and Company. \$6.00.

THIS is a book possessing two unusual attributes: genuine scholarship and great readability. It is unequalled for the student, and the casual reader will find his interest sustained to the end. Consisting of 49 chapters and totalling 900 pages, the book covers the entire period from "Colonial Backgrounds" to a final chapter devoted to "Retrospect and Prospect" at the end of World War II. The author has not only drawn upon a vast store of published materials, but has had extensive access to State Department files and has utilised collections of rare papers in the Library of Congress and elsewhere. Extensive general and special subject bibliographies are provided. The work was first published in 1940, was revised and brought up to date in the third edition last year and has undergone two additional printings, the eleventh and twelfth, in 1947.

The recurring theme is that Europe's distress has been the United States success. The troubles of Britain, of France, of Spain, at various times permitted the United States to make territorial, commercial or other gains which might have been unattainable, or at very least more costly or slower without the pressure and preoccupations to which those with whom the growing federation was contending were subjected from other quarters.

The picture of American diplomacy is not an outstandingly pretty one. While the United States had able actors on the scene at times, it too often had mediocre ones—or worse. Yet the same was true of the representation of other nations over the span of time. More basis exists for national modesty—on everyone's part—than for complacency. Yet this is not another "debunking" or "mud slinging" tome. It is history, objectively told, without the nationalistic embellishments and suppressions that all too often slant and distort the story given to the young—and the old.

Professor Bailey concludes that nine influences have shaped the foreign policy of the United States: geographical position, room to expand, weak neighbours, a nation of hyphenates, a democracy, the power of public opinion, the primacy of domestic affairs, a mercantile and industrial people, and Europe's distresses. And he identifies seven specific foreign policies: isolationism, non-intervention and non-entanglement, the Monroe Doctrine, freedom of the seas, the open door, the pacific settlement of disputes, pan-Americanism, and opportunism.

A few sentences from the concluding pages disclose his point of view—and concern.

Few clear-headed persons will assert that isolation has not been given a fair trial. Nine world wars—nine involvements. One hundred per cent failure. . . . The statesmen in charge of American foreign policy, as well as the better informed citizens, know that isolation is not only dead but dangerous; that we must learn to see the other nation's problems as they appear to its eyes; that we must cultivate tolerance and understanding; that we must sublimate suspicion and ill-will; that we must yield pride and prestige; that we must meet the other fellow half-way, sometimes more than half-

The Economic Development of Australia

"The Economic Development of Australia." By A. G. L. Shaw. Longmans Green and Company, Limited, London, 1946. (Second Edition.) 191 pages with Index. 7s. 6d.

THIS, a revised edition of a book first published in 1944, presents a succinct and useful account of the economic development of Australia, from the first settlements to the outbreak of war in 1939. To cover so broad a canvas with so little paint is in itself something of an achievement, attained by avoiding controversy and attractive speculation. The author modestly admits that the book is not original research, but this may well attract those who seek a simple and balanced account of the peopling of a continent.

Indeed, at times Mr Shaw is almost deceptively simple. The smooth flow of successive events may hypnotise the unwary into overlooking some of the more interesting aspects of Australian development—the adaptation of English economic and social techniques to a quite different geographical environment, adaptations which, it could be said, have given Australia its present individuality. Mr Shaw tells us of the more important of these—for example, the breeding of a Merino sheep at home in Australian conditions, the invention of the "jump-stump" plough, the introduction of new wheat types, the conviction that tariff protection creates a high standard of living—but does little more than place the "event" in its proper sequence in the story. Since full interpretation would require a much longer book, the reader is left to do this for himself, with no further assistance from Mr Shaw other than provision of an adequate bibliography.

The Organisation of Sea Power

"It Might Happen Again." By Admiral of the Fleet Lord Chatfield. Heinemann. 222 pages. 18s.

THIS is the second volume of Lord Chatfield's autobiography, and it covers the years that he spent on shore at the Admiralty and finally as Minister for the Co-ordination of Defence. Those years ashore cover most of the important periods in disarmament and rearmament between the wars, and the questions Lord Chatfield discusses are once again topical as the need to economise in money and manpower once again brings its threat of cuts in naval and military expenditure.

For once, a dust cover is accurate. It attributes to Lord Chatfield "modesty, lucidity, precision and patience," and those qualities do stand out throughout the book. But Lord Chatfield has the defects of his training, of his whole experience. He is a naval officer. He sees everything in terms of sea power. It would be unkind to him to say that if he were asked to write a book on the elephant it would inevitably be entitled "The Influence of the Elephant on Naval Tactics," but there is a suspicion that he possesses that kind of mental blinker. The Franco rebellion in Spain was won—and therefore politically justified—when Franco gained command of the sea. Sanctions on Italy at the time of the Abyssinian dispute were unfortunate because they

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upset the balance of naval power in the Mediterranean. As for the failure to renew the Anglo-Japanese alliance . . .

In some ways Lord Chatfield provides his own correctives, almost by creating a mild infection followed by a convalescence. In the end—an end which Lord Chatfield does not reach—the sea power of a nation is an expression of its national strength, not the begetter of its national strength. It is true, as Lord Chatfield claims, that the cost of naval and military defences are an insurance premium and should have the priority afforded to such. But it remains for the nation to decide what kind of policy it proposes to take out, and so to determine the nature and amount of the premium it will pay.

Monopolies and Patents

"Monopolies and Patents" By Harold G. Fox. The History and Future of Patent Monopoly. The University of Toronto Press. 1947. Geoffrey Cumberlege. 35s. Net.

ECONOMIC historians will welcome this attempt by a competent investigator to link up the complexities of the modern patent problem with the history of monopoly from first beginnings. The author has taken to heart the observation once made by Justice Oliver Wendell Holmes that "Historic continuity with the past is not a duty, it is only a necessity." He scrutinises the economic history of monopolies from the ancient world and the trade regulations of the guilds down to the Statute of Monopolies of 1624; this Act is usually taken, but not so by the author, as marking the beginning of the British patent system because it exempted new inventions from prosecution for monopoly. The author gives a fully documented picture of the actual development of commercial and industrial monopolies after the passing of that statute, but comes to the conclusion that it was not the monopolies that were bad, but only their abuses—an observation which reminds us of a remark recently made by Lord Nathan that it matters more what monopoly does than what it is. With all due gratitude for this devoted study in historical research, one feels tempted to say that necessary as historical "genesis" is, history and the present must offer something comparable; it becomes doubtful after reading the second part of the book whether the main modern problems of patent legislation are not fundamentally different from those

of the seventeenth century. It would have been a gain to his book had the author strongly commented on these differences thus showing what the typically new aspects are. With the advent of a revolutionary age of research, invention and discovery the central problem has become what "invention" really means. The author takes a very radical view; he proposes that the remedy to all the vexing complexities of the interpretation of invention should lie in a complete reversal of the present situation by statutory enactment clearly providing that the ethereal, impalpable, unrecognisable quality of invention or "subject matter" need not be an ingredient present in a valid patent. In order to defend this proposition the author contends that the danger of the patent system does not arise from the abuse of the public, but from the fact that the inventor is abused in that he is often unjustly denied a valid patent. He has little to say about the use which trusts and cartels may make and, indeed, are making of patents for specifically restrictive purposes. Here is a serious defect in an otherwise most creditable effort in research and judgment.

Shorter Notice

"Financing by Credit Creation." By T. K. Whittaker. Clonmor and Reynolds. 67 pages. 3s. 6d.

THIS is a factually useful, theoretically thought-provoking and altogether welcome little study of the role of the banking system in budgetary policy and the pursuit of full employment. It compares British and American practice during the Second World War, marks its divergences from that followed in 1914-18, and goes on to discuss the possibilities and limitations of "cheap money policy" in conditions other than those which brought it to birth. "No longer," says Mr Whittaker, "can the commercial banks be regarded exclusively, or even primarily, as repositories of private savings and providers of working capital for business and temporary accommodation for private persons. Their chief function is to serve as agents of the Government in the expansion or contraction of the money supply." A whole new corpus of banking theory and practice will have to be built up to meet the new situation. Mr Whittaker, however, keenly alive to its possibilities for good, is perfectly aware of its dangers; notably, there is need for "a distinction in official manipulation of interest rates between created credit and genuine saving" and the war's "embarrassing legacy of liquidity" itself needs liquidating. Altogether, the author starts a number of useful trains of thought.

THE WORLD OVERSEAS

Will Germans Resist Dismantling?

(By a Correspondent)

WHEN Germans contested the old level-of-industry plan they were not joining with Anglo-American policy in any uncompromising or irreconcilable way. For the plan was, by its own criteria, nonsense; to any British official in the Ruhr who could see the facts in front of his face, this was as plain as it was to the Germans. And the unfulfilled assumptions about economic unity and so on were always there as a loophole. With the revised Anglo-American plan, all this is changed. The more luxuriant absurdities of the old plan have been lopped off. The loophole has gone. So has the excuse of four-Power responsibility; the new plan is an Anglo-American decision for the Anglo-American area, and the Germans are assuming for once that the British and Americans mean business.

That the Germans should oppose it, that they should do their best to keep what they can is natural enough. But the campaign against the level-of-industry plan (known by Germans as the *Demontageliste*) bears the marks of passion rather than of calculation; and of a febrile and melancholy passion, too. "Appeals to reason," as an intelligent member of the North Rhine-Westphalian Government at Düsseldorf said before the list appeared, "are out of the question." Outside Germany, where the main argument has been about whether the plan is not too kind to the Germans, this may not seem easy to understand. But one has only to spend forty-eight hours in the Ruhr for it to become intelligible. It is two and a half years since Allied Forces took Düsseldorf and Cologne and began the occupation of the Ruhr. Most of the towns still look as though war had passed over them a few days ago. The initial impulse to reconstruct spent itself,

within a few months of the end of the war, in the more elementary forms of clearing-up. People patch up their dwellings as they can, and the unauthorised builder is busy; but for every house repaired there is one in which the bomb damage of four years ago springs new leaks. A look at the still-prosperous villages of, say, the Sauerland shows at once the difference in kind of reconstruction; some of those villages were badly knocked about, but the peasant can build his house anew, with stout timber and good workmanship. If there is food in the storerooms the inquisitive inspector from the Building Office can be placated.

Hand-to-Mouth Production

What is true of housing in the Ruhr is true of industry. Factories produce, but they produce irregularly, bedevilled by the cat-and-mouse tactics of those who order power cuts, getting materials by what shifts they can, bartering their products against repairs and replacements and food for their workpeople. It is all hopelessly hand to mouth, and the years go by without a glimmer of a prospect of any orderly trading activity, no hope of steady production secure from one month to the next against shortages, bottlenecks and prohibitions. The crisis symptoms now appearing in one European country after another are old and familiar in Germany, and many times intensified.

The dismantling activities of Military Government may not amount to much compared with what was planned at Potsdam. But place them against this dismal background and it is easy to see how they excite the Germans to helpless exasperation. No doubt many of the major dismantling operations contemplated

under the old plan were put off while the revision was being worked out, and many of them will not now take place. But the innumerable minor removals (under BIOS and under the "multilateral" scheme for advanced deliveries arranged with IARA) have had the same exasperating effect; and it is arguable whether, by removing key machines, we have not done as much to dislocate production in the short run as we could have done by a whole series of full-scale dismantlings. In any case, the Germans see what we take, not what we forbear to take.

It is hard to say whether the Anglo-American plan would have been better received if the dismantling list had been published simultaneously with the general level-of-industry agreement. That agreement was published at the end of August with (after all the delays) a precipitancy which maddened and humiliated the French. Its negative side, the dismantling list, now makes a separate entry so timed that it estranges the Germans no less bitterly. It is no use imagining that the most skilful tactical handling would have reconciled the Germans to the loss of a further substantial slice of their industry. In any case, the damage is now done. At a time when the more internationally minded among them had begun to hope that a future might open up for them in a general scheme for economic revival in Western Europe they are confronted with no immediate reconstruction plans, but a programme of dismantling alone. Naturally, they will do all they can to stop it. The question arises, What can they do?

Threats and Consequences

The German Governments of the *Länder* can oppose, but there is not a great deal that they can do directly and openly to make their opposition effective—without employing their ultimate sanction of withdrawing from the work of government altogether. This threat was used in the food crisis of last spring. But its consequences for the ordinary German would be disastrous, the extent of its evil political consequences incalculable; what has been done to build up a democratic structure of government would be undone, perhaps irretrievably. If it is damaging to the credit of a political leader to be associated with unpopular Allied measures, it is damaging, too, to have dodged responsibility. The undermining of sanity will have to go a long way yet before this course is taken. No doubt it is in an effort to reverse the drift in that direction that Lord Pakenham is flying to the Ruhr this week-end to explain the British position to a meeting of representative Germans at Düsseldorf.

So it may happen that, while the *Länder* Governments, the Ministerpresidents' meeting, and the political parties will maintain the strongest formal opposition that they can reconcile with staying in office, the onus of resistance will fall largely elsewhere. It may fall on the trade unions. A speech by Herr Malina, of the transport workers' trade union in the British and American

Socialist Strength in Europe—I

Neighbours of Russia

(By a Correspondent)

THE announcement a fortnight ago that a Communist international information bureau had started business in Belgrade provoked all kinds of interpretations. Some were influenced chiefly by the violence of its language, others by the form and name of the new organisation. Among the latter was one which saw in this public challenge a retort to the work of the Zurich conference of European Socialists held in June. The delegates' activities were violently attacked by Moscow at the time, and the British in particular were accused of giving them provocative leadership. The role that the Labour Party in fact played was discussed in a leading article of *The Economist* of October 11th. It is now worth examining what in fact might be made of the European Socialists as an international force, what solidarity they already show.

To do this it is first of all necessary to understand their diversity. At the moment, they can be considered as falling into four main groups—Scandinavian, East European, West European, and German.

Of these the Scandinavian is by far the most homogeneous group. The Socialist parties of Denmark, Norway, Sweden and

Finland have similar racial characteristics, political traditions and methods; in world politics they have the same problem of proximity to Russia. In Norway and Sweden the parties have a clear majority over all others, including the Communists. In Denmark, though the largest single party, the Social Democrats are temporarily in opposition; but they may return to power this month. In Finland the Social Democrats have about a quarter of the parliamentary seats; but they share office in a coalition government with *bourgeois* parties and the Communist-controlled Democratic Union, which is only slightly weaker than themselves. Temperament and experience of power make Scandinavian Socialists empirical and reformist, primarily interested in improving working conditions and economic efficiency rather than in petrified Marxist dogma.

Except in Finland the Communist parties are a nuisance, or a spur to efficiency, rather than dangerous rivals. Norway is the only country in the world where the Socialists have obtained the tactical advantage of pressing fusion on the Communists and seeing them reject it. There is already considerable consultation between the national party executives; in fact Scandinavia

Watch on the Militants

There has already been in existence for some months the Altena resolution of the metal workers' trade union assuring workers who refused to work at dismantling of such support as the union could give them. The British Zone Trade Union Federation, in its conference at Bad Pyrmont, will have debated the matter this week. It is not anxious to embark on a resistance movement, but has to watch its own "militants," who show themselves perfectly willing to take on the leadership of a movement against dismantling, complaisant as their fellow Communists are about dismantling in the Eastern Zone. They may succeed in embarrassing the bi-zonal enterprise, and they cannot do themselves any harm. So one can say that the democratic trade union leaderships are certain to declare themselves in strong terms against dismantling; they will do nothing to persuade unwilling workers to the work; and they may be obliged to go in for obstruction. If the last were to happen, the obvious method would be to make the supply of labour for dismantling jobs even thinner and more elusive than it is now.

There is a great deal, short of physical opposition, that can and will be done (it has, indeed, to a certain extent, been done already) to make dismantling slow and unprofitable. The efficient performance of any industrial task in a run-down economy is a matter of priorities. Labour used in pulling down a "surplus" steelworks could be used instead to repair one that is not surplus. Cranes are genuinely needed to build bridges, excavators are in fact wanted for the clearing of bombed towns. The German railway administration, resisting a claim for wagons to carry away dismantled plant, can say with truth that the wagons are wanted to carry coal or food; it can be reasonably sure of the understanding and, to a certain extent, the support, of the sponsoring branch of the Control Commission. It is really impossible to tell what is obstruction and what merely a reasonable reluctance to waste valuable plant and scarce labour on an unproductive task.

As General Clay has hinted in his sledgehammer way, the occupying authorities have in their hands powerful weapons of retaliation against any open disobedience. They can always withhold food and the supplies. But who will benefit if they do?

provides a model of the flexible co-operation that is possible between Socialist parties which have each other's confidence and respect, as well as common interests.

Doubts About America

But this very recognition of their common interests limits considerably the freedom of each national party to co-operate with outside groups. For example, the principle of neutrality always pursued by the powerful and experienced Swedish Socialists is now generally accepted by all. Much of Sweden's foreign trade is with eastern Europe and the Soviet Union; clumsy American diplomacy has made the Scandinavian states look as if they are leaning further towards Russia than any other free European government. This result is not due purely to their geographical position; in many quarters there is a genuine mistrust of the stability of America's economy and foreign policy, which was reflected in Scandinavian hesitation over the Marshall offer. A further factor is the desire of all parties to preserve Finnish independence and to help the Finnish Social Democrats—aims constantly jeopardised by the obstinate integrity of the Finnish Socialists themselves, whose criticism of Communism has shown a bitter contempt rivalled in only a few European countries. Now that direct Russian influence has been withdrawn, the situation in Finland is being watched with exhausted anxiety throughout Scandinavia.

All these parties have with the British Labour Party a close sympathy which has only occasionally been strained. The Norwegians were greatly embarrassed by the British policy towards Franco Spain, largely owing to their own failure to explain the issues. But, within the limits suggested, the Scandinavian Socialist parties will understand and actively support any British policy which aims at decreasing tension between the Big Three, or at establishing an independent area outside the main Russo-American conflict.

It is noteworthy that the Cominform includes none of the Scandinavian Communist parties, while its declaration of policy omits all reference to the Scandinavian Socialist parties, though their leaders are generally more Right-wing and anti-Communist than most of the individuals singled out for attack.

Policies of Appeasement

In Eastern Europe other than Czechoslovakia, the Socialist parties are important only in Poland, Hungary and Rumania. In all these countries they faced the same problems in 1945: The Yalta and Potsdam decisions cut them off from effective help from the West so that the provisions for free elections became a provocative hypocrisy. The Soviet Union could establish a single-party Communist dictatorship in any country where that might guarantee more effective co-operation than could a government with some genuine popular support; the Russians were not prepared to trust a freely elected and freely functioning government to carry out their minimum requirements. Any party which remained in opposition to the new government blocs was doomed to political futility, if not violent destruction. The choice for the Socialists was either to accept the principles of "eastern democracy" and to fight for the largest share of power inside the government bloc, or to join an opposition led by the traditional enemies of Socialism, and to plan for a third world war in which the defeat of the Soviet Union would make a counter-revolution possible. Inevitably, the Socialists chose the former course, though all of them split in the process.

Inside the Government blocs the Socialists have struggled hard to preserve the conditions for democratic development and to maintain their own influence. Their disadvantages are obvious. A policy of appeasement, however realistic, does not strengthen character or produce dynamic leaders; continued compromise makes the rank and file restive. But the Communists have always the ultimate sanction of Soviet support behind them. Even in Poland, where the appeasement policy, skilfully operated by strong personalities like Cyrankiewicz has achieved its greatest success, a severe increase in Communist pressure has never failed to squeeze out some Socialist concessions—the establishment under the Communist Minc of a state trading organisation to compete with the Socialist co-operatives and the Communist capture of the port administration in Gdynia are recent examples.

In Hungary too many of the Socialist leaders are doctrinaire intellectuals, out of touch with the main sources of party strength in the factories; they grossly miscalculated their ability to guarantee free elections, though the very flagrancy of Communist

electoral abuses may be turned to their credit. In Rumania the Socialists share the general odium caused by the desperate economic situation; there the Communists are more ruthless and have less to lose by establishing single-party rule.

In these countries there is only one issue on which the Socialists can afford to risk a breach with the Communists: that is the maintenance of their party's structural independence. Both in Hungary and Poland recent Communist attempts to obtain a fusion of the two workers' parties have been firmly—even violently—rejected. In Rumania, however, the Socialist Party Congress a few weeks ago set up a joint committee with the Communists to organise fusion. In Poland fellow-travellers have been expelled from the Socialist Party. But it must be understood that this Socialist collaboration with the Communists is not simply the result of Soviet pressure. On the contrary, it might be much closer, because more necessary, if Soviet pressure were removed. The long-term aim of the Socialist leaders is not to escape from Russian influence, but to prove to the Russians that they are a more reliable ally than the Communists because they command wider popular support. How long this pro-Russian attitude will survive Communist double-dealing is an open question.

The other threat to Socialist survival in Eastern Europe is Russian economic policy. If Russia decides to draw all Hungarian, Polish and Czech surpluses into the Soviet sphere, the consequent fall in the standard of life will make a social-democratic policy impossible. The East European Socialists have already held two conferences among themselves to discuss an integrated economic policy; but these failed to produce major results, largely because the countries with mineral or industrial wealth cannot afford to put these resources in the first place at the disposal of their poorer neighbours.

The Socialists are thus not only the main agents of democratic pressure in these countries, but also the strongest supporters of contact with the West. But conditions already accepted make it impossible that they should ever support anti-Soviet policies—a point Americans often overlook or ignore. Most of these limitations also apply to the Social Democratic Party in Czechoslovakia, though there is no direct Russian interference here and political battles are fought under democratic rules. The Czech Party is now in an awkward position; the bad reception given to the ambiguous pact of unity with the Communists which was clumsily announced last month has shown that the party cannot hope to grow unless it sharply distinguishes itself from the Communists; such a policy, however, may complicate its relations with the Polish and Hungarian Parties.

(To be concluded.)

Right and Left in Ceylon

[FROM A SPECIAL CORRESPONDENT]

"COMPARED with India, Ceylon is a comfortable never-never land. The political affairs of the whole island would fit easily into the business of the municipal council of a big Indian city." That was the perspective given to me by a prominent Indian resident when I arrived in Colombo during the first Ceylonese general elections in 11 years. After the stresses of Indian politics, Ceylon certainly seemed an island of peace, comparatively well provided with such necessities of life as food and cloth, and free from the looming menace of internal civil war and the questionable activities of neighbours over the border.

For anyone from India, the way in which Ceylon's politicians played with fire without disaster was little short of staggering. For example, the most inflammatory of all Asia's political slogans, "Religion in Danger," was being freely bandied about in a country where the electorate includes Buddhists, Muslims, Hindus and Christians. In the past there have been religious riots in the island, and the Tamil (Indian) population is liable to find life made difficult for them by the "Ceylon for the Singhalese" element.

But for this first general election last month under the new constitution, which grants Ceylon "fully responsible status," the cleavage between parties was different. There was a fairly straight fight between the "Haves" and the "Have Nots," and the result did not give the "Haves," represented by the United National Party, the sweeping victory they had expected. In fact they have not even got a clear majority in the new parliament. For election purposes the island's leading political genius, Mr D. S. Senanayake, formerly leader of the House and chief sup-



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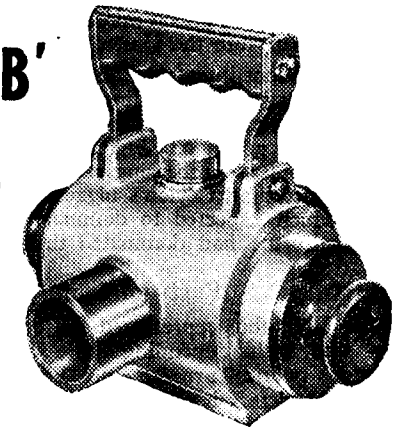
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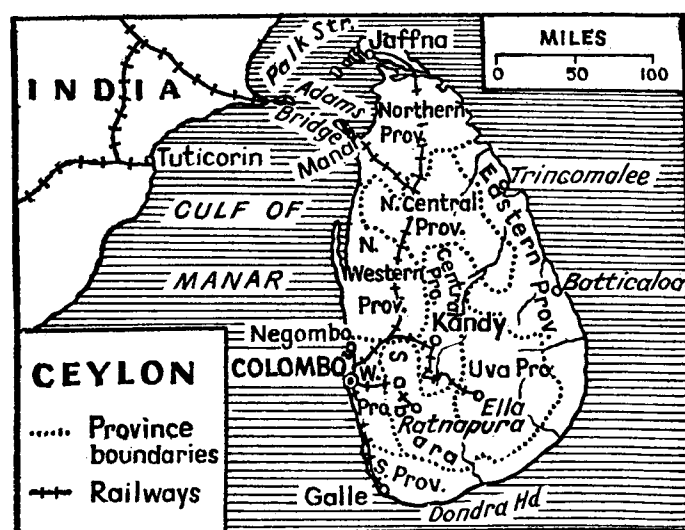
porter of the new Soulbury Constitution, induced the three leading right-wing parties, plus a miscellaneous collection of small groups to amalgamate into the United National Party.

Its main constituents are the Sinhala Maha Sabha, the Ceylon Muslim League (the leading Buddhist and Muslim communal organisations) and the Ceylon National Congress (a fairly moderate reformist group of Sinhalese, and not to be confused with Indian organisations bearing rather similar names). Some Jaffna Tamils, including Ceylon's biggest business men, also joined the UNP, which expected to dominate the new Parliament just as its constituents had dominated the old State Council.

Party of Land and Cash

The UNP thus represented the concentrated power of family, land and cash, depending more on personalities than on its nebulous political programme. The fact that it failed to gain a downright victory is probably as much due to its own weaknesses as to the appeal of the opposition's programme. Any other view involves assuming that the average citizen of Ceylon is a Socialist, far gone towards Communism, which is emphatically not the case. The phenomenon of large numbers of votes being cast for Marx-inspired candidates is, I believe, mainly to be explained by the fact that large sections of the public were tired of politicians who had held office for 11 years.

At the top of the opposition is the Lanka Samasamaj (Trotskyist), which controls many of the workers' and peasants' trade unions. Then comes the Bolshevik-Leninist Party. Students of radicalism will appreciate the difference between this party and the Trotskyist Samasamaj as a problem of doctrinaire theory which also prevents union with the Ceylon Communist



Party, the third big group of the Left. This Communist Party is allied to the Indian Communist Party, and is led by Peiter Keunamen, former Cambridge Union President and a Burgher (mixed Dutch and Sinhalese blood).

Since the UNP supported the new constitution it was inevitable that the opposition should make the demand for independence their chief plank. This brought them the support of the Indian parties in Ceylon: the Ceylon Indian Congress and the Tamil Congress. These parties take their cue from India, and found themselves in somewhat of a quandary when the parties at home agreed to Dominion status for India. However, by going along with the Left, they hope to induce among the more progressive elements a better attitude to Indians in Ceylon.

Apart from the demand for independence—never taken very seriously in Ceylon—the main criticisms of the UNP centred on the acceptance of the reformed constitution by the old State Council (led by Mr Senanayake) without consulting the electorate. Since it is generally assumed in Ceylon that “fully responsible status” is Dominion status in all but name, Mr Senanayake would probably have had little difficulty in steering it past the electorate.

Role in Imperial Defence

It was freely rumoured in Colombo that a Bill to confer Dominion status on Ceylon would be introduced at Westminster before the new year. However that may be, the question of reserved powers will remain a thorny one—in theory if not in

practice. According to the new arrangement, the Governor reserves powers over defence, external affairs, trade, transport, and communications affecting any part of the Empire. Mr Senanayake agreed to the retention of Trincomalee as a British naval base, thus making Ceylon an integral part of the imperial defence scheme and, say his critics, mortgaging the independence of the island in perpetuity.

From the practical point of view, the average Sinhalese is not sorry to be staying in the British Commonwealth, so long as the changes do not mean merely glorified colonial status. In no circumstances, either in trade or in war, can Ceylon stand by itself. Indian politicians sometimes indulge in daydreams of Ceylon entering the Indian Union, and there is no doubt that Indian culture and political aspirations exercise considerable influence. But there are no signs at present that India would be able to defend Ceylon, keep it supplied with food, or replace the West as a market for its products. Thus, while Ceylon's relations with India are carefully cultivated, they lack the practical advantages which Britain, or even Australia, can offer.

In the circumstances it may seem strange that extreme left parties should flourish, especially in the shadow of the Colonial Office. The following figures show the state of the parties in the new Parliament: UNP 42, Left 18, Tamil Congress 7, Ceylon Indian Congress 6, Independents 21 and Labour 1.

If the Left and Indian parties are taken to represent the workers' vote (there is universal adult franchise) it would seem that the under-dog in Ceylon is well represented—on paper. But it is necessary to emphasise the theoretical nature of such estimates, because in the East the practices of a party are not necessarily indicated by the label. Democratic technique can undergo a curious inversion. Instead of the party regarding itself as representing the people who voted for it, it is usually much too ready to consider itself as having a mission to lead all the people. Since the leader himself decides how the people should be led, the chances of an authoritarian outlook are not insignificant. It would thus be possible for the Left parties to carry on considerable agitation for independence—even to call strikes—although it may be fairly obvious that their alleged supporters have no interest in the question, or are openly in favour of remaining inside the Empire.

Apart from the Communist Party, it is also difficult to decide how far to the Left such parties as the Samasamaj and the Bolshevik-Leninist Party are prepared to stand. Most of their leadership is in the hands of intellectuals who have never known want. In a country where the standard of living was high they would look ridiculous; but in Asia, where there is very real want, their ideologies fit more neatly into the picture.

End of the Palmy Days

Ceylon is a particularly good laboratory because the line between the “Haves” and “Have nots” is fairly distinct. There is very little industry and therefore only a very small landless middle class. The island's wealth depends mainly on estates raising tea, rubber and coconuts and on mines. In all these undertakings the line between master and man is clear. Many of these estates were formed by the British. Some are still held by British companies, but to a great extent ownership is now in Ceylonese hands. Furthermore, the British resident in Ceylon wields very little influence today. He is usually a manager or assistant for someone else. The palmy days of the “planters” are over, though British ideas of prestige prevent any real mingling between British and Sinhalese.

It has to be realised now that, although Ceylon is still nominally a British colony, the domestic future of the island is very much in the hands of its people's leaders. Mr Senanayake and his new Cabinet face a future by no means easy. Labour troubles have already been widespread and are liable to continue, especially as Ceylon has to settle down after an unprecedented war boom. The SEAC high command was concentrated in the island, and brought prosperity undreamed of in prewar days. The war boom touched everyone, down to the man who does the mango plant trick. But the return of Malaya to the rubber market, and the possibility that the Netherlands Indies will once again be tea producers, mean that even the estates will no longer have things their own way.

Ceylon has begun to realise that a depression is possible. Whether the United National Party can hold together under the strain remains to be seen. If it succeeds, the Government of Ceylon will for some time to come lean towards the Right; if it fails, the island may well follow India along the road of Socialism.

AMERICAN SURVEY

Autumn Timetable

(From Our US Editorial Staff)

THE anticipated timetable of the Marshall Plan is now reasonably clear. The Herter Committee is back, and expects to have a report ready by the first of next month. The Harriman Committee's report will be released about the same time. Early November, therefore, will see at hand the statement of the Sixteen on what is needed, an analysis of availability and a programme for making goods available from the groups appointed by President Truman in midsummer, and findings on need with a proposal for meeting that need by the Special Committee of the House which visited Britain and the Continent during August and September. These are the preliminaries to official action.

Will there be a special session of Congress to act? Such a session has been demanded by a number of Congressmen, by round robins of college professors, by various private citizens. Will Mr Truman call it? The President's acquiescence in the departure of Congress in midsummer, and the doubts he then expressed of any necessity of reconvening it before January, have been criticised; misunderstanding of his technique has been particularly noticeable abroad.

If Congress had been kept sitting in the discomfort of the hottest summer of recent record, little would have been produced but disgruntlement. Even the prospect of an early return, announced at that time, would have concentrated antagonism on its cause. At that time, Congressmen wanted to go home. They had been home very little during the war years. They wanted to mend fences. They wanted to see the folks.

By now, they have seen them. They have seen all the fathers—and all the mothers—of all the boys who want their one available appointment to Annapolis or West Point. They have been called on by the real estate board about that little matter of the new armoury. The Chamber of Commerce has taken up the trouble caused by silting in the river. The Farm Bureau has presented its views on the agricultural legislation due next year. Home is not what it was, seen from Washington. It might be quite a relief to get away. And quite a few constituents are beginning to think that Congress ought to get to work on overseas relief before midwinter.

In addition to the political asset of this change of mood, which puts the Administration constantly nearer to the invaluable position of being pushed by the country, the mechanics of Congressional action have been taken into consideration. Normally, Congress as a whole has little to do during the first month of a session. During that interval, Bills are before the appropriate Committees; hearings on them are being held. Only after a Bill has been reported out, and given a nod by the Rules Committee can Congress as a whole come into action.

Under the timetable now proposed, the Foreign Affairs and Foreign Relations Committees of the Senate and House will be called into session early in November, to receive the materials previously mentioned, to hear testimony from the State Depart-

ment and other sources, and perhaps to frame a draft Bill. If this can be done in November, the time will have come for Congress to act.

Whether to call a special session in December, or wait till January with the understanding that the Marshall Plan will be made immediate business, will probably be decided on the condition of the supply pipeline at that time. The air is loud with the scraping of barrel-bottoms. If enough funds, such as those found in the last few weeks for France and Italy, can be dredged up to keep the pipeline full, there is a very considerable political advantage in avoiding a request for stop-gap appropriations just before the Marshall credits are considered. The chances of the plan as a whole are clearly far greater if the relief and reconstruction aspects can be combined.

If the pipeline can be financed through the crucial weeks in December, it might be entirely possible for action taken early in January to provide immediate credits for the Marshall Plan from then until the coming harvest, with consideration of later aspects following by March or April. (The fact that very specific figures can be given for food needs for the balance of the fiscal year, whereas later estimates are subject to wide variations with next year's yields, would help if Congressional sledding turns out to be tough.)

★

The quantities of aid to be delivered under this timetable are not the only items on which decisions will have to be reached. There is the matter of auspices. It seems unlikely at present that the sum proposed by the Sixteen, or anything like it, will come before Congress for appropriation as a whole. Some of the need may be handled through the International Bank, some through the Export-Import Bank, which has its own financing, some perhaps through other agencies. But for whatever credits are directly given, an administrative agency is required. Three possibilities suggest themselves: administration by an existing department; by an agency set up for the special purpose and attached to the Executive Offices of the President; by a Government Corporation on the model of the Reconstruction Finance Corporation. The first two named suffer from certain disadvantages: several departments—State, Treasury and Commerce, to name three—might present rival claims under the first arrangement, and an administrative agency, unlike a Government corporation, would have to be financed on a possibly awkward fiscal year accounting basis.

Another matter concerns the elimination of the dollar from the transaction. The case for relief in kind is very strong. But since the belief is equally general that a gift sits well neither from the viewpoint of the giver nor the receiver, what form of return, other than dollars, can be worked out? Section 6 of the Act providing Post-Unrra Relief is being examined thoughtfully by those in search of a Congressional precedent. An adaptation of its provisions for payment in local currencies might prove useful in many ways: if the proceeds from food and other goods sold in the receiving countries were held by Governments to United States credit for a time, the dangers of inflation might be considerably reduced; a return to the United States would be provided; this return might be used as a basis for reverse shipments in kind to build up United States raw materials stockpiles, or it might serve as an aid to the revival of multilateralism.

The multilateral approach also is attracting attention in connection with the desire to keep the Marshall Plan open-ended.

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

Europe as a whole was invited to participate. A considerable measure of East-West trade in Europe was assumed by the Sixteen in the final writing-down of their estimates. How can trade such as currently exists with Poland and the West be encouraged? How can activity with the other Eastern European states be stimulated? And outside Europe, how can the resources of countries other than the United States be meshed into renewed European activity? (The overseas revenues of Britain and France have been greatly reduced, but does it necessarily follow that new ventures in the less developed areas of the world, undertaken with new techniques, are unforeseeable?)

Such multilateralism has its problems, for one assumption of the Marshall Plan, at least on the American side, is an effort on the part of the European countries to integrate their production until a yield becomes possible in twentieth-century terms. And at any given stage, the area integrated has to have a definite shape. It affects, too, the European machinery which will serve as opposite number to whatever American agency is set up. The Sixteen did not dissolve their Committee. What subsequent purposes will it serve, and what relation will it bear to the activities and commitments of the individual participating Governments? The same question stands for the International Bank.

A final matter which affects the timetable is the temper of the discussion on both sides of the Atlantic. Progress will be slowed from the American side if there is over-indulgence on the pleasures of an election year. It will be slowed from the European side if there is too much comment that can be classified in America as biting the hand about to feed—even though there may be some understanding of the fact that fatigue, cold and discouragement can make it a pleasure to bite.

American Notes

Demand and Resources

Although it provides a useful correlation of available data on American resources, the report of the special committee established by President Truman and headed by Mr J. A. Krug, Secretary of the Interior, contains no information beyond that formerly available in the Commerce Department, or indeed, in many commercial quarters. It is an essential political preliminary to Congressional debate on the Marshall proposals, but within its own terms of reference it could scarcely resolve the contradiction between the general claim that "resources are physically sufficient to preserve national security, and the standard of living, and at the same time support a considerable foreign aid programme," and the very obvious fact that, in terms of such vital materials as steel, machinery, grains, fertilisers, etc., European estimates presume a further twist of the inflationary screw in the absence of special measures. The Krug report (which is summarised in our *Records and Statistics* supplement) does indicate certain steps which may be taken for some materials, but "economic and fiscal measures" will be defined later by the Harriman Committee, whose task is to assess the character of the resources "which may be safely and wisely utilised" abroad, and by the Council of Economic Advisers which has been called upon to "appraise the economic impact on the United States."

These demonstrations form an essential part of President Truman's complicated task of justifying foreign aid policy, not only to Congressmen, but to an electorate which, on the evidence of recent investigations is still entirely vague concerning the nature of Europe's need, or the full implications of the Marshall proposals. But the Administration which had at one time the reasonable hope that domestic demand would subside to a degree that promised important relief for overseas shipments, is now face to face with a boom that shows very few signs of evening off at least before the spring of 1948. So long as it proceeds at the current pace, Mr Truman has the following choices in terms of policy. He can, first, take no special measures, and let the price situation get entirely out of hand. He can put back priorities and allocations on key materials, or plump for a full resumption of physical controls. He can endeavour to break domestic demand by fiscal and monetary measures, or last of all, he can simply deflate the European aid figures to the degree necessary to achieve some sort of working balance—and hope for the best.

The Administration will presumably take its customary middle

path. In recommending allocation measures for such key materials as steel, it must fight intense opposition. But it has growing support from consumers, and both authoritative and influential support from the Council of Economic Advisers, which has always held the respect of the political opposition and of the industrial community. But it will certainly be in no mood, in 1948 especially, to extend priority and allocation procedure beyond the minimum necessary, and that in itself—as the freight car shortage so plainly shows—is by no means certain to bring the required results. The full resumption of physical controls is a political impossibility now, and equally debatable from an economic viewpoint, while in terms of monetary policy, the Treasury has taken no steps even to minimise the threat of new credit expansion following from the revival of gold imports—a step that was taken quickly enough in 1937 when the inflationary situation was far less aggravated than it is today. The conclusion would seem to be that while Congress may be willing to grant relatively substantial sums as stop-gap aid when, and only when, it faces undeniable indications of collapse abroad, it will insist upon protracted and meticulous examination of longer-term aid. The term of the domestic re-equipment boom, far more than authoritative backing from special committees, will determine the limits of Marshall aid.

"Symbols of Sacrifice"

The capacity of the American salesman is a national legend, and Mr Charles Luckman admittedly stands at the head of his craft. At his behest the best brains of the advertising profession are busy glamorising the food conservation campaign by such inspired legends as "Don't start the next war in here," to be pasted on the nation's dustbins. Mr Luckman got off to an admirably speedy start. Some critics are wondering whether less haste might not have meant more speed. The programme has three main sections, directed at the general public, at the farmers, and at the grain-using industries. Farmers are being asked to substitute grass and hay for grains in livestock feeding and to market at lighter weights; the distilling industry (which is hypersensitive to public pressure and subject to special forms of government control) has agreed to stop operations for 60 days, on the condition that grain saved is not distilled in Europe and sold back into the American market. The brewers are being pushed not only into alternative grains, but towards a reduction in consumption. The bakers have agreed not to accept return of stale loaves, and are considering making smaller loaves.

But for the public the test of Mr Luckman's success is the institution of meatless Tuesdays and poultryless and eggless Thursdays (with special dispensations for the national holidays that perforce fall on a Thursday). The pitfalls in such voluntary rationing have shown up early. Families already rationed by high prices are resentful of superfluous exhortations; compliance is spotty among the better-off; and, worst of all, it has been quickly realised that any pangs of conscience can be painlessly appeased by eating chicken on Tuesday and beef on Thursday. Even Mr Luckman has conceded that to refrain from eating chicken may, in the short-run, defeat the end of grain-conservation by prolonging the life—and the feeding—of hens on the farm.

A little more time for thought might also have reminded the Administration that even the great days of voluntary food conservation under Mr Herbert Hoover during the last war would not have been possible without fairly stringent controls over waste, hoarding and allocations to the food industry embodied in war legislation. Some new version of these powers is sorely needed by the head of Levers if he is to succeed. It is also apparent that Mr Anderson, the Secretary of Agriculture, has not been convinced of the effectiveness of voluntary consumer rationing. His tactless insistence that meatless Tuesdays were "symbols of sacrifice" rather than the substance, a reminder, "like going to church on Sundays," brought a sharp reprimand from Mr Truman. But however tactless, Mr Anderson's insistence that the heart of the problem is on the farm, where 75 per cent of the grain is consumed, is certainly right. The distilling industry itself cannot save much directly for Europe, as it uses chiefly rye and barley; last year it used only 42,000 bushels of wheat.

The Department of Agriculture is placing no great reliance on the food-saving campaign. The Commodity Credit Corporation is pushing its purchases of wheat for export in the prudent belief that every day will make wheat harder to buy even at prices topping \$3 a bushel. On October 10th it was estimated that 256 million bushels of wheat and flour equivalent had been

acquired, just over half the export target of 500 millions. The next 250 millions will be harder to get, even at a price which the Administration hopefully believes will apply the sharpest deterrent to livestock feeding. Disappearances of both wheat and corn are well above average already.

Taft and Stassen?

The most striking thing about the 1948 campaign, on the Republican side, at least, is its early liveliness. This is in sharp contrast with the 1944 campaign, when at a comparable stage, virtually no Republican would concede, by word or act, that he was interested in that nomination. It may be that the memory of that strategy, which gave the nomination to Governor Dewey, is behind last week's strange political honeymoon between Senator Taft and Mr Harold Stassen, who have been joining forces on one platform after another, warmly applauding each other's integrity and sincerity. Senator Taft was perhaps the warmest in declaring that, "despite our differences, we are prepared to compromise our individual views to . . . maintain the solidarity of the party," but Mr Stassen was not far behind in pointing out "the best progress in America has come from a blending together of a liberal attitude with a conservative position into a programme of action."

Mr Stassen has hastened to deny the inevitable rumour that there was to be a Taft-Stassen ticket. It is ironic that Mr Stassen, who alone has always made it perfectly clear that he was running for the Presidency, should with such monotonous regularity be cast as bridesmaid rather than bride. A month ago Mr Stassen denied with some heat any intention of running on a Dewey ticket; not long ago Mr Henry Wallace blessed a union between Mr Stassen and General Eisenhower. Mr Stassen, who inherits the international support that once was Mr Willkie's, would indeed be a formidable and attractive complement to almost any Republican ticket, but he shows no sign of abandoning his own campaign for the Presidency.

It is difficult to believe that at this stage Senator Taft and Mr Stassen are contemplating any permanent union. Mr Stassen, announcing a "stepping up" in his campaign, is about to depart on another political odyssey. What is quite likely, and has been denounced by the Dewey headquarters, is an agreement between Taft and Stassen to make each other their followers' second choices in order to ensure that Governor Dewey is not nominated on the first ballot and to throw the convention into a deadlock. This would be a perfect case of both ends combining against the middle. Mr Stassen is a pace-setter in this campaign out of all proportion to the votes he has in his pocket, and his demands that any candidate for the nomination should have a public programme, and that there should be no quibbling over food exports to Europe, showed an uncharitable bias against the Governor of New York, whose reticence is fast becoming a public joke.

Freight Car Shortage

The freight car shortage, which at one time brought a brisk exchange of protests to enliven the normally smooth relationship between Ottawa and Washington, has for many months hampered industrial output, and threatened crop deliveries. Early this year, the Office of Defence Transportation set a production goal of 10,000 units monthly for domestic use, and the railroads themselves put in firm orders for 90,000 over the first eight months.

This programme has fallen very badly into arrears. In no recent month has output gone above 8,000 cars, and the railroads have done no more than to replace war-worn stock which, under normal conditions, would have been scrapped much earlier. In its concern over such a critical shortage, the Department of Justice has now made the almost inevitable move of investigating the entire industry through the courts for alleged anti-trust law violations. A Senate committee has taken the more practical step of calling producers together, but no solution seems possible, at least until 1948.

The whole railroad equipment industry has suffered in earlier years from tremendous fluctuations in demand. Actual installations by the domestic railroads are shown below:—

Period	Expenditures on Freight Cars	
	Number Taken	Cost per Unit (\$ 000's)
1925-29 (yearly ave.)	90,200	1,900
1935-39 " "	34,200	2,800
1943 " "	28,700	3,410
1946 " "	40,400	3,950

To reinforce domestic demand, the Paris Conference estimate of import needs through to 1951 was for an expenditure of \$367 million at a unit cost which seems rather optimistically placed at \$3,500. The total for 1948 alone, on this basis, would be 48,000 new cars. The bottleneck is not in building capacity which the industry assesses at 10,000 monthly, and which could be increased perhaps to 14,000 by peak output from the railroad building shops. Controversy on the anti-trust issue surrounds the problem of steel deliveries. The steel makers assert, and ODT figures agree, that sufficient steel has been shipped to attain an output goal of 10,000 cars monthly, and that steel designed for these cars has been sidetracked for locomotive manufacture, and for coalmine loading cars.

But if these allegations are correct, they serve only to indicate the desperate need for steel tonnage in other, and equally essential, sectors of industry. It is possible that relief may accrue from a setback of domestic demand. The long-term loss of traffic to competitive undertakings has made the railroad managements very cautious in their assessment of future needs, and if they are not given further rate concessions soon they may be willing to cancel large orders. On the other hand, they are working with the same number of cars as in 1940, and are handling a traffic volume fully eighty per cent higher. The creation of a special agency for the allocation of steel to freight car-builders can do no more than to ease the problem while demand holds at present rates. There is no cause for surprise in the fact that the cautiously-moving Council of Economic Advisers has called for powers of allocation and price control "in respect of a few key materials."

Synthetic Rubber Policy

Part of the work ahead for Congress covers long-term policy on synthetic rubber output, now governed by stop-gap legislation which will expire on March 31st next. On several occasions since V-J Day Washington has relaxed controls over private purchasing, inventory policy and usage of natural rubber. But it retains control of the synthetic plants, and decides the proportion of natural rubber to be used for tyres and tubes. Its grip thus covers about three-quarters of new rubber consumed within the United States.

Recent months have witnessed a growing struggle between the government's service advisers and the rubber manufacturing industry. In the enthusiasm which followed from the "production miracle" of the synthetic industry US manufacturers believed that they had broken for all time the grip of the "Anglo-Dutch Cartel" and that the future would bring freedom from price hazards and release for the vast assets formerly frozen in inventories. But the very real success of synthetics has not eliminated the advantages attaching to natural rubber, more particularly when the government insists upon a price of 18.5 cents for synthetic and when Malayan rubber has been available below 15 cents. Mr Bernard Baruch, who played so large a part in establishing the synthetic industry still holds that a tariff against natural rubber is justified by "ridiculously low wages paid on Eastern plantations." And the Army-Navy Munitions Board decided in July that long-term legislation should include provisions for the compulsory use of at least one-third of new rubber requirements in buna-type synthetic. This programme was held to promise a market for 300,000 long tons of buna-type rubber yearly, and the Board recommended the stand-by maintenance of plant yielding at full production 600,000 tons yearly.

Industry's latest views have been developed by Mr P. W. Litchfield, chairman of Goodyear Rubber, the largest American manufacturer, who supports the stand-by total of 600,000 tons, but suggests that actual output should be held down to 100,000 tons and that control should be retained only over tyres and tubes. He also wants a "Hemisphere programme" for natural rubber at 100,000 tons yearly (a move that would certainly involve protective support) and reduction of the synthetic price to 15 cents a lb.

After months of inactivity the American Government is again in the market for stock-pile rubber. The scope of the new programme is unknown, but trade rumours suggest that it goes beyond purchases for purely defensive purposes and that stock-

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piling now does mean a recognition of the need for bolstering dollar supplies abroad. These rumours again find reinforcement in persistent reports that the Anglo-American tariff agreement will be accompanied by plans, presumably informal at this stage, for an increase of natural rubber purchases at the expense of synthetic. Such an agreement, as may be noted by Mr Litchfield's remarks on price policy, will meet with intense opposition if it seems to threaten any marked rise in the rubber price. The Far Eastern plantation owners no doubt realise quite well that any return of earlier boom periods is not within sight. But if every other criticism of American postwar trade policy be declared invalid, there is no excuse for her present tariff policy—a remark that will probably apply with almost equal force despite any concessions now won. The present high volume of synthetic manufacture is debatable enough on strategic considerations. It is wholly unjustified on economic grounds and in relation to her world-wide obligations, and puts an effective barrier against one of the few major imports which might otherwise secure, with reasonable certainty, a volume market substantially larger than in prewar days.

Petrillo's Luddites

The decision of Mr James Petrillo, of the Musicians' Union, to ban after December 31st the making of recordings and transcriptions by the 225,000 members of the union was ostensibly based on the plea that by making recordings musicians were destroying their own livelihood. No doubt, if so hard-headed a business man ever dreams, he dreams of a world in which "canned music," amateurs, and foreign artists have all been abolished. But this latest gambit has its roots not in Mr Petrillo's dreams, but in his pocket.

Mr Petrillo shares with Mr Lewis the dubious distinction of having directly inspired anti-labour legislation. Not only was the Lea bill written to discourage Mr Petrillo's practice of forcing radio stations to employ more musicians than they need, but Mr Petrillo was in the mind of legislators when they wrote the Taft-Hartley bill with its new controls over union welfare funds. The musicians' union, which this week wept crocodile tears over the way recordings were taking the bread out of musicians' mouths, has been receiving an income of more than \$1 million a year from the sale of recordings, in the form of royalties paid by the industry.

This money has gone into a fund administered exclusively by the union, and has been used chiefly to subsidise symphony concerts, to popularise "live" music and provide employment for musicians. The Taft-Hartley law provides that any welfare funds of this kind must be jointly administered by the union and the employer, and the money received must be used for certain specific purposes, such as hospitalisation, life insurance, compensation for illness, and pensions. Benefits are also limited to employees of the employers who contribute. In the case of the musicians' union, the employees of the recording companies are only a handful, while the golden flow from record royalties is distributed among the whole membership.

The companies are satisfied with the royalty arrangement, but have not felt able to continue it because of the possible criminal penalties for violation of the act. The threat that no musicians will contribute to recordings or transcriptions thus becomes only a threat to force the industry to co-operate in finding a way around the law. It is a strike, not a struggle for the musicians' millennium. Mr Petrillo, as his similar tactics from 1942-44 showed, would no doubt like to be a modern Luddite, silencing the machine, but he realises, as the Luddites of a century or more ago did not, that today it is the machine that lays the golden egg.

Self-Discipline for Radio

The Federal Communications Commission warned the broadcasting interests some time ago that if they themselves did not deal with the evils of excessive commercialism, Government might be forced to take action. The National Association of Broadcasters, the trade association which includes the four major networks and most of the independent stations, has now produced a proposed code of conduct, to take effect in February, under which advertising time on the air would be reduced by as much as 20 per cent for some programmes and as little as 3 per cent for others. It is a sliding scale which is unlikely to alarm any big advertiser. The NAB also proposes a series of moral standards for the industry obviously based on those Tables of Stone which the Prophet Hays brought down to Hollywood from Mount Coolidge years ago. And, like Mr Coolidge's favourite preacher, the organ-

ised broadcasters are against Sin—they deprecate profanity, obscenity, insobriety, too much sex and too many crimes—unless, as in Hollywood, they can be cloaked under the moral that crime does not pay.

The major networks pay lip service, at least, to the view that radio has a public service to perform. But—this code suffers from the same defects that the American Commission on the Freedom of the Press noted in the Hollywood code—"it sets standards of acceptability, not of responsibility; and the standards set are minima, not goals of adequate or ideal performance." Nor is it clear how any broadcasting code can be enforced. For radio does not enjoy anything comparable to the stranglehold on theatres which enabled the major film companies to bring the independents into line; nor is radio subject to the State or City Boards of Censors that exercise control through their licensing power. The Communications Commission is by law prohibited from censoring programmes. Indeed, it is unnecessary, for even Boston has never blacked out a radio programme. The advertisers exercise a Grundyism far too rigid and immaculate for that.

These proposals go nowhere near the heart of the problem. It is not only the increasing amount of time taken up by advertising "plugs" that worries the intelligent listener, but the acceptance of the lowest common denominator in taste which commercialism often involves. The report comes out strongly against the "dramatisation of political issues" on the air. This proposal to take all the life out of political broadcasts shows that it is not human morals but human intelligence which is in peril. The code-framers are obviously determined not to permit the American public to be assaulted again by such a battery of wit, fun and irreverence as some of the brightest minds of theatre and radio subjected them to in the interests of Mr Roosevelt in the 1944 election. Safety comes first; dullness must conquer all.

Shorter Notes

Almost every government economist unites in asserting that the vigour of the present industrial boom will now continue undiminished through the rest of 1947. The Reserve Board's index of industrial production (1935-39) hit a post peak of 190 as long ago as March, and declined to 178 by mid-summer. The recovery since then is expected to bring the October figure back very nearly to the March peak. While business equipment expenditures may show some decline next year, it is not expected that there will be any substantial variation through November and December.

By an overwhelming majority vote, the American Labour Federation's delegates at the annual convention last week decided to abolish official rank for its thirteen vice-presidents, including Mr John L. Lewis, head of the United Mineworkers. Mr Lewis retains a seat on the Council of the AFL, which now has only two ranking officers, William Green, president, and George Meany, treasurer. The AFL thus secured recognition by the National Labour Relations Board for workers without local representation, who were formerly barred by the refusal of Mr Lewis to sign the anti-Communist oath under the new Labour Act. The convention staged several stormy scenes with Mr Lewis, but there is no present indication that he is prepared to make another break with the AFL.

Hollywood, according to Mr Adolphe Menjou, is a "hot-bed of un-American, anti-capitalistic, anti-free enterprise activities." The first days of "Hollywood on Trial" produced by the Committee on anti-American Activities, and starring most of the big movie names, promises to be even more super-colossal a fantasy than the Hughes investigation this summer without the excuse of providing hot-weather relaxation for the nation. Whether or not this latest probe is an equally colossal flop, the all-too-likely consequence is an even greater timorousness on the part of the film city, already hypersensitive to pressure-groups of every description.

Washington reports this week revealed that Mr John Snyder, Secretary to the Treasury, is not yet prepared to release the remaining (\$400 million) balance of the loan to Britain. He denied that any new and specific request had come from London, and affirmed his agreement "in principle" to release of these funds. But, he said, action could not be taken without the consent of Congressional leaders.

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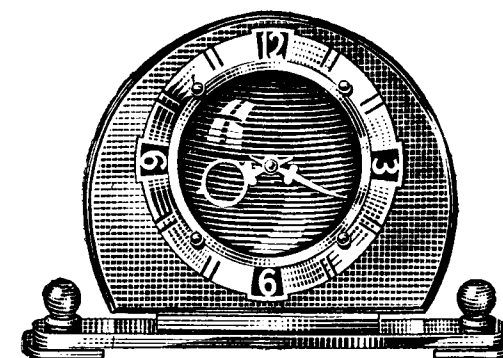
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THE BUSINESS WORLD

State Banking in Australia

THE Australian Government has lost no time in launching its suddenly announced scheme for full-scale nationalisation of all commercial banking within the Commonwealth. The intention was disclosed by the Prime Minister, Mr Chifley, on August 16th; the plan itself was approved by the Australian Labour Caucus a month later; and the Bill was introduced ten days ago. Even granted the evident determination of the Government and its strength both in the Lower House and in the Senate, this speed is remarkable, for the plan has aroused deep political feelings throughout Australia. It has had to proceed amid a nation-wide clamour and in face of delaying attempts by the Opposition in the hope of forcing a referendum, which, if Gallup polls are any guide, would have had a good chance of success. The scheme has even had its religious aspects, owing to the attitude of the important Catholic Party, and a number of leading Catholic churchmen have made pronouncements against it. At one time, indeed, it seemed that Mr Chifley's intentions would be frustrated by a nation-wide cleavage precipitated by an official declaration from the Catholic Church; but Cardinal Gilroy has calmed this particular storm by stating that the affair is no business of the Church unless a moral issue is involved.

The plan has thus successfully run its first gauntlet. Given the strength of the Government's majority, it seems destined to pass into law despite the efforts of the Opposition and the banks themselves, and despite the heated controversies that are raging beyond the bounds of Canberra. If this happens there will still be a third hazard to be faced, for the legal experts are studying intensively the possibilities of a challenge on constitutional grounds. It is too early to discover whether there is real foundation for the hopes these activities are raising; but it is already plain that the last shot in the battle will not have been fired if and when the Bill passes into law.

To appreciate the Government's objectives, it is necessary to look closely at the political background. Though announcements of the scheme came as a surprise, nationalisation of banking has long been a major plank in Australia's Labour platform. The belief in the need for control of the "money power" has always been strongly held in Australia, and was influencing the structure of Australian banking many years before the principle came to be accepted, in Britain and elsewhere, that ultimate responsibility for financial and monetary policy should rest with the Government. The exigencies of war, however, placed in the hands of the Commonwealth Government precisely the kind of powers which this doctrine implied. They were, moreover, particularly far-reaching powers, and the trading banks, at the time when they helped to frame them, certainly did not contemplate that they would be continued in peacetime without substantial relaxation. But that is what happened.

The legislation of 1945 perpetuated the system of wartime control of the trading banks, extended the powers of the state-owned Commonwealth Bank, and removed from its constitution the last vestiges of independence. Under this system the Commonwealth Bank, as the instrument of the Government, has far-reaching powers over almost every aspect of the operations of the commercial banks. It can prescribe the directions

in which and the principles on which they shall lend—provided that it concerns itself only with classes of advances as distinct from individual borrowings—and total lendings must not be increased without its consent. It controls rates of interest charged on advances and allowed on deposits, can call for information beyond that furnished in the statutory balance-sheets of the banks, and has important powers of investigation. It dominates exchange dealings and external reserves, and the trading banks require its consent before acquiring any Government security or any quoted securities.

More important still was the perpetuation of the wartime "special deposit" system whereby the trading banks were required to lodge in cash with the Commonwealth Bank the equivalent of any increase in their deposits above prewar levels; these cash lodgements are withdrawable only with the consent of the authorities and may not earn more than $\frac{7}{8}$ per cent. This particular system, even without the other controls, thus gave the Government power to fix whatever upper limit it chose to the scale of operations, and indirectly to the profits, of the trading banks. Yet the Commonwealth Bank, which administers this system, was declared by statute to have a "duty . . . to develop and expand its general banking business," and in so doing was required not to "refuse to conduct banking business for any person, by reason only of the fact that . . . that would have the effect of taking business away from another bank."

A more far-reaching and comprehensive array of controls of banking, while still leaving it in private ownership, could scarcely have been devised. It is certainly the most drastic arrangement ever operated in a democratic country, and is more than adequate to arm even the most doctrinaire Labour economist with all the powers he could desire. For these reasons, it was generally assumed that the original intentions of the Australian Labour movement fully to nationalise the banks would not be revived. It seemed even to the most sympathetic observers that it had in this system all the benefits which, from its standpoint, it might expect to derive from nationalisation, while avoiding some of its more evident disadvantages. Moreover, the Australian Banking Commission of 1936 had pronounced in favour of retaining a privately owned commercial banking system; and thereafter the Labour Party was believed to have substituted "control" for "nationalisation" of banking in its programme. The Opposition contends, indeed, that this has been the limit of the Labour Party's programme in every subsequent election, and that, accordingly, its electoral victory last year gives it no mandate to proceed further.

That these hopes have been disappointed seems to be attributable largely to the personal views of Mr Chifley, who in 1936 was a dissentient member of the Commission and then formally declared:—

The evidence given before the Commission, and personal observation and experience, lead me to believe that there is no possibility of the objectives [of the monetary and banking system outlined in the Report] being reached, or of any well-ordered progress being made . . . under a system in which there are privately owned banks which have been established for the purpose of making profit.

Mr Chifley has great prestige in the Federal Parliamentary

Labour Party, and is its acknowledged expert on all financial matters. Yet it is difficult to see what objectives he seeks, except the satisfaction of purely doctrinal prejudice.

The text of his Bill is not yet available in London, but its main implications, apart from the intricate details of procedure and compensation, are plain. Private banks will be entirely forbidden to carry on banking business within the Commonwealth except during the process of absorption by the Commonwealth Bank, which is to acquire the shares or assets of all purely Australian banks and the Australian assets of banks incorporated overseas which operate within the Commonwealth. The absorbed businesses are then to be operated by the Commonwealth Bank on uniform principles. It is not clear what safeguards are actually included in the Bill, but Mr Chifley has declared that the Bank will have the duty "to provide, in accordance with the conditions of normal banking business, adequate banking facilities for any state or person requiring them; to conduct business without discrimination, except as otherwise required in law and the practices and usages customary among bankers; and particularly to maintain strict secrecy within the law as to the affairs of its customers."

If these undertakings are faithfully observed in day-to-day operation as well as in policy, the only attribute of power which the new system would in principle confer would be that inherent in Governmental monopoly. Given the extent of control which already exists, it is surely impossible to make a case for such a power on any purely economic principles which are discernible in Labour philosophy. Moreover, Australian Labour had a traditional fear of any "money ring," which explains why the Commonwealth Bank was created to be a competing institution. Unless Mr Chifley's action results simply from muddle-headed reasoning, this Bill, whatever safeguards it incorporates, shifts the issue to an entirely different plane from that upon which

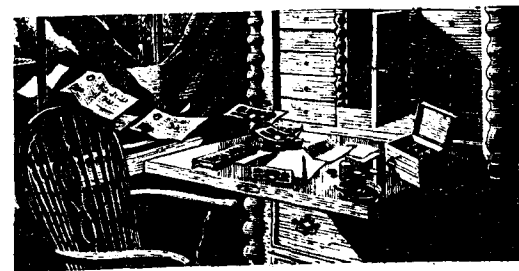
the legislation of 1945 rested. It may be that prejudice rather than logic points the way to the Government's intentions; but, if logic were the guide, the conclusion would be inescapable that the real objective now is to enable the Government to use the banking power to further purely political aims. To say this is not to accept Mr Menzies' dictum that the Government is "weaving a pattern of dictatorship." But the prospect, on any logical hypothesis, is far from reassuring.

Mr Chifley himself has declared his action to be necessary because of doubts about the constitutional validity of the existing powers. His first announcement did, indeed, follow immediately upon a successful challenge to the 1945 Act. Section 48 provides that a bank shall not conduct any banking business for public bodies except with the consent of the Treasurer; and last August a direction by the Treasurer to certain local authorities to transfer their banking accounts to the Commonwealth Bank was overthrown by the Federal Court. Mr Chifley's nationalisation plan, announced three days later, was at first thought to reflect sudden pique at this ruling, but it now appears that he was simply waiting for a pretext. He claims that the frustration of these particular intentions—obviously, to enable the Commonwealth Bank to monopolise all public banking business—implies that other features of the 1945 legislation may be challenged with equal success, and he has pointed out that the validity even of the critical special deposits system had been called in question. But if this were the real explanation of the Government's extraordinarily speedy response, surely the right course would be to close the gaps in the system of 1945, not to embark upon a much more drastic plan having far-reaching political implications.

There is perhaps hardly room for hope that the scheme will be arrested, or even substantially modified, by the Legislature.

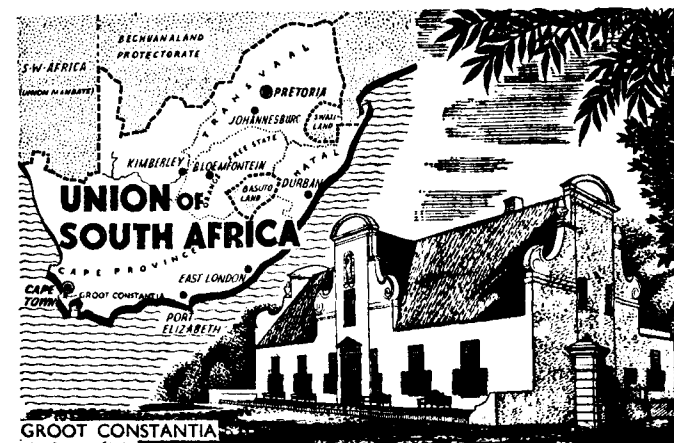
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In the immediate future, therefore, attention may perhaps be best focused on the problems of framing safeguards and ensuring fair procedure for compensation and purchase. So far there is no reason to suppose that compensation—which will be in cash, with an option to take Commonwealth Bank bonds—will not be adequate; but the principles on which it will be determined in cases of compulsory purchase are still not clear, and the proposal of tax concessions to induce voluntary agreement may

An Improved Steel Control

SINCE Sir Stafford Cripps officially admitted the existence of defects in the steel distribution scheme, a committee has investigated its working in the commendably short time of a fortnight. As a result, Sir Stafford hopes to introduce a more efficient method of control, which within a period of "some months" should get rid of the present excess of "M" forms over accruing supplies of steel, without any excess of complication or any noticeable increase in staff. Of all the physical controls, the steel allocation scheme is pivotal; if it is inefficient, no amount of efficiency in the other controls will make its defects good. And if the Wilmot proposal to ration steel to the engineering industry by reference to "export performance" is developed by the new Minister of Supply, even the most efficient control of itself will not guarantee success.

The steel distribution scheme is a child of the war years, and was designed to direct steel to essential war uses. The basic principles of the scheme have remained unchanged since 1940—the departments submitted their requirements, quarter by quarter, to the Raw Materials Committee of the Production Executive (later the Ministry of Production), which then had to reconcile them with the estimate of supplies for the same period prepared by the Iron and Steel Control, by scaling them down to the necessary extent. The Raw Materials Committee then made a quarterly allocation to each department on the basis of which "M" form authorisations were issued to the main contractors and, through them, to a multitude of sub-contractors.

The "M" form is a legal document which authorises the holder to "acquire treat and consume" a given quantity of steel, which can be allocated in part to sub-contractors for the purposes given on the "M" form. A ship-builder, for example, may receive authority from the Admiralty to acquire sufficient steel to build a complete vessel, and will then delegate to sub-contractors the necessary authorisations to cover the steel needed for engines, winches and other components. If a contractor cannot find a supplier who is prepared to accept his order for steel in the quarter for which the authorisation was issued, a new "M" form, relating to a subsequent period, has, in principle at any rate, to be obtained. But if the supplier, having accepted the order, is unable to complete delivery in the specified quarter, the "M" form retains its validity for the subsequent period. There are certain exceptions to this established "M" form procedure. In order to spare the departments from applications for trifling quantities of steel, users needing only a few tons of steel (less than one ton in the case of some products) can acquire them without a specific authorisation. Again, special arrangements had to be made for the stockholding merchants; their purchases from steel producers do not require any departmental authorisation, but merchants can buy only a limited quantity of steel in any one period, and forward orders are also subject to control. The merchant, of course, may not supply steel to a consumer without the authority of an "M" form, save for the exemption of small quantities.

Such is the basis of the scheme which, in essentials, has remained unchanged since 1940. But, during the war, allocations represented actual requirements; they were worked out by a

create a dubious precedent. These and similar matters will deserve careful scrutiny when the texts of the Bill and the opening debates are available, and they cannot be adequately appraised without them. On a longer view, hopes of mitigating the dangers which are inherent in the plan, and of preventing or checking abuses in practice, must rest upon the possibility of legal challenge, if not on the basic principles, at least on specific points.

systematic examination, and were brought down to match the available supplies. The scheme enabled each department to fix its own internal priorities and it was sufficiently flexible to cope with the fluctuating fortunes of war. The method of control has been described as a "vertical" system because it was designed to give each department sufficient steel for its requirements in the period, which was then passed down to contractors and sub-contractors who contributed to the manufacture of the final product. At the outset, a number of departments received an allocation of steel covering their separate detailed requirements, including even bearings, or motor cars. Early in the war, however, the system was sensibly modified; the Ministry of Supply assumed a general responsibility for the total requirement of bearings; and later of cars and other end products. Thus the "vertical" system of allocation gradually gave place to a "horizontal" system; and this tendency has been intensified since the war. The present situation is a somewhat confused mixture of the two systems: a firm making various products may have bulk ("horizontal") authorisations from several departments, and in addition may receive sub-authorisations from individual customers. There is no control agency to ensure that the total steel allocations held by such a firm are related in any way to its fabricating capacity as a whole.

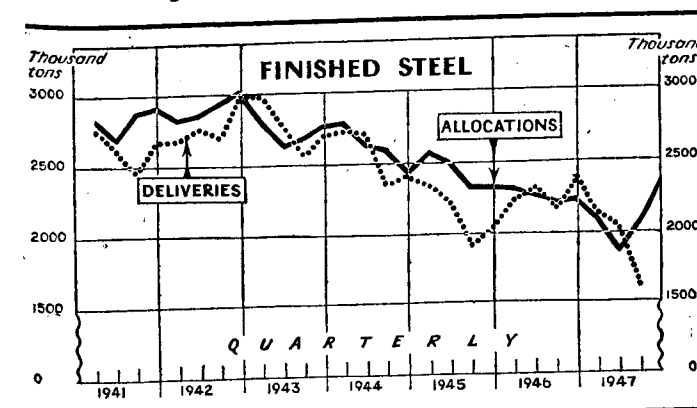
The continuation of the distribution scheme after the end of the war was inescapable owing to the extreme pressure of demand for steel for deferred replacement and capital development, quite apart from the regular needs of the metal-using industries. When the Ministry of Production was wound up, the Raw Materials Committee was taken over by the Cabinet Offices and has continued to function as the central allocating authority for steel and other industrial raw materials. The main principles of the scheme have not been affected by this minor change in machinery; but with the return of peacetime conditions, there was a remarkable increase in the demand for sheets—for the housing programme and for industry generally—which demanded a separate allocation and a special "M" form system. Another modification relates to the licensing of deliveries for export. In the post-war transition period when British industry was busy with reconversion, steelmakers were encouraged to accept export orders, with the result that finished steel exports soared to an annual rate equivalent to some 3,000,000 ingot tons by the middle of 1946. By this time, however, the needs of the home market were greatly intensified, and severe limitations were imposed on the quantity of steel which could be exported—not, fortunately, by cancelling the relevant "M" forms and the orders placed under them, which would have damaged British goodwill overseas, but by limiting deliveries against outstanding export orders under licence.

So much for the mechanics of the distribution scheme. How far has it succeeded in matching the clamant demands for finished steel with available supplies? The answer is shown in the accompanying chart, which compares total departmental deliveries, quarter by quarter, with the allocations made to the departments concerned.

The chart shows that allocations and deliveries marched pretty well in step during the war, when the demands of the

departments, based on their agreed programmes of production, were brought into reasonably close conformity with the supplies of finished steel. There was a marked tendency, however, for deliveries to fall short of allocations during 1945; owing to the inevitable dislocations caused by the end of the war and the transition period. The main reason is that the allocations at this time were still based on wartime programmes which were cancelled as hostilities drew to a close; the ensuing period of adjustment and reconversion to a full peacetime basis lasted, as has already been suggested, until the middle of last year. For several reasons, supplies themselves have fluctuated—there was a slight downward tendency from 1941 to 1945, followed by a marked recovery last year, because production of finished steel in this country during the war years was materially assisted by lend-lease imports of ingots and "semis" from the United States, which enabled the British industry's finishing capacity to be fully utilised.

Although allocations to the departments have been kept in reasonably close conformity with available supplies, a certain inflation of the "M" form currency has occurred during the past eighteen months. Several causes have been at work. Some relaxation of the full rigours of control was necessary to facilitate the change-over to peacetime conditions; and so far this



relaxation has not been reversed. The resulting increase in the pressure of orders has been intensified by the licensing system for "B.T.5," or direct export, deliveries, for the introduction of this additional control has meant that a good many orders remain "frozen" on the steel makers' books. Finally, some of the departments themselves have found it difficult to keep the issue of "M" forms strictly within the limits of their allocations.

Accordingly, the steel industry is at present rather overloaded with orders; it follows therefore that the machinery of the distribution scheme responds only sluggishly to changes in allocations. Hence, when it became necessary earlier this year to accord prior treatment for certain uses of steel the Government did not rely on the "M" form alone, but introduced special over-riding arrangements. Six classes now enjoy first priority for supplies of finished steel: electricity generating plant; coal-mining machinery and equipment; plant for gas

undertakings; equipment for the coal-oil conversion programme; freight locomotives, coal wagons, and rails for essential maintenance; and, finally, material for atomic energy projects. These categories comprise the "Prime Minister's list," and their priority is secured by the addition of a special suffix to the departmental symbol on the "M" form, which producers are required to honour. The introduction of this new arrangement, born out of last winter's fuel crisis, has tended still further to increase the backlog of non-priority orders on the industry's books.

The growth in the industry's order load has given rise to questions about the appropriateness of the present distribution scheme in peacetime conditions. It was, by common consent, admirably adapted to a wartime situation in which there was virtually only one buyer—the Government—for the bulk of the end products produced. But the position today is very different. Now there is a multitude of buyers for the wide range of end products made of iron and steel, and the tasks of rationing and distribution have become correspondingly more complex. Moreover, the intensification of the export drive means that the shortage of steel in the home market is bound to become more acute in the near future, even granted the steel industry's expectation of achieving its 1948 output target of 14,000,000 ingot tons. The continuance of some form of distribution scheme, with its inescapable burden of clerical work for producer and consumer, must therefore be taken for granted. But some further modification of the wartime arrangements is likely to be necessary, if only because of the great stress which must now be laid upon the attainment of Sir Stafford Cripps's export targets.

Experience of the steel control scheme in peacetime shows that control should be exercised, and records of deliveries secured, on an industrial basis, and no longer on the departmental basis which served so well in wartime. The analysis of deliveries by the departmental symbols shown on the "M" forms under the present arrangements, gives little clue to the final destination of the steel, since—to quote one obvious example—the Ministry of Supply is itself responsible for a large group of consuming trades. If firms using steel were classified on an industrial basis—each industry being sponsored by a Government department—and appropriate symbols were employed, it would be possible to control the distribution of steel on a more logical basis and to ascertain more precisely in which industries and for what end products the supplies were actually being used. The operation of the scheme would also be simplified, and a good deal of paper work would be eliminated, if the method of sub-authorisation by a principal contractor to his sub-contractors were replaced by a system of direct authorisation of steel to the several firms who use it. It may be that Sir Stafford Cripps is thinking on these lines. Even so, plenty of difficulty and friction will remain, and this will only be eased by the work of an industry which the Minister of Health, with characteristic gratitude, describes as having "betrayed the national interest."

Business Notes

Cuts in Capital Programme

Sir Stafford Cripps's important statement on the nation's capital programme was being made in Parliament just as this issue of *The Economist* was passing through the Press, so that considered judgment must be deferred. But first reports suggest that, on paper at least, the global economies which the Government is planning are substantial. In the aggregate, as expected, public and private capital outlays are to be curtailed "at once" by £200 million, a curtailment which is equivalent to a cut of some £300 million on the rate originally projected for 1948 and £300 million on the rate originally projected for 1949. Whether, in the past two years, these cuts will suffice—or whether, indeed,

they can be implemented in orderly fashion with due regard for the relative priorities—remains to be seen; but at least it is clear that the phase of industrialists' pipe-dreams is over.

Rather surprisingly, Sir Stafford apparently regards the shortage of steel as the principal compelling factor, pointing out that the new export programme will absorb 1,000,000 tons which otherwise would have been available for home uses. But though steel may be a limiting factor, it is surely clear that the release of labour and other productive resources is equally important. Perhaps that is what Sir Stafford meant when he said that the economies are also designed to bring about a "measure of deflation." Necessarily, it is upon housing that a substantial part of the economies must fall; but as the houses at present under

construction and contract are to be completed "in the shortest possible time," it is impossible to estimate what immediate saving in resources will result. The steel allocation to railways will be sufficient to permit achievement of the original 1948 programme, involving 600 locomotives and 48,000 wagons in addition to the subsidiary equipment. Cuts in the factory programme are to be on the scale required to produce a saving of 30,000 tons of steel per quarter, but it is not yet clear in what directions the brunt of this economy will be felt. Upon other aspects of the capital programme Sir Stafford was apparently less specific. In particular, the first reports made no reference to the programme for electricity generating capacity. If that was indeed omitted, it is a noteworthy and questionable omission.

* * *

Speculation in Gilt-edged

The Stock Exchange this week, despite the imminence of important Ministerial statements on economic policy as Parliament reassembled, and despite the uncertainties of the coming Budget, has been in a mood of slightly greater optimism—or at least a lighter shade of pessimism. The recovery in gilt-edged has made further headway, while industrials in very quiet markets have regained a little of the ground lost in the previous Account; the industrial share index of the *Financial Times* stands nearly 2½ points above its level of a week ago. Movements such as these, however, must be attributed to technical factors and the narrowness of the market rather than to any incipient change in the attitude of investors generally. The announcement of further drafts on the nation's ultimate reserves—discussed in a subsequent note—the hints of further import cuts, and the evidence that many export markets are still contracting, are all factors which should have dictated caution. This week, however, they seem to have been regarded in the Stock Exchange as of less account than the fact that the Speech from the Throne contained no unexpected threats of action in the economic sphere.

Paradoxically, the recovery in gilt-edged perhaps owes something to the growing belief that the coming Budget may fall far short of the strenuous effort which is required. Logically, of course, the tougher the Budget the more likely the gilt-edged market is to benefit, but the City at present is disposed to argue that even Mr Dalton could scarcely combine a revival of his cheap money tactics with really stringent Budgetary measures. As it is, his Mansion House speech is still attracting speculators to the market, and speculative buying was reinforced this week by the expectation that he will return to the attack in his speech during the Debate on the Address. The two most speculative gilt-edged stocks—2½ per cent Consols and the "Dalton" 2½ per cent stock—have this week risen by a further two points and at the moment of writing both stand at 89. It needs to be emphasised that, in gilt-edged as in industrials, price movements at present are out of all proportion to the volume of business. Moreover, a significant pointer to the state of the market is the fact that in the dated stocks the recovery has been very modest. The 2½ per cent Savings Bonds 1964-67 have risen during the week by only ¼—they are still nearly 4 points below par—and the 3 per cent Savings Bonds by ½. Rather unexpectedly there has been a quite notable recovery in the short-dated bonds—the 1½ per cent Exchequer Bonds are now quoted at 100½—which should help to relieve some of the recent pressure on the discount houses' portfolios, and thus restore some much-needed elasticity to the market.

* * *

The Dollar Deficit

The Treasury disclosed this week that, following the sale of £20 million of gold in New York on September 15th, announced on that date, a further £30 million has been sold during the past month. In addition, Britain purchased \$120 million last Monday from the International Monetary Fund. This was in addition to the \$60 million purchased in September. The Treasury will henceforth make monthly statements about the gross sales of gold over the previous month. There will be no publication of gold shipments because they are influenced by the geographical distribution of reserves and may, therefore, be misleading as an indication of sales.

The gold sale and dollar purchase announced this week bring to \$380 million the US dollars that have had to be procured by sales of gold and purchases from the IMF in the two months that have elapsed since the suspension of convertibility on August 20th. That represents a drawing on gold and dollar reserves at the rate of close on £600 million per annum, which is roughly equal to the gap in the balance of payments of

the United Kingdom indicated by the trade returns for the third quarter of the year. The equivalent of slightly over £100 million was drawn from the US line of credit after August 20th in accordance with notices of withdrawals given before that date. These dollars, however, were probably required to meet the final backwash of convertibility demands. These demands are not, therefore, reflected in the \$380 million (£95 million) mobilised by sales of gold and purchases of dollars from the IMF over the past two months; this figure can be related to the net UK demand for dollars plus the smaller amount that may have been payable to meet the net dollar requirements of sterling area countries.

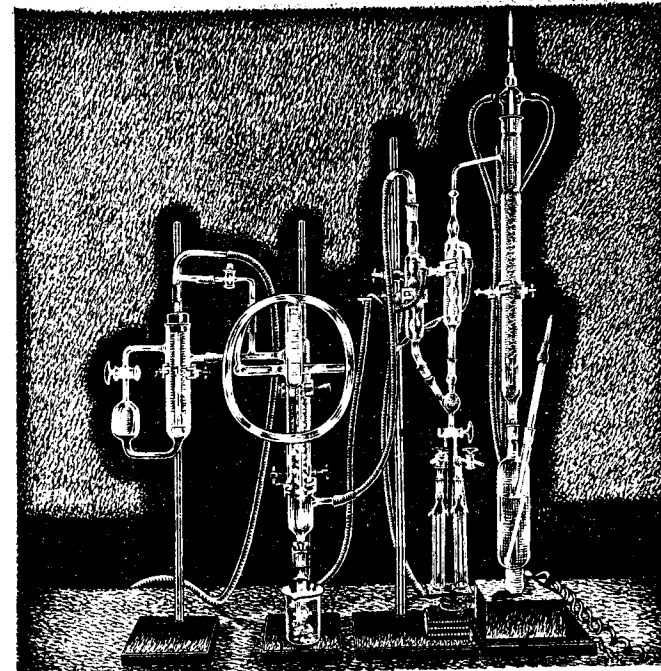
The gold sales will have reduced the central gold reserve to under £550 million. This reserve should be fortified by some £20 million before the end of the year as a result of the completion of the South African gold sales contract for 1947 (allowing for the fact that part of the gold still to be sold will in effect be withdrawn by South African drafts on the sterling area dollar pool). The latest UK purchase of dollars from the IMF has reduced to \$37 million the exchange Britain can acquire from that source at no higher cost than the initial ½ per cent service charge. The purchase also reduces to \$152 million the exchange Britain can purchase from the IMF between now and next September (namely, \$325 million, being one quarter of the UK quota which is the maximum that can be used over any twelve monthly period, minus the \$180 million already purchased, plus the \$7,000,000 of sterling that was bought by the Netherlands in the earlier part of this year). At the rate at which the last-ditch gold and dollar reserve is being used up, the remaining resources would be exhausted in about a year. Fortunately, the position is not so serious as this projection of recent dollar expenditure would imply—although Sir Stafford Cripps remarked on Thursday that there would be little left of the gold reserve by the end of 1948 if the dollar deficit continued at its present rate of about £475 million per annum. But the cuts in imports from the dollar area are only now beginning to take effect, the renewed export drive is scarcely reflected in the latest trade returns, while early next year the gold reserve should be reinforced by the £80 million gold loan from South Africa. Finally, there is the prospect that Britain will obtain access to the final \$400 million in the US line of credit. Discussions on this subject have been taking place since August 20th. The US Treasury wishes to be helpful. Since the suspension of convertibility constituted a default by Britain on the Anglo-American agreement, the release of these dollars without Congressional consent, or without assurance that the suspension of convertibility was in fact, as well as in words, "a temporary and emergency measure," might cause trouble for the US administration at the hands of Congressional critics. None the less, it would appear reasonable to assume that sooner or later these \$400 million will be available as emergency aid to Britain.

* * *

In Mr Dalton's Garden

Hopes that the coming budget will be anything better than a half-hearted affair will be greatly dimmed by reflection upon the Government's formal declaration of its financial policy made for the purpose of the Paris Report on "Marshall" aid. There could be no worse augury of the chances of restoring British equilibrium and of achieving the production or export targets. The declaration is one of a series from twelve of the participating Governments, published at the end of last week in the supplementary volume to the main report of the Conference. That report had declared the success of the whole European programme to be dependent upon restoration of internal financial stability, requiring "establishment of equilibrium between purchasing power and available commodities" and "prevention, in all cases where this is necessary, of the creation of new purchasing power." And the participating governments are required, they will carry them out in a spirit of rectitude and has solved all the problems. The problem of "too

These home-truths, and this obligation, might have been expected to put the British Government on the spot. Britain obviously has not descended into the crude inflation, with its huge encouragements to the black market and barter and hoarding of goods, which obtains in some continental countries; but equally obviously, financial laxity and inflationary pressure are among the principal causes of Britain's present difficulties. Yet the British Government's declaration, instead of setting an example to others, wriggles out of the dilemma by a barefaced and hypocritical pretence that financial policy here has been a model of rectitude and has solved all the problems. The problem of "too



Distillation

Here is a fine example of the glassblower's art. It is a highly efficient fractionating column, used to separate liquids by distillation. The principle of "fractionating" is very simple. Suppose the chemist has a mixture of ether and chloroform and wishes to separate the two. The mixture is placed in a distillation apparatus and heated. It begins to boil at about 35 deg. C.—the boiling point of ether—and consequently it is only the ether that distils over, forming the first "fraction" of distilled liquid. As heating is continued beyond this, the temperature rises and a mixed "fraction" is obtained until at 61 deg. C. only the chloroform distils over. The mixture has been "fractionated". When the boiling points of mixed liquids are very close together, more elaborate equipment is needed to ensure clear-cut fractions. Again, when liquids of very high boiling point are to be fractionated, it is frequently necessary to reduce the pressure. For this purpose the special apparatus shown above is required. Fractional distillation is one of the commonest operations in research, and is a fundamental process in many departments of chemical industry—in the refining of petroleum and tar; in the manufacture of alcohol, solvents and explosives; in the preparation of pharmaceutical chemicals, dyestuffs and perfumes. To take an example, the "high octane" spirit required for the aircraft of the R.A.F. could not be prepared without meticulous fractionation. The British chemical industry is second to none in such technique and in its applications.



October

In October the Overseas Branch of the Midland Bank handles documents representing large shipments of fresh and dried fruit on its way to markets throughout the world; among these documents are those representing substantial shipments of the cashew nut from the Mediterranean to Minneapolis, a great cake-making centre for the United States. Thus London forms a vital link in the chain of commercial activity extending across the world. Whether your business is concerned with precious stones, intricate pieces of machinery, fine silks, raw wool—or even cashew nuts—the Bank offers its services at all stages of the transactions, at all times and in all parts of the world.

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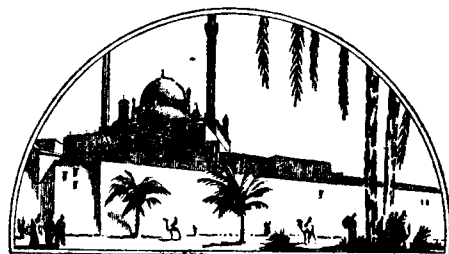
R. L. STEVENSON.

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much money chasing after too few goods," it is said, "has been dealt with"—by retaining controls, by balancing the budget, by National Savings and by stabilising the cost of living. Thus "we have achieved a Balanced Budget and arrested a runaway inflation . . . the Central Budget estimates show a surplus of £270 million. . . . There is, in addition . . . likely to be a surplus on the Accounts of the National Insurance Funds and on the budgets of local authorities of about £100 million. . . . The National Savings target . . . is £366 million."

This is sheer misrepresentation. There is no hint here that the budget "surplus" is comprised of items which at best are non-recurring and at worst are purely nominal internal transfers. Credit is taken for below-line surpluses, but there is no word about the huge below-line outgoings. There is no admission that voluntary savings are running at some two-thirds below the target rate, despite the repayment of Defence Bonds at maturity. Worse still, it is claimed that this successful budgeting "has been facilitated by the 'cheap money policy'." Yet this was the source of huge and needless creation of purchasing power, which the main report of the Committee declares should be prevented. Finally, at the moment when expert opinion is virtually unanimous about the need substantially to reduce the cost-of-living subsidies, the Government claims that the subsidy policy is a major factor in the alleged success of its stabilisation arrangements. It concedes, however, that it is not committed "to increasing the subsidies in face of a further rise in prices." Finally, as proof of its success, the Government cites the movements in the official price indices and remarks that the weekly wage index has risen since June, 1945, only from 149 to 166. In short, the whole document is not only almost unbelievably smug, but also dishonest.

Renegotiations with Belgium

The new payments agreement with Belgium initialled in London on September 9th is already in need of renegotiation. The agreement of September 9th has not been formally signed and the discussions for the further amendments of its terms will begin in Brussels next week. The need for reopening the discussions is another reminder of the fallibility of balance of payments estimates. The renegotiated agreement of last month, it will be recalled, laid on Belgium the obligation to hold sterling up to a new ceiling of £27 million, to £12 million of which a bilateral exchange guarantee would attach; the balance of £15 million was to be held in anticipation of maturities of Belgian sterling debt falling due over the next few years. Since current commercial payments between Belgium and the sterling area were in approximate equilibrium, it was assumed that the new ceiling would comfortably cushion the position for some months, if not years, to come and that no question of converting sterling held by Belgium would arise. Contrary to these expectations, the new ceiling of £27 million was reached in little more than a month after the initialling of the new agreement, and already Belgium is in a position to offer sterling for conversion into gold or dollars under the terms of that agreement. There appear to be two main reasons for the accumulation of sterling by the National Bank of Belgium. The first is that, although Belgium is now outside the transferable account system, certain sterling payments are still being made to Belgium by European countries in the transferable account group in respect of transactions entered into before September 9th. In the second place, the flight from sterling not only by Belgian nationals but by those of other countries, including Britain, has been causing considerable daily offerings of sterling to the National Bank. Some of this sterling is the return on sterling investments of Belgian nationals accumulated here during the occupation and therefore eligible for repatriation into Belgium. Some of it is the more clandestine movement of funds engineered by residents in this country who, through visitors to Belgium, have found a means of leaving funds in that country, the individual amounts being small but in total making up substantial sums.

Sterling payments from third countries will tend to disappear now that the transferable account system is in process of disintegration. The movement of private Belgian capital held in sterling to the National Bank must also be coming to a close. The seepage of British refugee capital into Belgium is essentially a problem for British authorities to tackle and now that pleasure travel is in abeyance the opportunities for such illegal transfers of money should be considerably reduced. The main problem facing the negotiators in next week's discussions should, therefore, be of an essentially commercial character, namely to ensure that trade and payments between the two currency areas maintain approximate equilibrium. It is deplorable that two countries whose economies have been built up on a multilateral pattern of trade and payments

should be facing this necessity for mutual strangulation of their economic intercourse. The tragedy arises not because one or other of the parties is not prepared to "play the game"; it arises because one of the currencies in question no longer commands the required confidence.

Improvement in Exports

September has shown a welcome expansion in exports. The total for the month, £99 million, is the highest recorded since the war except for the rather abnormal July figure, which was inflated by the rush to complete shipments before the holidays. On a daily rate basis, however, the increase over the August total is only slight and last month's figure was, in fact, a little below that for June. A persistent upward trend in exports is not, therefore, by any means yet assured. It is, of course, too early for the intensified export drive to have had any effect; but, quite apart from the internal difficulties of switching supplies and capacity from domestic supply, there are growing signs of a narrowing of world markets.

Exports of machinery and vehicles, the two main items, last month each amounted to £15.6 million; exports of cotton goods took third place with £7,500,000. Some 12,600 new motor-cars and 129,600 bicycles—both record figures—were shipped overseas. The volume of exports for September has been provisionally estimated at 111 per cent of 1938 compared with 105 per cent for August and 126 per cent in July. The recovery of exports from the effects of last winter's fuel crisis is shown below:—

1946, Fourth Quarter	... 111 per cent of 1938 volume
1947, First Quarter	... 101 " " " " "
Second Quarter	... 102 " " " " "
Third Quarter	... 114 " " " " "

Imports in September showed a substantial reduction, totalling £160.7 million compared with £174.0 million in August. This reduction was due to technical and seasonal factors rather than to the recently announced cuts, which will not be fully reflected in the returns for some time. Smaller supplies of Canadian wheat and Australian flour were received, and there was a seasonal reduction in imports of fresh fruit and vegetables. Arrivals of linseed oil, wool and hides and skin were also less than in August and largely accounted for the decline of £8,000,000 in raw material imports.

Thanks in particular to the reduced scale of imports, the month showed the first major decline in the visible monthly trade deficit since the beginning of the year. The adverse balance amounted to £58.3 million; but, if the months of July and August are excepted, this is still the largest for the year. The total deficit for the nine months is £473 million—an annual rate of over £600 million.

No More Dollar Tobacco

Sir Stafford Cripps confirmed last Thursday that purchases of American tobacco had been stopped. To many non-smokers, dollar expenditure on tobacco has always seemed extravagant and wasteful, but it will be interesting to see what effect a substantially reduced supply of cigarettes—if that is in prospect—will have upon industrial output generally. In the first nine months of 1947, Britain imported 191 million lb. of tobacco, of which 67 per cent came from the United States and 27 per cent from Empire sources. This quantity was considerably smaller than the 276 million lb. imported in the same period of 1946 and compares with 260 million lb. in a nine-month period of 1938. Britain's annual tobacco imports have been steadily rising in recent years, reaching a peak of 433 million lb. in 1946. This year's figure, however, will probably be well below even the 1938 level of 346 million lb. Possibilities of immediate expansion in production in the Empire, to cushion the effects of cessation of dollar imports, are not very promising.

Tobacco consumption has generally been at a much higher level during the war and actually reached its peak in 1946, when 250 million lb. was consumed. The effect of the increased tobacco duty imposed by the last Budget is shown in the following table:—

RETAINED IMPORTS, CONSUMPTION AND STOCKS OF TOBACCO, 1947
(lb million)

	March	April	May	June	July	August	Sept.
Retained imports	28.2	30.6	23.3	7.5	10.9	10.5	19.7
Domestic consumption	24.9	21.3	18.5	16.3	15.6	n.a.	n.a.
Exports	3.1	3.1	3.7	5.0	5.3	5.5	4.3
End of month stocks	389.8	393.4	392.0	376.7	365.4	n.a.	n.a.

Since March there has been a continuous decline up to August. These figures, however, reflect the movement of tobacco from bond to manufacturers for use on the home market, rather than actual consumption, and there is possibly a time-lag of several months—depending on the size of stocks held by manufacturers—between these movements and actual sales. On the basis of the Board of Trade retail sales' statistics, the consumption of tobacco fell by about 40 per cent in May last, but since then there has been a steady expansion. In August, the last month for which figures are available, consumption was probably only 25-30 per cent below the 1946 level.

How soon the cut in tobacco imports will affect supplies coming on to the home market depends on the size of stocks. At the end of July the quantity of tobacco held in bond was 365 million lb., or 20 months' supply, on the basis of the post-Budget level of consumption. In addition, there are undoubtedly large stocks in the hands of manufacturers. In comparison with prewar, when stocks averaged 500 million lb., the current figures are low, but then two years were generally allowed for the maturing of tobacco in bond. At the present time Britain could probably maintain the current consumption level for nine to twelve months entirely from stocks—but presumably such a situation would dictate further measures to check consumption, as indeed are implied in Sir Stafford's warnings this past week.

Nationalisation for Gas

The Bill to nationalise the gas industry, the Government claims, is designed to complete its plan for the co-ordination of the fuel and power industries. With the Coal Board failing to reach its targets, and the appointed day for electricity still to be named, there is a touch of rhetoric in the claim. But perhaps it is fair to say that the principle of nationalisation for gas is only a little more controversial than for coal. There is at any rate, in the case of the gas industry, the authority of an independent investigation undertaken two years ago by the Heyworth committee, for prescribing nationalisation.

In particular, the case for larger units of production and distribution and a greater centralisation of control and technical management is widely agreed. Larger units in the industry have been rationalising production for many years, and the Heyworth report favoured an increased measure of centralised control in order to speed that progress. It found that the larger the group of undertakings, the greater was their efficiency. The minimum unit, in their view, should have an output of at least 1,250,000 therms a year. Yet in 1944, there were 762 undertakings with an output below that figure, and together these small gas works supplied only 13 per cent of total sales. If consumers of such undertakings could be connected by high pressure pipes to large, central units (except perhaps in rural areas) the industry could improve its sales and distribution and obtain important economies in production, so that the gas industry could play an efficient role in competition with electricity.

Of the 1,047 undertakings, the Gas Light and Coke Company alone accounts for 12 per cent of total sales. Measured on this basis, statutory companies account for 50 per cent of sales, local authorities for 36 per cent and statutory holding companies for 11 per cent. The fact that there are a few large concerns and a large number of small ones is reflected in the narrow concentration of investment interest on a few companies. Of some 80 companies whose capital is quoted on the Stock Exchange, only 30 or so have a quoted capitalisation exceeding £500,000. It follows that the problem of compensation will be complicated by the lack of Stock Exchange prices for the great majority of the undertakings, not to mention the local authorities. Will gas provide yet another different method of compensation?

No Change at Grimethorpe?

The fact-finding committee which was set up to examine the miners' objection to working an extra stint in the Melton Field district near Barnsley has now completed its report. The Grimethorpe branch of the National Union of Mineworkers has unanimously accepted its findings. The men are apparently of the opinion that the facts can lead only to the conclusion that they should not be asked to work an increased stint.

The report itself has not yet been published, and indeed it seems by no means certain that it will be made generally available. The local view is that its findings are a "purely domestic matter" for the Grimethorpe miners. That is a fantastic view. The need

for the widest possible scrutiny of the findings is, moreover, heightened by reports that the investigations have been made in a somewhat cursory fashion, and that the facts set out derive from evidence of conditions at only one of the coal faces involved. There is every desire to see justice done to the miners' complaints. But if for no other reason than that they have obtained the five-day week, they have evident obligations to the industry and the consumer. In the present context, one of these obligations is to work on the basis only of a full investigation of the facts, and the second is to publish them. In no other way can a body of technical knowledge and "case law" be built up within the industry to ensure that full justice is done by and to all parties. The question of the adjustment—in either direction—of the size of the stint worked each shift, to fit, in the light of all available facts, the changed working conditions of the five-day week, is of crucial importance to the raising of productivity in the industry. It should be made quite clear that the Grimethorpe issue is not just a "purely domestic matter" but an issue of national importance which requires the publication of the fact-finding report—and of any subsequent reports that may be made on working conditions in the Grimethorpe area.

Higher Wages in Cotton?

The Prime Minister's appeal to workers last August not to press for increases in wages except in return for higher output seems to have been lost in the limbo of endless exhortation. Each week provides a new twist to the inflationary spiral, and emphasises afresh the need for the more comprehensive policy which the Government is now, at last, reported to be discussing. The latest increases in wage rates are those obtained by tobacco and building workers. Now there are reports that the Operative Weavers' Amalgamation in the cotton industry is to press a new claim for higher wages, which were raised in December last year when the five-day week was introduced.

If the weavers go ahead with their demand, the cotton industry as a whole is likely to be affected, for higher wages for weavers would be followed almost automatically by further claims from spinners and finishers. Since the supply of cotton labour shows so little sign of expansion, it is unlikely that a general advance in cotton wages would be counterbalanced by increased production—unless, indeed, there is a great increase in recruitment and an equally great change of heart among employees about restrictive practices. Although there have been some encouraging cases recently of increased manpower and output in the cotton industry, a general rise in its costs would be a most discouraging burden for it to shoulder at the very moment when it is faced with an export target of £6,350,000 per month, to be reached by the middle of next year.

The haze of unreality, however, is not limited to the operatives' views on higher wages. When Sir Stafford Cripps announced the details of the cotton export target to a Lancashire audience towards the end of last month, he called for an immediate increase in production of 10 per cent to prevent drastic cuts into supplies destined for the home market. The same point has since been made by the Minister of Labour. The only hope of achieving any immediate expansion of output is by working overtime, and in the wool and hosiery industries this is being done. Why do both sides in the cotton industry take so long to make up their minds on policies which are clear enough to everyone else, and particularly to Labour Ministers? So far, there has been no discussion about overtime working—whether by a longer day or Saturday morning working—despite the urgent need for a decision.

There seems, however, to be some hope that part-time working, which has been a marked success in spinning, may be more widely adopted in the weaving section. But there is an air of *laissez aller* in the industry's attitude, particularly marked on the union side, towards the implications of the export drive. A sense of urgency is much overdue.

Building and Payment by Results

Meanwhile, the wage agreement reached on Monday by the building industry's National Joint Council brings to an end the long controversy about incentives in building. It was the occasion of a sharp interchange at the Margate Labour Party Conference between the Minister of Health and Mr Luke Fawcett, the trade union leader, who affirmed that the unions would never accept payment by results. It is certainly satisfactory that the

unions' opposition has at last been withdrawn. But the pill has needed a generous coating of sugar, in the form of an increase in time wages of 3d. an hour; even so, while the ballot showed a substantial majority in favour of the scheme, the Woodworkers' Union lifted their dissentient voice.

Of course, such a scheme should have been introduced two years ago, when it would have contributed greatly to raising the productivity of the industry and to speeding up the housing programme. It comes now at the very moment when cuts in the construction programme are being made. Although these cuts in no wise reduce the need for greater efficiency in the building industry, the new scheme will add greatly to costs, unless there is a corresponding increase in productivity, and it will tend to increase the reluctance of building workers to move from their industry to other more immediately essential work.

One welcome feature of the agreement (which comes into force on November 16th) is that it provides for a "standstill" until February 1, 1949, and should therefore prevent any further pressure from the unions to improve their position during the next fourteen months. The scheme has been described as experimental and will be reviewed in the light of experience. While the national agreement lays down that piece rates should enable the average worker to earn 20 per cent above his normal day rate, the actual details of the target and bonus rates will be left, inevitably in such a localised industry, to individual agreement between employers and workers. There will, however, be a central record of all local agreements and appropriate machinery for settling any disputes that may arise. The question of the cost-of-living sliding scale is to be reviewed by the industry's joint council—a step which other industries where wages are linked to the cost of living might well follow.

Marshalling the Facts

Volume two of the proceedings of the Committee of European Co-operation in Paris provides the technical reports and statistical framework of the Paris report on "Marshall aid" which has been summarised and discussed in recent issues of *The Economist*. If the industry of the technical sub-committees commands respect, the work of the experts in Washington who have since been analysing it deserves something akin to sympathy. They cannot complain about lack of facts.

The measure of Europe's capacity for industrial recovery has been based primarily on food, power and steel. The technical reports add little to the general report on the food situation, for the Committee of 16 had no alternative but to base their proposals on imports of food from dollar sources until domestic production catches up with Europe's requirements, as they hope, in the latter part of the period 1948 to 1951. But at least the technical report on food does not succeed in removing the impression which emerged from the main report that the estimates of European production are based on rather optimistic assumptions about the available supplies of agricultural machinery, labour and fertilisers.

Yet supplies of food, especially for the Ruhr, are essential if Europe is to meet its own requirements in coal and restore the prewar pattern of the coal trade by 1951. These requirements will also call for \$220 million worth of coalmining equipment over the same period and 86 million tons of coal from America, mainly required in 1948 and 1949. The estimate of 41 million tons for coal imports from the United States in 1948 is higher than actual imports are likely to be in 1947. An "international programme" for the installation of electricity generating plant has been drawn up which provides for erecting power houses at the most advantageous points for stimulating European, as opposed to only national, recovery. It is hoped that such a plan would provide sufficient electric power for Europe's needs by 1952, whereas national plans would not do so until 1953. It is not clear, however, how Britain's requirements and its potential for manufacturing electricity generating plant is to be fitted into the scheme.

Full use of steel capacity will be possible only if coke supplies can be increased by 50 per cent and if supplies of scrap and semi-finished steels can be obtained from America. Increased supplies of coking coal may be obtained from the Ruhr, but scrap and semi-finished steel must come from the United States. The complex factors governing steel production have made it difficult for the committee to estimate the level of production in 1951, especially as there is a threat of a shortage of rich ores, but they have estimated a shortfall in steel production below requirements for that year of 3,000,000 to 4,000,000 tons.

In all these estimates there are bound to be major weaknesses;

they were compiled in a hurry, and fortuitous changes, such as a series of severe or mild winters, would have a vital influence on production prospects.

Further Rise in Rubber

The firm tone in the rubber market, which has been evident for several weeks, has now carried the average spot price in London for the week to October 21st as high as 11½d. a lb. compared with an average of 10½d. for the week ending October 7th and 8½d. for the week to September 2nd. The main reason for the continued rise is undoubtedly the persistent belief that the American policy of restricting the use of natural rubber consumption, particularly in tyres and inner tubes, will be modified—perhaps as a concession in the trade negotiations with Britain. American consumption quotas fixing the proportions of natural and synthetic rubber to be used can be modified, as they have been in the past, without revoking the notorious "R.I. Instruction" under which they are issued. A modification of the quota in favour of natural rubber would be an easy method of helping Britain in the present dollar shortage, but it would have to be substantial. If the natural rubber were allowed to compete on a basis of equality with synthetic, natural rubber consumption in the United States might expand by as much as 40,000 tons a month, to nearly double the present quantity. American purchases of natural rubber have already increased, though the volume is still not large.

Distillers Expansion Programme

The Distillers Company has travelled a long way since it was first established in the whisky distilling business. The company has developed important interests in industrial alcohol, which is required for an ever-widening range of uses, and has in turn led to the development of a new, and no less important, subsidiary industry for the manufacture of chemical compounds. Johnny Walker may still be going strong, but he would hardly recognise the great extension of Distillers interests in the last decade, with its increasing concentration on the production of hydrocarbon products for industrial use.

Portable whisky distilling has recovered to about 55 per cent of the prewar level of production, and the industry is hopeful that a full distilling programme will be undertaken next year—though there will be plenty of claimants for the barley crop for feeding to cattle. The dollar-earning capacity of Scotch whisky certainly offers grounds for an increased barley allocation if it can be spared, though the whisky which is distilled from next year's crop will not mature until well into the fifties. On the industrial side, the group has made a start on its expansion programme which will cost £4,000,000, and will provide a large increase in the manufacture of plasticisers, acetic acid and synthetic resins; but progress on these extensions has been held up by shortages of materials.

The supply of molasses showed some increase during the past financial year, and the industrial alcohol distilleries were able to operate on a "substantial scale." This is an encouraging statement, for a large expansion scheme in solvents, plasticisers and other chemical compounds cannot be sustained without assured and increased supplies of industrial alcohol. Some of these compounds will doubtless continue to be derived from molasses, but others can be obtained more cheaply, and in combination with a wider range of ancillary products, from petroleum. This technical factor underlies the registration this week of British Petroleum Chemicals, which will build a new works at Grangemouth. Last July it was announced that an "agreement in principle" had been reached between the Distillers Company and the Anglo-Iranian Oil Company to establish a joint enterprise with a capital of £5,000,000 to manufacture chemicals from oil. This is a long-term project, however, and for some time Distillers earnings on the industrial alcohol side are bound to depend more on the price and quantity of molasses from the West Indies—and from Java once production is resumed on a significant scale—than on oil prices.

Other developments in the Distillers group include the purchase of the Government's penicillin factory at Speke, which the company has operated on the Government's behalf since its erection. The company's interests are now closely identified with a wide range of industrial products, and future development plans will need finance and time before they mature. The equity in this programme is essentially a long-term affair, though it will be enhanced by the decision to reduce the denomination of the ordinary stock from £1 to 4s. The present 4s. units are quoted at 27s. 7½d. to yield £3 12s. 6d. per cent.

Ashanti-Obuasi Storm

The attitude of the chairman of Ashanti-Obuasi Reefs at the annual meeting of the company on October 21st provoked bitter comment from the large number of shareholders present. It had been generally expected that the board would be at pains to meet the legitimate desire of shareholders for an explanation of the recent inconsistencies in reports from the mine in the Gold Coast. But beyond intimating that they had received a shock when the original gold-proving assay values in B shaft of the mine were contradicted in a later report, the board in effect were content to claim that shareholders must leave the matter in the directors' hands.

It is hardly surprising that the shareholders were angry. Nor were they satisfied that the appointment of an outside mining expert by the board to make a thorough investigation was so satisfactory as a shareholders' committee to co-operate with the board. In the end, after much noise, the shareholders got their way—or part of it. How their committee will go to work is uncertain, but the chairman has at least agreed to hear what it has to say and to keep contact with it. Apart from the three representatives of the shareholders who will constitute the main members of the committee, Mr Hirst, the Director-General of Geological Survey, and Mr Cunliffe, the company's broker, are to be co-opted as advisory members. This suggests a clear intention to get to the bottom of the business. In the meantime, dealings in the company's shares on the London Stock Exchange remain suspended, and doubtless they will so continue until more information is forthcoming.

* * *

Shipbuilding for Export

The volume of work in United Kingdom shipyards continues at a high level; the returns published by *Lloyd's Register* for the third quarter show an increase of almost 50,000 tons gross over the previous quarter, and the total has risen to 2,112,669 tons gross. The most striking feature of the returns is the increase in the proportion of ships being built for foreign account, which now account for 628,000 tons gross, or 29.7 per cent of the total building in the country, compared with 580,000 tons (28.1 per cent) at the end of June. By far the largest customer at the moment is Norway, which has 152,000 tons building, followed by Portugal (96,000 tons), France (90,000 tons), the Dominions (78,000 tons), and Argentina (47,000 tons). Sweden, Denmark and the Netherlands also have about 30,000 tons each under construction in British yards.

It seems that the division between ships building for export and for domestic purposes is likely to remain at about the present proportions—approximately 70 per cent for British owners and about 30 per cent for overseas fleets—for some time to come. An examination of future contracts, as recorded in the *Shipping*

World, shows that the export percentage works out at 29.62 per cent. On this basis, the shipbuilding industry should have no difficulty in achieving its export target. Moreover, British ship-owners cannot complain with any justification that their interests are being subordinated to those of their competitors under other flags. In estimating the value of shipbuilding in the export drive, it must not be forgotten that ships produced for British owners themselves play not an inconsiderable part in redressing the adverse balance of payments. With steel production at its present level, there should be no difficulty in feeding the shipbuilding industry with adequate supplies of plates, but the assurance of a steady flow of sub-assemblies and components from countless sub-contractors may present a more formidable problem. Meanwhile, costs are still mounting, as the increases in transport, coal and steel take effect; the consequences of the rise in shipbuilding costs have not so far been reflected in any serious loss of contracts, but they are not exactly propitious for the future.

* * *

Sugar Supplies Below Expectations

The European sugar crop, which was expected to reach 5½ million tons in the current season, or 400,000 tons above the 1946-47 figure, is now estimated by Czarnikow Ltd. at only 4.6 million tons. This represents a decline of half a million tons on last season's crop and 2½ million tons on that for 1937-38; in each case the figures exclude the Soviet Union. The reduction in output, which has been mainly due to adverse weather, has come at a most inopportune time, as many European countries have had to forgo their allocations of Cuban supplies owing to the shortage of dollars. The Czechoslovakian output this year is estimated at only 400,000 tons, which is barely sufficient to cover domestic requirements. Normally, Czech-grown sugar is exported to neighbouring countries, and if this policy is to be continued, home supplies may have to be rationed. Poland, on the other hand, another regular exporter, is expected to have a larger exportable surplus this year, production being 52,000 tons above the 1946-47 figure.

Cuba is experiencing considerable difficulty in disposing of its record sugar crop of 5.8 million tons. The International Emergency Food Council has announced that importing countries may purchase supplies in excess of their allocations up to the end of 1947. But as purchases have to be paid for in US dollars, customers are scarce. According to the Marshall Conference Report, European import requirements of sugar for 1947-48 are in the region of 1.7 million tons, and American aid to Europe may be partly in the form of sugar supplies in order to ease the Cuban problem. The world statistical position is, on the whole, favourable. Output for 1947-48 is estimated at 27.2 million tons, compared with 27.6 million tons in 1938-39; full details are published in this week's issue of the *Record and Statistics*

SECURITY PRICES AND YIELDS

A fuller list containing 370 securities appears weekly in the *Records and Statistics Supplement*. Notes on the following company reports also appear in the Supplement: United Steel; Murex; Associated London Properties; Trinidad Petroleum.

Prices Jan. 1-Oct. 22, 1947		Name of Security	Price, Oct. 15, 1947	Price, Oct. 22, 1947	Net Yield, Oct. 22, 1947 (n)	Gross Yield, Oct. 22, 1947	Prices, Jan. 1-Oct. 22, 1947		Last Two Dividends-			Name of Security	Price, Oct. 22, 1947	Price, Oct. 22, 1947	Yield, Oct. 22, 1947
High	Low						High	Low	(a)	(b)	(c)				
Other Securities															
103½	100½	Conversion 3% March 1, 1948-53...	101	101½	£ s. d.	£ s. d.	113½	99½	(d)	(d)	(d)	Australia 3½% 1965-69...	105½	105½	£ s. d.
103½	100½	War Bonds 2½% August 1, 1949-51...	101	101½	0 11 0	1 16 2	102	100	(d)	(d)	(d)	Birmingham 2½% 1966-71...	94	95	2 18 1½
102½	98½	Exchequer Bonds 1½% Feb. 15, 1950...	100½	100½	0 15 8	1 12 8	102	113½	(d)	(d)	(d)	Argentine 3½% 1966-71...	101	101½	3 15 9½
105½	98½	War Bonds 2½% March 1, 1951-53...	100½	100½	1 4 11	2 8 4	232½	118½	(a)	(a)	(a)	Anglo-American Corp. 10s...	133½	132½	3 15 6
106	97½	War Bonds 2½% March 1, 1952-54...	99½	100½	1 7 10	2 11 2	80½	56½	(a)	(a)	(a)	Anglo-Iranian Oil £1...	161½	168½	3 11 1
108½	101½	War Loan 3½% (after Dec. 1, 1952)...	103½	104	1 5 4	2 18 10	42½	25½	(a)	(a)	(a)	Assoc. Port. Cem. Ord. Stk. £1...	60½	60½	5 0 0½
106	97½	War Bonds 2½% Aug. 15, 1954-57...	99½	99½	1 8 9	2 11 10½	95½	73½	(a)	(a)	(a)	Austin Motor 'A' Ord. Stk. 5s...	32½	33½	5 18 6
106	99½	Funding 2½% June 15, 1952-57...	101½	101½	1 8 5	2 14 1½	245½	167½	(a)	(a)	(a)	Barclays Bank Ord. 'B' £1...	80½	78½	3 11 4
108½	99½	National Def. 3% July 15, 1954-58...	102½	102½	1 8 4	2 15 10	115½	80½	(a)	(a)	(a)	Bass Kitchin Ord. £1...	195½	196½	2 11 0½
109½	99½	War Loan 3% Oct. 15, 1955-59...	101½	102½	1 8 10	2 15 7½	58½	40½	(a)	(a)	(a)	British Oxygen Ord. £1...	89½	92½	4 6 11½
108½	97½	Savings Bonds 3% Aug. 15, 1955-65...	101½	102½	1 10 9	2 17 10½	29½	22½	(a)	(a)	(a)	Courtauld Ord. £1...	42½	43½	3 10 3
105½	95	Funding 2½% April 15, 1956-61...	98½	98½	1 9 10	2 12 6½	81½	57½	(a)	(a)	(a)	Dunlop Rubber Ord. £1...	25½	25½	6 4 3
109½	98½	Funding 3% April 15, 1959-69...	102½	102½	1 10 5	2 17 1½	53½	40½	(a)	(a)	(a)	Imp. Chem. Ind. Ord. Stk. £1...	67½	68½	4 7 7
122½	109½	Funding 4% May 1, 1960-90...	112½	112½	1 10 2	2 15 4½	49½	39½	(a)	(a)	(a)	Lancs. Cotton Ord. Stk. £1...	44½	46½	4 6 6
110½	97½	Savings Bonds 3% Sept. 1, 1960-70...	101½	111½	1 11 3	2 18 2½	57½	45½	(a)	(a)	(a)	Lever & Unilever Ord. £1...	48½	50½	4 8 11
104½	92	Savings Bonds 2½% May 1, 1964-67...	96½	101½	1 11 4	2 14 3½	77½	50½	(a)	(a)	(a)	London Brick Ord. Stk. £1...	50½	51½	4 0 0
123½	109½	Victory Bonds 4% Sept. 1, 1920-76½	113½	114½	1 4 11	2 18 1½	84½	32½	(a)	(a)	(a)	L.M.S. 4% 1st Pref. Stk....	78	77½	5 4 3
111½	96½	Savings Bonds 3% Aug. 15, 1965-75...	101½	102	1 11 6	2 18 6½	36½	24½	(a)	(a)	(a)	N.-Eastn. Elec. Ord. Stk. £1...	33½	33½	4 3 7
117½	106	Consols 4% (after Feb. 1, 1957)...	109½	110½	1 2 3	2 17 4½	68½	47½	(a)	(a)	(a)	Prudential 'A' £1...	54½	54½	4 11 9
115½	102½	Conversion 3½% (after Apr. 1, 1961)...	106½	106½	1 7 10	2 18 5½	39	29½	(a)	(a)	(a)	Stewart & Lloyd's Def. £1...	33	33	2 4 11½
100½	80½	Treas. Stk. 2½% (after Apr. 1, 1975)...	86½	88½	1 11 2	2 16 8½	63½	44½	(a)	(a)	(a)	"Shell" Transp. Ord. Stk. £1...	80½	84½	4 19 0
110½	95½	Treas. Stk. 3% (after Apr. 5, 1966)...	99½	100½	1 12 10	2 19 10½	108½	80½	(a)	(a)	(a)	Tube Invst. Ord. Stk. £1...	119½	118½	4 4 3
117½	97½	Redempt. Stk. 3% Oct. 1, 1986-96...	102½	103½	1 10 11	2 17 3½	147½	108½	(a)	(a)	(a)	Turner & Newall Ord. Stk. £1...	70½	71½	3 10 2
99	80	Consols 2½%...	86	88½	1 11 2	2 16 8½	96½	68½	(a)	(a)	(a)	Woolworth (P. W.) Ord. 5s...	81½	82½	4 4 10
Redemption yields on stocks optionally or finally redeemable within the next five years															
The above assumptions that they will be redeemed at the stated date are based on the current market price of the securities.															

Redemption yields on stocks optionally or finally redeemable within the next five years are worked out on the assumption that they will be repaid at the earliest date. Redemption yields on other dated stocks assume that stocks paying 3 per cent or less will be redeemed at the earliest date (these are marked 'c'), and those paying 3 per cent or more will be repaid at the latest date (marked 'f'). (a) Net yields are calculated after allowing for tax at ½% in the £. (f) Flat yield. Assumed average life 17 years 6 months.

(a) Interim. (b) Final. (c) Whole year. (d) Int. paid half-yearly. (e) To earliest redemption date. (f) Also a capital bonus of 2½ per cent free of income tax. Yield worked out on 15 per cent basis. (h) Fifteen months to March 31, 1947 (yield basis 1½ per cent). (i) To latest redemption date. † Free of tax.

Supplement. The difficulty lies, as with other commodities, in the availability of foreign exchange. The British position is as yet unaltered, as Cuban sugar is purchased under contract, and Mr Strachey recently announced that dollar contracts would be allowed to run their term. But if imports from Cuba have to be restricted, the present sugar ration could not be maintained.

* * *

Whaling Output and Profits

The net profit of United Whalers, the operating company of the Hector Whaling group, reached £310,954, after taxation, for the year to July 31st, 1947, compared with the prospectus estimate of £173,405, also after tax, which was given when the issue of £500,000 preference capital was made last December. The earnings on the 5s. ordinary shares of Hector Whaling, which holds nearly all the ordinary shares of United Whalers, increased from 14 to 210 per cent during the year. The catch in 1946-47 amounted to 30,760 tons in terms of whale oil—about a third greater than the minimum forecast. This strikingly better result is due to an excellent season in 1946-47; whales were plentiful and the number of days' fishing covered an extended period of four months compared with the normal three.

The forthcoming season's catch will again be restricted by international agreement, this time to 16,000 blue whale units, a figure which appears to have been nicely balanced with the capacity of the seventeen floating factories which will be operating. Last season ran its full span with fifteen factories, and these handled some 14,000 blue whale units. Estimates for the prospective catch are not so high as the bumper results of last season, though until the whaling grounds are reached any estimate of the catch can be only tentative. The total output of whale oil has again been sold forward to the Ministry of Food and the price has risen from £67 to £90 a ton. Last year United Whalers produced only a token quantity of whale meat but they expect to provide British housewives with up to 5,000 tons of it from the coming catch and in addition the amount of meat meal is to be increased substantially from the 1,500 tons made in 1946-47—for which farmers should be grateful. The Hector Whaling group represents rather less than one

third of the whaling capacity of this country, but its figures illustrate the vastly improved status of the industry since prewar days. Recent information also suggests that even if the killing of whales were derestricted (to which there are valid objections) there is not the present capacity of factories to deal with a much greater number than at present. The best prewar figure of 600,000 tons of whale oil in a year was produced by some thirty-eight factories—some admittedly small. All available floating factory capacity is now on its way to the Antarctic, and as it takes more than two years to build a vessel of the Balaena type, it is unlikely that fleets will expand very greatly in the next few years.

Shorter Notes

A note entitled "Prospectus and Performance" which appeared in *The Economist* of October 11th inadvertently suggested that the Capital Issues Committee took responsibility for the financial soundness of new issues. The omission of the word "no" will not have deceived those readers who are familiar with the C.I.C.'s disclaimer of responsibility on every prospectus which is issued. The function of the Committee is to exercise control over the character and timing of new issue business; its consent does not imply that it takes any view at all about such matters as profits estimates which appear in prospectuses.

* * *

The Standard Motor Company has announced a dividend of 25 per cent on its 5s. ordinary stock units for the year to August 31st, 1947, against 35 per cent, including a 5 per cent bonus, paid for 1945-46. Net profit, after providing £50,000 (£70,000), for staff funds, is given at £198,915, a decrease of £84,584 on the year.

* * *

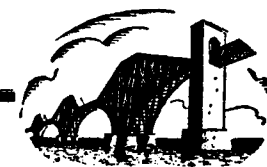
The Royal Dutch Petroleum Company has announced from Amsterdam that it intends to make a new public issue in the near future. The amount and terms have not yet been stated. The proceeds are likely to be used for an extension of the tanker fleet and industrial projects in Holland.

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COMPANY MEETINGS

SOUTH AFRICAN
DISTILLERIES AND WINES,
LIMITED

DIVIDEND 21 PER CENT.

The thirteenth annual ordinary general meeting of the South African Distilleries and Wines, Limited, was held, on the 20th instant, in London, Mr H. R. Mosenthal, the chairman, presiding.

The following is an extract from his statement circulated with the report and accounts for the year to June 30, 1947:—

The consolidated net profits of the subsidiary companies for the year ended February 28, 1947, amount, before providing for taxation, to £768,265, South African currency, as compared with £869,299 last year, a decrease of £101,034.

The balance of net profits amounts to £137,922, and this, together with a surplus on taxation provision of previous years amounting to £12,000, has enabled the directors of this company, after providing for the Preference dividend, to propose the distribution of a final dividend on the Ordinary stock of 15 per cent., less income tax, making a total of 21 per cent. for the year.

RATIONING OF SUPPLIES

Turning to the total net profits earned in South Africa, I informed you last year that our subsidiary companies would not be able to maintain their sales at the same volume because it had become necessary to ration many of the products which they market owing to the fact that the Wine Growers Association was no longer able to supply sufficient matured brandy to make up the difference between what they had available from their own stock reserve and a figure sufficient to allow them to maintain sales at the volume then running. The position was also aggravated by a drought in South Africa which had had a serious effect upon the total grape crop. These factors are now reflected in the sales of the operating companies for the year just ended. It was not, however, until the latter half of the year under review that the rationing was imposed, so that the sales for the first quarter of the current year inevitably compare unfavourably with the corresponding period of the year under review.

Sales of gins and liqueurs are not affected, but wine sales cannot be increased until such time as the new vintage is made available, approximately in June of next year, and then only on the assumption that the vintage will be a good one. Weather conditions so far have been such that a good vintage can be expected.

IMPROVEMENT OF METHODS

During the financial year under review, some £53,000 has been spent on improving methods of production, as well as increasing their output capacity, and since the end of the financial year a further £174,000 has been spent with the same objects in mind.

In addition to sums that have already been spent in the current year, they expect approximately £60,000 worth of machinery and maturing wood to be shipped to them during this year. At the end of that period their total capacities for distilling wine, maturing and storage in the country districts, should be sufficient for all their needs. There will remain the consolidation and building of depots with railway sidings in various parts of the country as and when permits for this work are granted, as well as the building of a main manufacturing plant in Cape Town. They are also laying down additional maturing stocks to the value of approximately £100,000, which process has already commenced.

The report was adopted.

DEBENHAMS LIMITED

EXPANSION OF SALES

SIR FREDERICK RICHMOND'S STATEMENT

The ordinary general meeting of Debenhams, Limited, will be held at the Wigmore Hall, Wigmore Street, London, W., on the 6th prox.

The following is an extract from the statement by the chairman, Sir Frederick Richmond, Bt., circulated with the report and accounts for the year to July 31, 1947.

The balance of the profit and loss account for the year amounts to £1,367,560, as compared with £1,152,225. This figure includes in addition to the trading profit of the parent company, dividends from subsidiary and associated companies in so far as they have been declared, as well as rents and interest receivable. Deducting debenture interest, trustees' fees and directors' fees (£81,607) the net figure is £1,285,953, which compares with £1,069,699 last year, an increase of £216,254. After adding £344,796 brought forward and deducting £379,000 for preference dividends and £166,667 for the interim ordinary dividend paid in May, there is a balance available for disposal of £1,085,082 which your directors recommend be applied, as follows:—

To reserve for taxation	£425,000
To reserve fund	50,000
To final dividend of 11d. per share on the ordinary shares (making a total of 1s. 3d. for the year) less income-tax	252,083
To carry-forward	357,999

The transfer to taxation reserve of £425,000 compares with £350,000 last year. In the opinion of our auditors the taxation reserve, after allowance for tax deductions from prior charges, should be sufficient to cover the company's liability for a year in advance.

TAXATION INJUSTICE

Shareholders are doubtless aware that E.P.T., which was abolished as from December 31st last, has been replaced by an increase in profits tax to 12½ per cent. on distributed profits. This means in effect that the tax on the whole of the distributed profits, including dividends paid to preference shareholders, is borne by the ordinary shareholder—a particularly flagrant injustice in the case of a highly geared company like ours. All I have said in the past about the inequity of this tax applies with greater force than ever today.

In my statement last year I referred to the unsuccessful result of the directors' application to the Capital Issues Committee to convert the ordinary shares of 1s. each into ordinary shares of 2s. 6d. by transferring £750,000 from reserves and increasing the ordinary capital to £1,250,000. This would have been a purely book-keeping transaction designed to bring the nominal capitalisation more into line with the actual capital employed, and would have involved no cash payment to shareholders. The Treasury ban on capitalisation of reserves has since been removed and the Capital Issues Committee has power to approve such transactions in appropriate cases, subject to the payment by the company of a special tax of 10 per cent. of the value of what is called the "bonus element." This would cost the company £75,000 and seems to your directors a very high, not to say unjust, imposition and they have decided, reluctantly, to leave this matter in abeyance for the time being.

THE DIVIDEND

In view of the increased earnings the directors decided in May last to declare an interim dividend of 4d. per share on the ordinary shares. They have given very careful consideration to the question of a final distribution and now recommend a dividend of 11d. per share, making 1s. 3d. for the year. This is by no means an excessive rate when due

regard is paid to the highly-geared capital structure of the company and the large amount of capital employed in the business. The reserves to which I have just alluded are the result of a long period of conservative finance and represent profits retained in the business instead of being distributed as dividends to the ordinary shareholders.

Conditions ruling throughout the period under review have followed fairly closely the pattern of the preceding year. Like other distributive businesses, we enjoyed a very good year so far as sales were concerned. On the other hand, expenses continued to rise steadily, and all the well-known vexatious restrictions and controls to which we have become accustomed persisted throughout the year. I think it should be clearly understood that the rate of gross profit has been lower than in the preceding year, and that it is entirely due to the expansion in sales that we have been able, notwithstanding reduced profit margins and rising expenses, to show a further increase in our net profit.

LOWER PRICE MARGINS

In my last review I said that our West End businesses had begun to feel the impact of the lower price margins imposed during the year. Some of those, such as the fixing of ceiling prices for ready-made non-utility clothing, were obviously directed against the better-class trade. The position was worsened on February 1st this year by a 2½ per cent. cut in the rate of gross profit on both utility and non-utility merchandise, regardless of the fact that high-class fashion houses are unable to work on the same margins as those doing a popular trade. Those cuts were imposed by the Board of Trade on the assumption that a very substantial increase in the volume of sales could confidently be expected during 1947, but when, after the fuel crisis and extension of the coupon period, it was evident that these expectations would not be realised the cuts were cancelled after being in force for five months.

In such circumstances it will be understood that our three principal London businesses (Debenhams and Freebody, Marshall and Snelgrove and Harvey Nichols and Co.) have been trading under exceptional difficulties. It will be obvious to everyone that the period of austerity through which we are passing presents difficult problems for those businesses. After export demands have been met only a very limited range of non-utility fabrics will be available for the better-class trade. You may rest assured, however, that we shall do everything possible within the limitations imposed upon us to maintain the high standard of quality, style and workmanship upon which our reputation has been built.

I am pleased to be able to report that Harvey Nichols and Co. (including the furniture section at Bournemouth) has made further substantial progress during the year and is paying a dividend on the Ordinary shares (all of which are held by Debenhams, Ltd.) of 10 per cent. against 7½ per cent. last year.

Turning to the associated companies in the provinces and suburbs, I must remind you that their trading period ended on or about January 31st, when conditions were less unfavourable than they have been since. From reports that have been published shareholders will have gathered that the results of the past year's trading have been generally favourable.

Our wholesale and export business, in spite of the scarcity of merchandise and other difficulties, has recorded an increase in turnover and may be said, I think, to have more than maintained its position in the trade.

THE DISTILLERS COMPANY, LIMITED

MR H. J. ROSS'S REVIEW

The seventieth annual general meeting of the company was held in the North British Station Hotel, Edinburgh, on the 15th instant, when, in the absence of the chairman, the deputy chairman, Mr H. J. Ross, presided.

The following is an excerpt from his address to stockholders:—

Turning now to the statement of accounts you will find that the consolidated statement of profit covers a period from varying balancing dates of the parent and subsidiary companies to March 31, 1947. To comply with the new company legislation the board decided to fix March 31st as the balancing date for all the companies, and as a consequence the figures in the accounts are not comparable with those for the year to May 15, 1946. The manufacturing and trading profits, after making provision for excess profits tax, profits tax and overseas taxations, works out at £7,638,059, but while the profits of the parent company are included for a period of 10½ months, certain subsidiaries contributed for a full year and a few for fifteen or more months. From an investigation of the accounts it is estimated that for a period of 12 months the profits approximated to £7,100,000, comparing with the corresponding figure of £6,914,330 for the year to May 15, 1946.

To the profit figure of £7,638,059 is added (1) revenue from investments and other miscellaneous receipts £907,333 and (2) provision for taxation made in previous years proved to be not required and now released £395,000, making the total revenue £8,940,392. After making full allowance for income tax on these profits, all necessary provisions and adding to superannuation and sundry reserves in the books of subsidiary companies, there remains £3,428,719 as the sum available to the Distillers Company, Limited. This compares with £2,574,760 for the year to May 15, 1946. In addition, however, it should be noted that the amount applicable to the Distillers Company, Limited, but retained by the subsidiary companies is £190,728 as compared with £103,920.

The board decided to appropriate and to apply to general reserve the sum of £1,100,000 (making it £6,000,000), leaving available with the amount brought forward, and after deducting directors' fees, compensation to directors for loss of office and the interim dividends, the sum of £1,181,364.

It is proposed to pay a final dividend on the ordinary stock of 2½ per cent. less income tax (making 22½ per cent. less income tax for the 10½ months period) and a special dividend on the ordinary stock of 2½ per cent. less income tax, thus leaving to be carried forward the sum of £768,153 as against £591,654 brought in.

BALANCE SHEET

The company's legal balance sheet calls for comment on the following matters:—

(1) The increase in the amount at credit of the general capital reserve to £934,736 is due to the transfer thereto of £105,924 being profits on the realisation of certain investments during the period.

(2) The company has received a provisional E.P.T. post-war refund amounting to £910,621. This includes amounts applicable to certain E.P.T. subsidiaries.

(3) During the period under review the company purchased from the Custodian of Enemy Property the 95,000 shares in British Industrial Solvents Limited, formerly held by German interests, making that company thereafter a wholly owned subsidiary.

(4) The company also purchased the issued share capital of Gilmour Thomson and Company Limited, blenders, etc., Glasgow, and is carrying on the business.

(5) In November of last year the company acquired the unissued capital of National Chemical Products Limited, Johannesburg, South Africa, amounting to 64,850 ordinary shares of £1 each. The terms of the arrangement provide for the acquisition of further shares to enable the South African company to undertake certain new developments now under consideration. National Chemical Products Limited are distillers of industrial alcohol, and have a well established business in solvents and carbon dioxide.

(6) A further investment made by your company, jointly with British Xylonite Limited in the proportions of 60 and 40 per cent. respectively, was the purchase of the unissued share capital of Lansil Limited, consisting of 203,367 ordinary shares of £1 each and 514,000 deferred shares of 1s. each. The money thus provided will be applied by the Lansil Company in meeting the cost of extensions in the manufacture of cellulose acetate, an important plastic raw material, of which our group is a large consumer.

(7) Investments in British Government securities have risen by a little over £1,200,000 to £17,353,626. The holdings are reasonably "short dated" and a revaluation at March 31, 1947, disclosed a market valuation of £17,712,734. A valuation today, however, would show a different result, and it was to meet such a contingency that the board built up over the past few years a reserve of £1,600,000. As will be explained later round about £7,500,000 of these holdings have been earmarked for developments in the chemicals and plastics sections of the company, while over £4,000,000 may go to the group pension scheme now under examination.

The consolidated statement of assets and liabilities discloses that while current assets amount to £54,247,421, current liabilities and provisions total £9,018,961, a surplus in this respect of over £45,000,000. This is proof of the great financial strength of the organisation, and it must be remembered that the fixed assets are included at low valuations.

PROBLEM OF RE-ORGANISATION OF
CAPITAL STRUCTURE

The surplus applicable to the members of the Distillers Company, Limited, exclusive of the reserve for taxation on earned profits but not yet due, has increased to £20,669,907. The issued share capital is £17,225,847 including £2,200,000 of preference stock. As announced at the previous meeting the board had given careful consideration to this aspect, but it was not possible to obtain permission to re-organise the capital structure. Since then the Finance Act of 1947 permits the capitalisation of reserves and the issue of shares to members of the company, but on payment of a charge of duty. The amount of duty the company would have to pay has made it impossible to proceed with the scheme under contemplation.

The board have decided, however, that the time had arrived to place before the members their proposal to make the ordinary stock transferable in units of 4s. each instead of £1 units as at present. You have been asked to attend an extraordinary general meeting to be held immediately after this meeting, when full consideration may be given to the board's proposal.

The board desires me to place before you the following reports on the operations of the various branches of the company's business:—

DISTILLING

The Ministry of Food continues to exercise control of the production of potable whisky. As indicated to the meeting last year the quotas out of the 1945 allocations of

cereals were completed by the malt distilleries in June and the grain distilleries in September, 1946. In February and April, 1947, the industry was granted allocations each of 50,000 tons, while in August further licences amounting to 75,000 tons were issued. This is equivalent in all to about 55 per cent. of the prewar production. These welcome releases were not made by the Government without conditions. In the course of negotiations attention had to be given to the dire economic condition into which the country had fallen, and the Ministry would only grant licences to manufacture new whisky on the undertaking by the industry to increase exports of matured whisky to "hard currency" markets. The proportion laid down by the Ministry from May 1, 1947, was three gallons for export to one gallon released for the home market. The stock position is still such that this could only be accomplished by a reduction at the expense of the home consumer and by shipping this saving, and more, to the "hard currency" markets.

The industry is hopeful, now that the 1947 harvest has been secured, that the Ministry will be able to issue further licences at an early date to enable a full programme of distilling to be undertaken next year, and thus avoid closing down again the distilleries in January or February, 1948, by which time the present licences will be completed.

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PURCHASE OF PENICILLIN FACTORY

The company has recently reached agreement with the Government for the purchase of the penicillin factory at Speke, Liverpool, which you will recall was erected and operated by the company as agents for the Ministry of Supply. The demand for this remarkable material is still increasing and it is considered that this acquisition will fit in logically and effectively with the company's research and development work in the production of streptomycin and in the field of anti-biotics generally. It is proposed to operate this new development through a subsidiary company to be formed with a capital of about £1,000,000.

PRODUCTION OF CHEMICALS FROM
PETROLEUM

An important development which falls to be reported is the provisional agreement between your company and the Anglo-Iranian Oil Company, Limited, to erect a large plant for the production of chemicals from petroleum. The capital required for this project will be of the order of £5,000,000 which will be subscribed equally by the two companies. It is proposed to establish this joint venture at Grangemouth, in close proximity to the oil refineries of the Anglo-Iranian Oil Company.

It will be appreciated that under present conditions a considerable period must elapse before this scheme can be completed, but, in view of the company's existing commitments in the chemical and plastic fields, your directors are satisfied that on a long term view this development is sound and necessary.

FUTURE PROSPECTS

In view of the difficult times through which we are passing, it is not desirable to attempt to forecast very far ahead. It may be said, however,

(1) That the financial structure of the company is solid and it has ample reserves and provisions to meet such contingencies as may arise;

(2) That many of its products, particularly Scotch whisky and gin, are of vital importance in the national drive for exports to "hard currency" markets, and

(3) That so far as the current financial year has gone the results are satisfactory. At their meeting on November 13, 1947, the board intend to declare an interim dividend on the ordinary stock in respect of the year to March 31, 1948 payable on December 17th next along with the final and special dividends for period to March 31, 1947, if these are approved today.

The report was adopted.

CHAMBERS WHARF AND COLD STORES, LIMITED

The twentieth ordinary general meeting of Chambers Wharf and Cold Stores, Limited, was held, on the 16th instant, in London, Mr Charles Goldrei (chairman and managing director) presiding.

The following is an extract from his statement circulated with the report and accounts for the period from June 29, 1946, to June 27, 1947:—

I am very pleased to present to the shareholders a satisfactory balance-sheet for the period under review. The ordinary share capital of the company was increased in April, 1947, by the issue of 68,332 ordinary shares of 5s. each fully paid. The share premium amounting to £85,415 less the expenses attached to the issue £183 is shown separately on the balance-sheet. As a consequence of this issue, the company's bank loan has been considerably reduced.

The net trading profit for the 52 weeks ended June 27, 1947 (after providing for payments to the Ministry of Food Cold Storage Control of the excess over the maximum allowed to be retained by the company) amounted to £75,804, against £62,639 for the previous period.

The net balance of profit for the period after providing for a special payment of £4,000 to a general manager for loss of office, directors' fees, depreciation and taxation as reduced by an amount of £1,991 provided previously, not now required, amounts to £29,845, against £27,938 for the previous period, an increase of £1,907.

TOTAL DIVIDEND 40 PER CENT.

Of the balance of profit available, taking into account the amount brought forward from the previous year of £7,335 after payment of the preference dividend for the year to May 31, 1947, and the interim dividend of 15 per cent. on 273,326 ordinary shares, your directors have transferred £5,000 to general reserve, £1,000 to staff pension and benevolent fund, and they recommend a final dividend of 25 per cent. on the increased ordinary share capital of 341,658 ordinary shares, leaving a carry-forward to next year of £6,343.

In my last year's report, I stated that the company had purchased Messrs John Dudin and Sons, Limited's premises, which immediately adjoined the company's riverside property, and that the necessary licence for development was obtained. I am now able to inform you that the work has been satisfactorily completed.

The company acquired from the Bermondsey Borough Council in March of this year, East Lane Wharf which adjoins the western boundary of the company's riverside property. This wharf is at present an open quay site and since, owing to restrictions and shortage of materials, it is impossible at the moment to obtain a licence to erect permanent buildings on it, the company has decided to erect temporary buildings. The licence for these has been obtained and the construction should be completed before the end of the current financial year, when the company's dry goods warehouse space will be further increased.

As soon as restrictions are relaxed and building materials are more plentiful, it is

the intention of the company to proceed with their pre-war plans for further substantial extensions and to utilise their valuable freehold sites to the best advantage.

The volume of business since the commencement of the current financial year has been satisfactory and there is no reason why the company should not continue its steady progress. Your directors have under constant review the equipment of our cold stores and warehouses and every advantage has been and will continue to be taken to maintain the company's plant and machinery in keeping with its reputation as one of the most up-to-date storage undertakings in the country.

The report was adopted.

POWELL DUFFRYN, LIMITED DELAYS IN COMPENSATION PROCEEDINGS

The annual general meeting of Powell Duffryn, Limited, was held in London on the 22nd October, Mr Edmund L. Hann, the chairman and managing director, presiding. The following is an extract of his statement which was circulated with the accounts:—

The profit on trading is £905,924 which, after charging depreciation, is reduced to £744,765. Last year the corresponding figures were—trading profit £1,135,537 and net profit £865,221.

A larger distribution could have been recommended for the year under review, but having regard to the future it was felt better to recommend the addition of the substantial amount of £358,359 to the carry-forward. It is hoped that it will be possible to maintain a reasonably steady rate of dividend in the next two or three years, but it may well be necessary to have recourse to the undistributed profits of past years.

Assets with a written-down book value of nearly £10 million have vested in the National Coal Board, while the Group figure is in excess of £12 million. The amount of compensation to be received, as stated in the explanatory note circulated with the accounts, will not be known for some years.

For two years from January 1, 1947, we shall receive an interim income based on one-half of the pre-nationalisation earnings of the assets which have passed to the Coal Board. If the assessment and payment of compensation is completed within four years I shall be agreeably surprised. The delay is no fault of the industry, and yet the industry is to receive interim income for two years only.

EXPANSION OF ACTIVITIES

The business of Cory Brothers and Company, Limited, in Egypt, which has been merged in that of Tractor and Engineering Company, S.A.E., is working smoothly and profitably.

A new enterprise of Gueret, Llewellyn and Merrett, Limited, is the development of an Air Service Agency trading under the name of Powell Duffryn (Air), Limited, managed by G.L.M. from their Cardiff office with branches at all important places at home and abroad.

Early in the new year Stephenson Clarke, Limited, will receive in compensation for its fleet of wagons well over £3,000,000, but will from January 1st next lose its substantial income from the earnings of these wagons. Losses of tonnage through enemy action are

gradually being made good and it is hoped in the next few years to restore fully the amount of tonnage owned in 1939.

Maris Export and Trading Company, Limited, the coal exporting subsidiary of Stephenson Clarke, although deprived of the opportunity of maintaining its trade in British coal, has functioned successfully in the products of other countries.

NEW ENTERPRISES

I have to report the appointment of Mr Robert Foot as a managing director of Powell Duffryn and chairman of its new subsidiary company, Powell Duffryn Technical Services, Limited. Mr Foot is now in Australia to discuss the possible use of our services in connection with the further development of the valuable coal resources in the various states of the Dominion.

Our research organisation has discovered an entirely new method of producing carbon which possesses great advantages over other methods now in use, both as regards the process of manufacture and the quality of the finished product. For commercial production we have acquired a factory at Hayes, Middlesex, and have promoted a new subsidiary company—Powell Duffryn Carbon Products, Limited—with a share capital of £500,000.

The report and accounts were adopted.

ALLIED INDUSTRIAL SERVICES LIMITED

The annual general meeting of this company was held at Bradford on the 17th instant, Mr W. H. Rhodes, the chairman, presiding.

The following is an extract from his circulated statement:—

The services we supply to industry increased in volume considerably during the twelve months, despite the continued difficulty of obtaining the materials required to maintain these services. Again, the severe weather during the winter resulted in some curtailment of customers' requirements owing to fuel and power shortages.

Your directors have had in mind for some years the inauguration of a staff superannuation fund, and, the necessary arrangements having been made, the scheme commenced on March 24, 1947. Your directors feel that this scheme, which is a contributory one, will be of benefit to the participants and the company. During the year under review we have been able to install a certain amount of new plant to replace some of our older machinery and await further replacements as soon as manufacturers can make delivery.

After making proper provision for depreciation of the company's properties, plant, etc., the trading profit (including dividends and transfer fees, etc., received) amounts to £265,097, and after provision for taxation, the sum of £121,097 is available for allocation, to which your approval is sought. The directors have recommended a similar ordinary dividend to that paid in the previous year.

In view of present conditions concerning raw materials and the shortages from which we may suffer during the months ahead, I hesitate to make forecasts, but at the same time I can state that demands for the industrial services we supply continue to be maintained at a satisfactory level.

The report was adopted.

SECRETARY REQUIRED by the Technical Managing Director of a well-known firm of clothing manufacturers. Shorthand and typing applications must be in writing.—Box 588.

CHIEF Accountant and Office Manager required by large Engineering firm. S.E. London. Industrial experience, including mechanised accounts, costing, and office organisation essential. State age, education, experience, and salary required.—Box 585.

IF you require staff advertise in "WOMEN'S EMPLOYMENT" Appointments Section. Published 1st and 3rd Fridays. Widely sought for forty-eight years by trained women seeking posts. 25 words 5/-; 50 words 7/6. Women's Employment, Terminal House, S.W.1.

YOUNG WOMAN (22), B.Sc. (Econ.) (Hons.), with special reference to sociology, commercial training, diploma from Paris University, seeks interesting appointment.—Box 591.

GOVERNMENT RETURNS

For the week ended October 18, 1947, total ordinary revenue was £49,099,956, against ordinary expenditure of £68,277,428 and issues to sinking funds £498,581. Thus, including sinking fund allocations of £9,049,891 the surplus accrued since April 1st is £186,936,495 against a deficit of £479,609,223 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1947-48	Receipts into the Exchequer (£ thousand)			
		April 1 to Oct. 19, 1946	April 1 to Oct. 18, 1947	Week ended Oct. 19, 1946	Week ended Oct. 18, 1947
ORDINARY REVENUE					
Income Tax	107,300	448,396	406,653	12,554	10,306
Sur-tax	80,000	17,582	20,305	566	550
Estate, etc. Duties	155,000	77,345	90,869	2,030	2,290
Stamps	57,000	17,905	27,030	500	1,200
N.D.C.	202,000	18,907	19,170	755	600
E.P.T.	1,000	186,217	142,248	9,226	4,650
Other Inland Rev.	1,000	158	115	...	...
Total Inland Rev.	1,568,000	768,510	706,390	25,631	19,596
Customs	736,960	328,001	429,995	14,646	18,751
Excise	643,040	294,400	300,000	6,500	6,700
Total Customs & Excise	1,380,000	622,401	729,995	21,146	25,451
Motor Duties	80,000	10,413	11,289	...	160
Surplus War Stores	95,000	62,827	106,396	27,978	1,283
Surplus Receipts from Trading	55,000	...	30,175	...	...
Post Office (Net Receipts)	...	450	450	...	...
Wireless Licences	11,000	3,070	...	...	...
Crown Lands	1,000	450	...	...	...
Receipts from Sundry Loans	21,000	9,247	16,705	1,688	...
Miscell. Receipts	270,000	20,240	172,461	899	2,610
Total Ord. Rev.	3,451,000	1,497,608	1,777,811	77,792	49,100
SELF-BALANCING					
Post Office	144,230	67,100	73,980	1,950	2,200
Income Tax on E.P.T. Refunds	49,000	119,130	13,195	3,561	378
Total	3,644,230	1,683,838	1,864,986	83,303	51,678
Issues out of the Exchequer to meet payments (£ thousand)					
Expenditure	Estimate, 1947-48	April 1 to Oct. 19, 1946	April 1 to Oct. 18, 1947	Week ended Oct. 19, 1946	Week ended Oct. 18, 1947
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	525,000	283,705	295,813	13,561	15,169
Payments to N. Ireland	23,000	9,200	11,381	3	8
Issue to Nat. Land Fund	...	50,000	...	...	...
Other Cons. Fund Services	8,000	3,658	3,476	...	...
Total	556,000	346,564	310,671	13,564	15,177
Supply Services	263,511	162,202	127,154	41,050	53,100
Total Ord. Exp.	3,191,114	1,968,591	1,581,825	54,614	68,277
SELF-BALANCING					
Post Office	144,230	67,100	73,980	1,950	2,200
Income Tax on E.P.T. Refunds	49,000	119,130	13,195	3,561	378
Total	3,383,344	2,154,821	1,669,000	60,125	70,855

On October 17th applications for bills to be paid on Monday, Tuesday, Wednesday, Thursday and Friday were accepted as to about 54 per cent of the amount applied for at 99 1/8. 5d. and applications at higher prices were accepted in full. Applications for Saturday were accepted at 99 1/8. 6d. and above in full. (£170 million (maximum) of Treasury Bills are being offered for October 24th. For the week ended October 25th the Banks will not be asked for Treasury deposits.

NATIONAL SAVINGS

	Week Ended		Totals Mar. 31 to Oct. 11, 1947
	Oct. 12, 1946	Oct. 11, 1947	
Savings Certificates:—			
Receipts	3,650	3,000	121,350
Repayments	2,300	2,350	78,450
Net Savings	1,350	650	42,900
Defence Bonds:—			
Receipts	1,880	865	41,760
Repayments	1,015	866	21,201
Net Savings	865	Dr. 1	20,559
P.O. and Trustee Savings Banks:—			
Receipts	14,970	12,475	353,478
Repayments	9,676	8,775	343,206
Net Savings	5,294	3,700	10,272
Total Net Savings	7,509	4,349	73,731
Interest on certificates repaid	345	423	15,123
Interest accrued on savings remaining invested	2,227	2,275	58,718

Statistical Summary

CHANGES IN DEBT (£ thousand)		NET REPAYMENTS	
NET RECEIPTS		3 Def. Bonds	*2,517
Treasury Bills	33,051	3% Ter. Annuities	1,643
2 1/2% Def. Bonds	790	Tax Reserve Certs.	1,457
Other Debt:—		Other Debt:—	
External	2,481	Internal	202
Ways & Means Advances	1,305	Treasury Deposits	500
	37,627		6,319

* Including £1,810,000 paid off on maturity.

FLOATING DEBT (£ million)

Date	Treasury Bills		Ways and Means Advances		Treasury Deposits by Banks	Total Floating Debt
	Tender	Tap	Public Depts.	Bank of England		
1945						
Oct. 19 1947	2000.0	2550.6	430.4	9.0	1764.5	6754.5
July 12 1947	2180.0	2541.0	378.6	...	1358.5	6486.0
" 19 2180.0	2503.1	328.9	...	1408.5	6420.5	
" 26 2180.0	2493.4	270.9	...	1408.5	6352.8	
Aug. 2 2180.0	2470.4	317.7	2.5	1400.5	6371.0	
" 9 2180.0	2424.0	348.4	3.5	1400.5	6356.4	
" 16 2180.0	2428.2	336.7	1.75	1380.5	6337.1	
" 23 2180.0	2467.9	336.9	9.75	1350.5	6345.1	
" 30 2190.0	2428.5	339.8	4.75	1323.0	6286.1	
Sept. 6 2190.0	2466.4	369.6	4.75	1304.0	6334.8	
" 13 2190.0	2499.9	357.1	4.25	1296.5	6347.7	
" 20 2190.0	2533.0	327.7	8.0	1299.0	6357.6	
" 26 2190.0	2557.1	322.3	...	1292.5	6361.9	
Oct. 4 2200.0	2534.8	363.0	19.8	1267.0	6385.4	
" 11 2220.0	2561.7	343.2	20.3	125.5	6398.6	
" 18 2230.0	2584.7	362.8	2.0	1253.0	6432.5	

TREASURY BILLS (£ million)

Date of Tender	Amount			Average Rate of Allotment %	Per Cent. Allotted at Min. Rate
	Offered	Applied for	Allotted		
1946					
Oct. 18 1947	170.0	276.2	170.0	10 1.70	50
July 18 1947	170.0	294.5	170.0	10 1.39	44
" 25 160.0	292.4	160.0	10 1.24	40	
Aug. 1 160.0	287.9	160.0	10 1.11	39	
" 8 170.0	276.6	170.0	10 1.48	49	
" 15 170.0	235.6	170.0	10 2.34	68	
" 22 170.0	258.4	170.0	10 1.58	55	
" 29 170.0	251.9	170.0	10 3.14	59	
Sept. 5 170.0	276.8	170.0	10 2.54	46	
" 12 170.0	269.7	170.0	10 2.85	51	
" 19 170.0	253.5	170.0	10 3.10	57	
" 26 180.0	277.4	180.0	10 2.66	27	
Oct. 3 190.0	299.9	190.0	10 1.39	49	
" 10 180.0	291.3	180.0	10 1.36	47	
" 17 170.0	268.9	170.0	10 1.87	54	

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Receipts	3,650	3,000	121,350
Repayments	2,300	2,350	78,450
Net Savings	1,350	650	42,900
Defence Bonds:—			
Receipts	1,880	865	41,760
Repayments	1,015	866	21,201
Net Savings	865	Dr. 1	20,559
P.O. and Trustee Savings Banks:—			
Receipts	14,970	12,475	353,478
Repayments	9,676	8,775	343,206
Net Savings	5,294	3,700	10,272
Total Net Savings	7,509	4,349	73,731
Interest on certificates repaid	345	423	15,123
Interest accrued on savings remaining invested	2,227	2,275	58,718

BANK OF ENGLAND RETURNS

OCTOBER 22, 1947

ISSUE DEPARTMENT

Notes Issued :	£	Govt. Debt...	£
In Circul...	1362,509,096	Other Govt.	11,015,100
In Bankg. De-		Securities...	1438,359,497
partment...	87,738,737	Other Secs...	617,991
		Coin other	
		than Gold...	7,412
		Amt. of Fid.	
		Issue	1450,000,000
		Gold Coin and	
		Bullion (at	
		172s. 3d. per	
		oz. fine)....	247,833
	1450,247,833		1450,247,833

AGGREGATE ASSET:
at 31st March, 1947
£87,034,037

Established over 80 years

BANK of NEW ZEALAND
Incorporated with limited liability in New Zealand

Represented at over 240 points
in New Zealand and at Melbourne,
Victoria; Sydney, New South Wales;
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London Office:
1, Queen Victoria St., E.C.4.
O. M. Samuel, Manager

Head Office: WELLINGTON, N.Z.
P. L. Porter, General Manager

REFUGE ASSURANCE COMPANY, LTD.

Chief Office: OXFORD STREET, MANCHESTER, 1

ANNUAL INCOME EXCEEDS	£16,300,000
ASSETS EXCEED	£77,000,000
CLAIMS PAID EXCEED	£181,000,000

(1946 Accounts)

UNIVERSITY OF THE WITWATERSRAND

Applications are invited for a LECTURER IN ECONOMICS: Salary scale is £550 x 25—£800 per annum, plus a temporary cost of living allowance which at present is £75 per annum if the member of staff is a married man or has dependants, £46.16.0 per annum in the case of a single man. Closing date for the receipt of applications is 24th November, 1947. Further particulars may be obtained from the Secretary, Universities Bureau of the British Empire, 8, Park Street, London, W.1.

THE CIVIL SERVICE Commissioners invite applications from suitably qualified men and women for the following permanent appointments: (a) Agricultural Economists, and (b) Assistant Agricultural Economists in the Ministry of Agriculture and Fisheries and the Department of Agriculture for Scotland; about 12 vacancies in all. For posts (a) candidates must have attained the age of 28 on October 1, 1947; for posts (b) candidates must have been born on or after August 2, 1910, and have attained the age of 23 on October 1, 1947. Inclusive salary scales for men are: Agricultural Economist £750 x 25—£1,000; Assistant Agricultural Economist £375 (age 23) x 25—£750, with higher starting pay for candidates over 23 on appointment. The scales shown are applicable to London posts, and are subject to small deductions for posts in Edinburgh. Salary scales are somewhat lower for women. Superannuation arrangements will be made under the Federated Superannuation System for Universities.

Candidates should have at least a Second-Class Honours degree in Economics or (where awarded) in Agriculture or Agricultural Economics, or an equivalent degree where Honours are not awarded, and should preferably have undertaken original research work in Agricultural Economics. Those qualified in Economics must have a knowledge of agricultural problems, and those qualified in Agriculture must have specialised in the economic aspect of the subject.

The Commissioners will select those candidates who appear to be most suitable, and will summon them for interview in London or Edinburgh. Candidates should write for an application form and a memorandum giving further information to the Secretary, Civil Service Commission, Burlington Gardens, London, W.1, quoting No. 2023. The completed form must be returned by November 6, 1947.

CIVIL SERVICE COMMISSION.—Applications are invited for the permanent post of Statistician in the General Register Office. Superannuation provision will be made under the Federated Superannuation System for Universities. The inclusive salary scale (London) is, for men, £900 x 30—£1,000 x 35—£1,220 per annum; for women, £800 x 30—£1,050. Prospects of promotion in a few years to the post of Chief Statistician, maximum inclusive salary (London), £1,700 (men), and £1,550 (women). Candidates must have a University degree with First or Second-Class Honours (or the equivalent where Honours are not awarded) in statistics, or in mathematics, economics, or other appropriate main subject combined with statistics; or having obtained a degree with First- or Second-Class Honours (or equivalent) in mathematics, economics, or other appropriate main subject without statistics must have been employed whole-time for at least twelve months continuously on statistical work. They should preferably have had experience in the study and treatment of demographic (including fertility) statistics. The successful candidate will be expected, subject to the general technical direction of the Chief Statistician, to initiate and, when necessary, direct statistical studies in all except purely medical aspects of the work of the General Register Office. Further particulars and application forms from the Secretary, Civil Service Commission, 6, Burlington Gardens, London, W.1 quoting No. 2013. Completed application forms must be in the hands of the Commissioners not later than November 15, 1947, but applications from candidates overseas will be accepted up to November 29, 1947.

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By Order of the Board,
E. B. McINERNEY, London Manager.
6 Lothbury, London, E.C.2. October 23rd, 1947.

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Further particulars and form of application can be obtained from the Secretary, Civil Service Commission, 6, Burlington Gardens, London, W.1, quoting No. 2033. The completed form must be returned to him not later than November 15, 1947, but applications from candidates overseas will be accepted up to November 29, 1947.

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Toronto, By Order of the Board,
October 20, 1947. J. R. BRADFIELD, Secretary.

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Established 1843

One Shilling

November 1, 1947

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Cripps, Controls and Construction

OF all the cold douches administered to the nation since midsummer, Sir Stafford Cripps on Thursday of last week certainly provided the largest and coldest. To find an equally astringent statement one would have to go back to the May Report of 1931. The parallel is by no means discreditable to Sir Stafford, for retrenchment is as imperative now as it was ill-advised in the diametrically contrary circumstances of sixteen years ago. But the most apposite retrenchment wants careful examination. Do these cuts reduce living standards below the minimum on which a highly organised economy can be run? Conversely, are they big enough for their job? And in providing for the emergency of the present do they also nurture a sound hope of better things in the future? Of course they are endurable. It has been thoroughly if grimly demonstrated that people can, at a pinch, live and work on diets compared to which this is luxury. Sir Stafford had the right word for the food situation: highly unpleasant, but not disastrous. Nor is it fatal, however distressing, to wear a patched shirt because the poplins have gone dollar-hunting. Unwelcome as the cuts are, they have not impinged on any vital spot.

They are not, unfortunately, adequate in total to solve the dollar problem at one stroke. The job simply cannot be done that way; no direct lateral balance between this country and the United States is conceivable. Mr Dalton has revealed that the dollar deficit is still running at the frightening rate of £900 million a year and even Sir Stafford Cripps's best efforts do not promise to reduce it below £250 million. Moreover, the promise is still only a promise; it has yet to be redeemed. The trade agreements to be signed at Geneva this week will help in redeeming it, if they really do result in an effective lowering of the American tariff. But on the other side there is the ominous fact that Sir Stafford's prognostications were based on the assumption that his export targets would be attained, which is a matter of considerable uncertainty. To budget on a dollar deficit which will reach a billion dollars a year even if all goes as well as expected, is still to take a big gamble. There cannot be any reasonable doubt that the direction in which Sir Stafford is moving is the only possible one for the circumstances in which the country finds itself today. The valid criticism of his immediate measures is that they still do not go far enough, and when Mr Churchill attacks them for going too far, when he talks about the necessity for a sound home market to support exports, the answer is that he would be compelled to sing a very different tune if he were in office.

The doubts that are widely felt about the Cripps policy relate to the longer run, and there Mr Churchill's points have much more substance—or would have had if he had made it clear that he was talking about the longer run. However right Sir Stafford is at present, it is difficult to suppress the suspicion that he is right because he is in his element, because he positively prefers an austere, restricted, controlled economy, because, like the tympanist in an orchestra, his instinct when he has

nothing else to do is to go round tightening up all the screws. There is no escape from controls and restrictions at present. But he must be a very hardened planner who never to himself has said that a few more years of this sort of thing will kill the nation. The last two years have taught many lessons about the limitations of controls and to very many people, even of those who have hitherto professed themselves Socialists, the conception (to which Mr Churchill gave some support in part of his speech) of an economy in which the basic fundamentals of social justice and economic stability would be planned, but all else would be left free to enterprise, is an increasingly attractive one—certainly more attractive than the alternative doctrine, which Mr Morrison and Mr Attlee seemed to prefer, that all forms of economic liberty are synonymous with economic piracy. The value to the community of having its economic decisions dispersed among a million heads, instead of concentrated on a hundred, has been vastly underrated. In America the one industry that has hitherto lagged has been building, the one industry still under control. That might be written off as a coincidence. But is it also a coincidence that, as a Note on a later page records, as soon as the controls were removed the activity of the industry forged ahead? In this country the basic controls cannot now be removed; indeed, they will have to be tightened. But if the process could be accompanied by some signs in the Government of an ability to discriminate between what should and what should not be controlled and to search, even now, for means of restoring a little freedom and elasticity somewhere, then one could feel a little more confident that the Government are not “now inviting us to follow them further into a dark and narrowing tunnel at the end of which there may be no daylight.”

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Cuts and restrictions there must be; but public opinion should ask ever more insistently whether they are the right ones, and what the end of them will be. The biggest item in Sir Stafford Cripps's budget of announcements last week was that the construction programme is to be cut to the tune of some £200 million a year. Detailed comment on this must await the promised White Paper; but meanwhile an interesting controversy, of much more than academic interest, has sprung up about the principle of a reduction in the nation's rate of capital creation. Within the last fortnight three weighty statements have appeared: articles by Professor Lionel Robbins and Professor Jacob Viner of Princeton in *Lloyds Bank Review*, and a book by Mr. R. F. Harrod*, putting more fully and still more vehemently the thesis of his recent letters to *The Times*. To the two English economists the over-ambitious capital programme of the last two years is the villain of the piece. “The shortfall of exports,” says Mr Harrod, “is merely the by-product of the excessive capital outlay”; and he advocates capital cuts of £500 million accordingly. Professor Robbins similarly indicts the “economic megalomania” which has resulted in “a body of claims for resources for internal development far greater than was compatible with the attainment of the requisite degree of export expansion.” John Bull, in short, has been refusing to do a full day's work to earn a full larder on the plea of being too busy building a new wing to his house—an excuse neither reasonable nor honest. The American view, as expressed by Mr Viner, is startlingly different. So far from being megalomaniac, the capital target has been set “incredibly low.” The adverse balance of payments is really neither here nor there; the United States grew to prosperity through nearly a century of far larger adverse balances. Let Britain build up its productive capital and aid will surely be forthcoming for any purpose which will increase its productivity.

* “Are These Hardships Necessary?” by Roy Harrod. Rupert Hart-Davis, Ltd., 178 pp. 5s.

Of this latter advice one can only say, mournfully, that the universal lender in the last century was the City of London, not the Congress of the United States. But, this fantasy apart, there is surely a great deal of sound sense in what Professor Viner says. To lump all capital projects together and slash off from them—as Mr Harrod proposes—whatever amount is needed to bring them down to the level of the national savings, sacrificing them wholesale to consumption, may not merely slow up the advance of productivity but actually and fatally reverse it. In Eastern Europe after the First World War—and very likely after the Second—whole communities starved because they ate their seed corn or burned for firewood the sleepers of the railway tracks which could have brought them succour. It is true, of course, that, in the absence of foreign aid of one sort or another, the wholesale sacrifice of consumption to capital could only be achieved by planners far more ruthless and powerful than the present Government. The export policy required by Russia's Five Year Plan starved some two million people to death in a single year. Sir Stafford is not as austere as all that. But the present tendency to take the existing levels of consumption and of saving for granted and to put upon capital creation the whole burden of cutting the national programme down to fit its means is a strangely improvident policy to be advocated by professional economists. If there is a programme of urgently needed and truly productive capital projects which is in excess of the nation's rate of saving, then the first recourse ought surely to be to try to increase the rate of saving—which is the prime justification for an autumn budget to produce a large, and real, budget surplus. If one of the two—productive investment or immediate consumption—has to have the priority, it should be the one that holds out hope for the future.

But the doctors' disagreement is less acute than it looks. “Capital” is an omnibus word, and the two views could be reconciled closely enough for immediate policy. All agree, for instance, that the housing programme is a capital construction indeed, but consumers' capital long-run consumption really—was wildly over-ambitious. Some capital projects are far less relevant than others to the dollar problem, whether as dollar savers or as dollar earners; they go back in the queue. Some will produce results sooner, inside the crucial period of world recovery, others later. Some contribute directly to production, like an automatic loom, others only indirectly, like a works canteen. Some capital projects, in short, should be cancelled and some postponed, but others should be increased and speeded up. If this is what the Government are doing, well and good. But it is wrong to make a frontal attack on all capital indiscriminately, in the interests of maintaining consumption.

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To make inroads on the standard of consumption can never be a popular policy, and, for all Sir Stafford Cripps's courage, it is still evident that the Government cannot bring themselves to face it. Mr Dalton does not yet sound like a man who will risk his popularity—on the contrary, he sounds like a man who is covering up the uncertainties in his own mind by ever more dogmatic public assertions of infallibility. And the very mild action that has been taken over housing shows that Mr Bevan has again carried the day in Cabinet. If the Cabinet is taken as a whole, it does not yet possess the lucidity of mind to grasp, nor the moral courage to proclaim, the essential principles of the national economy. One of these is that if the nation's pretensions to a standard of living are above its achievements in production, they must be cut down. And another is that the one sure way of sinking irretrievably beneath the burdens of the present is to eat up both the reserves of the past and the hope for the future. If to believe in these principles is to live mentally in the nineteenth century, then Mr Churchill will have some companions in his historical exile.

New Deal for Germany

NEITHER the debate on policy in Germany in the House of Commons on Monday, nor the report of the Select Committee on Expenditure in Germany contributed more to the question than the usual mixture of easy criticism, formal bouquets, truisms and half-truths. Mr Bevin was admirably clear and firm about one thing that the Government will not do. It will not consider reparations to Russia from current German production so long as the sums which Britain has spent on Germany are not recovered. But he was just as stubborn in defending the dismantlement of factories, 25 per cent of which will go to Russia, and a proportion of the rest to Russia's allies. Statesmanship and care for the future are overridden, it would appear, by a stubborn attachment to the letter of the Potsdam Agreement, which events have discredited, which the Russians have frequently disregarded, and the main principles of which have long ago been generally discarded.

Confusion of thought on the complex German problem is natural, but it is more than usually dangerous at this moment. Decisions of one kind or another will have to be made shortly, and the makers of policy should by now have formed a clear picture of their objectives and of the strength of opposing forces. It should by now be clear that the only acceptable objective of British policy is to create a Germany—failing that, a Western Germany—which will be self-supporting, politically as well as economically, and will be neither a drain on other countries' resources nor a menace to their security. This is an objective that is simple to state, and it would be a reflection on their diplomacy if the British and Americans allowed Mr Molotov at next month's meeting of the Council of Foreign Ministers to draw a whole string of red herrings across the path to its achievement. A real danger exists that he may tempt them out of their strong position to pursue an attractive bait that it is within his power to set before them. As Hitler lost North Africa while he chased the oil of the Caucasus, the British and Americans might lose Western Germany through attempting to gain a free, democratic, self-supporting, united Reich.

German “unity” has become a magic word, and the first condition for clear thinking on British policy is to rob it of its spell. In the long run, of course, Germany will regain its unity; nothing is more certain. Even in the short run of the Allied occupation, if the circumstances permitted a real unity, nobody (except the French) would deny the economic advantages of a united Germany. But those circumstances do not exist, and are not likely to exist, whatever the apparent concessions that Mr Molotov may make. The Germany whose unity is constantly advocated would still be a Germany without the territory which was given to Poland by the Potsdam executors of the Morgenthau Plan. This territory, a quarter of the total area of Germany, was the main surplus food-producing region and provided over a quarter of Germany's total home supplies. The Soviet Zone, with which the West might theoretically be reunited, has not now a sufficient surplus of foodstuffs to warrant vital political concessions to secure reunion; formal unity is not needed to make possible an exchange of such food surpluses as there are for the coal, steel and other vital materials which are critically lacking in the Soviet Zone. The economic benefits of unity are further limited by the fact that, apart from factories producing wholly for reparations, many key industrial concerns in the Soviet Zone are now the property of the Soviet State, which is anxious to sell their output for dollars or sterling, payable to the Moscow Narodny Bank, but not for German marks, payable to any revived Reichsbank. For the scanty economic benefits of unity a very heavy political price would have to be paid. At the very least, the whole of Germany would be thrown open to Communist political trickery and economic sabotage.

It would be unfortunate if German demands for unity were to lead the British and Americans, in negotiation with the Russians, to bargain realities for symbols and shadows. From Germans east of the Elbe, claims to unity are heartfelt and sincere; they are a plea for rescue. In the West, German democratic political leaders must echo the demand, if only to keep up the spirit of their compatriots in the East. But all the realists among them know that they would bitterly regret unity if it brought with it—as in present circumstances it certainly would—the shadow of Communist tyranny and the police state. To them, it is the German tragedy that they must clamour for what they fear. Their fate turns on the clear-headedness of the Americans and British, who ought to be able to see that if immediate unity would destroy the remaining opportunities and hopes for rebuilding a free and democratic Germany, then it is far better to postpone the one aspiration than to destroy the other.

To achieve a unified Germany worth concessions on their part, the Western Powers would have to secure a complete reversal of Russian policy. Since this is hardly likely to happen, the sooner it is understood that the partition of Germany is not necessarily catastrophic the better. Then plans may be shaped for the creation of a politically and economically self-supporting Western Germany, with fewer inhibitions, and with greater regard for urgency, than have been in evidence hitherto.

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The first requirement for such a programme of construction is that the Germans should be allowed to govern themselves. Over the last two years, more and more responsibility has been handed over to German administrators, and the process is continuing; but it is too slow. A body of 16,000 British and 5,000 American officials still watches over every department of German life. The German Bizonal Economic Council has authority to pass laws valid for the two Zones, but each one has to be submitted, by way of the British and American bipartite officials in Frankfurt, to the two separate headquarters in Berlin, in order to return altered or quashed. True, it can be argued that the alterations and suggestions of the Americans and British usually represent improvements on the German efforts; that the inexperienced German administrators have not made successful use of their rights; and that their failure is not wholly due to the fact that the bizonal administration represents a monstrous compromise between British and American views. It is true also that an efficient civil service has yet to be created—or re-created. But these things have been said of every subject people everywhere at all times. No politicians, in Germany or elsewhere, will ever become responsible until they have full responsibility.

The present position, moreover, is too absurd to continue. In practice, the Americans and British have real control over nothing but foreign trade and, to a certain extent, over coal and food. Yet in theory military government is supreme in all spheres, and every German official or citizen has this thought at the back of his mind. Under Hitler and his Gauleiters, Germans obeyed the control regulations because there was a state to worship and a gallows to fear. Now there is no state, but an unpopular and despised occupation authority which does not, and should not, make Hitler's use of the gallows. It is, therefore, not remarkable that regulations are two-a-penny in Western Germany today. All that is remarkable is that the system works as well as it does. One reason for this gives hope for the future: the average German is profoundly unhappy,

living a life of illegality, and would gladly return to a normal, legal order if it were made possible for him to do so.

The immediate aim of the British and Americans should, therefore, be to establish a Western German state, governed by an administration which would not only be constitutionally responsible to the electorate, but freed from any but the indispensable minimum of control by Britain and America. Dismantlement of the Control Commission should have priority over dismantlement of industry. Let the troops—or some troops—remain. They provide a needed check on subversive movements, and are, by and large, a moral support to German democrats. But British interests demand that the 16,000 of the Control Commission be cut to the few hundreds who would be needed to watch over the performance of the two indispensable conditions—that is, to see that weapons of war were not manufactured and that a Bill of Rights for German citizens was maintained, as a safeguard against militarism. The new government of the State of Western Germany should have no excuse for blaming the occupying powers for hardships and breakdowns. It should have the power, and should be advised to exercise it, to impose sanctions on any of the subsidiary provincial Governments, or on individual Ministers in those governments, who disobeyed the laws of the central legislature. It is a grave weakness of the present system that only military government has the power to impose such sanctions. The day must come when the Government of Western Germany can and will cut off revenue from any recalcitrant *Land* and will issue a writ for the arrest of any Minister of Food in a *Land* who (as is happening now) issues supplementary food rations in his area, instead of pooling crops.

This policy, it should be emphasised, should be an immediate one. Anyone can see that the transfer of full responsibility must be a gradual process, and there will be no lack of excuses for delay. But time is very short. The resources of Britain in men and money—and equally the resources that the American Congress will be willing to provide—are far too small to bear the responsibility of governing over 40 millions of people who are certainly aggrieved and who have been, and will again be, aggressive and resourceful. If anyone doubts that, let him contemplate the difficulties of governing a handful of people in a pocket-sized country like Palestine, and then imagine those difficulties multiplied by a score or more. If the Anglo-Americans are themselves to decide the timetable of their withdrawal from authority, and are not themselves to provide, in a long series of reluctant concessions, the stepping stones to power of a resurgent German nationalism, they will have to hurry.

Local Financial Reform

THE Government's new Local Government Bill, of which the text has been published this week, is an important measure of reform in a field whose great influence on the pace of social progress is seldom realised. Local authorities in this country have importance not only for their own sake but also because they are the executive agents for most of the schemes of social progress that the central government devises. If the machinery of local government has been creaking in recent decades, the main reason is that the structure of local finance has not been sufficiently adapted to bear the burden of the great extensions of social legislation in the present century. The new Bill is designed to provide an instalment of the necessary reform. Though it will excite argument, the controversy will not in the main lie between the political parties. Both for this reason and also because—subject to one or two

The programme for the rehabilitation of Germany cannot, of course, be considered solely in terms of internal political responsibility. For a long time to come, the overriding question will be how Germany can be kept alive, and the answers will have to be given in dollars. To suggest at one and the same time that the process of handing the government of Western Germany back to the Germans should be speeded up and that the United States should assume the major burden of covering Western Germany's trade deficit, may not seem to Congress to make sense. In Germany, if nowhere else, it will seem natural that those who are providing the dollars should control the expenditure of them. But it is very doubtful whether this is the quickest way to make Western Germany pay its way. So long as those in office in Germany are secretly convinced that the Americans will always make good a deficit out of an inexhaustible storehouse, they will not risk unpopularity by enforcing the measures necessary to make Germany self-supporting. The way to make them responsible in their economics, as in their politics, is to give them responsibility—that is, to give them a fixed allocation of food and funds (sterling as well as dollars) and let them draw up their budget and face the consequences.

The immediate problem of the Western German economy is also that of Western Europe, and thus of the Marshall offer. What Mr Bevin meant on Monday when he indignantly denied their connection is another of the mysteries of the Foreign Secretary's pronouncements on economics. The combined Anglo-American Zone must export to a total value of \$3 billion a year in order to be self-supporting, and the greater part of these exports must be paid for in dollars. Western Europe needs German goods to play the part it promised at Paris to play. But if it is to buy German goods, it must be provided with the wherewithal from the United States. If for no other reason, Western Germany must play a part in any Marshall Plan. The task is, then, to persuade Congress that it is in the American—as well as the British—interest that the Western German government should enjoy much the same discretion in using the Marshall dollars as will be granted to the sixteen signatories of the Paris report.

To reach such a conclusion and to face its implications demands both in London and Washington a revolution in thinking about the German problem. The revolution will have to come sooner or later; it is better that it should come as the product of bold and constructive thinking than as the result of disappointment with the results of the present controls or of pressure from German nationalism clamant from both sides of the Elbe. In the present confusion, British policy has lost sight of its objectives and permanent interests. A fresh start must be made.

exceptions to be noted later—its provisions point in the right direction, it is to be welcomed.

The scope of the new Bill should not, however, be overestimated. The local authorities derive their incomes from two sources, from the rates which they themselves levy on property in their areas and from grants given by the Exchequer. The rough equality between the two sources was temporarily upset by wartime conditions, when the Government bore the burden of local authorities' emergency expenditure. Last year, however, rate income rose to £240 million, which was probably higher than grant income. Government grants can be further subdivided into those which are given for specific services, usually as a percentage of local expenditure on those services—the education grant is the largest and clearest example—and the “block grant” given under Neville

Chamberlain's Act of 1929, which is in aid of the general finances of the authority that receives it. Last year, the “block grant” amounted to £57 million, or about one-eighth of the authorities' total income. The main proposal of Part I of the Bill is to abolish the block grant and to set up a new “general purpose” grant, distributed on a new principle, amounting to £33 million. By this exchange the local authorities will be £24 million worse off. But under the National Health Service Act of last session and the Poor Law Bill promised for this session, they stand to be relieved of the responsibility for services which last year cost them £63 million. There is therefore a prospective net gain to the local authorities as a whole, on all three measures taken together, of about £39 million. This is a welcome relief; but it represents only about one-sixth of the present income from rates. Moreover, in view of the known commitments, the relief to the rates is more likely to take the form of a brake on future increases than that of actual reductions, except perhaps for a year or two. The Bill is thus far from being the major reform of local authority finance that is needed.

The main purpose of the reforms now in progress is to reduce the present inequality of the burden of rates as between one area and another. To start with, the transfer of poor relief and hospitals will on balance benefit the poorer local authorities very considerably, since these have been the items of rateborne expenditure the burden of which has shown the greatest range of variation from area to area. Domiciliary relief, in particular, has long been the most unjust item falling on the rates, hitting those authorities who could not afford it very heavily and those who could hardly at all. On top of the relative advantage that the poorer authorities will thus gain from the transfer of the poor law and of the hospital services, the new general-purpose grants proposed in the Bill are explicitly designed to bring the resources of every local authority, in terms of rateable value per head, up to a common minimum and are accordingly to be known as equalisation grants. Their distribution is complex and ingenious. Only those major authorities (counties and county boroughs) will qualify for equalisation grant whose rateable value per head of “weighted” population is less than the national average. The weighting of population is done by counting children under 15 years (who are a burden on the rates) twice over and by making further allowance for sparsely-populated areas (where highway and administration costs per head are high). It is estimated that, had the new scheme been in operation last year, seven counties and twenty-eight county boroughs would not have received any equalisation grant. This is a very different arrangement from the “block grant” division, under which even the richest authority received an appreciable sum. Some of the richer authorities, contrary to the general position, may lose more by the abolition of the existing block grants than they will gain by the transfer of health and poor-law services. The blow will be

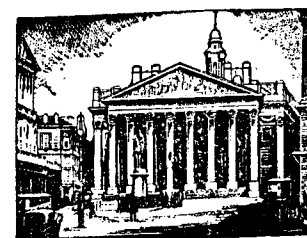
softened to them by the payment of transitional grants which will amount initially, for each authority, to the product of a 6d. rate. But this concession is to dwindle each year and to disappear in the sixth year. It is a rather shadowy consolation prize.

Equalisation grants are to be paid on the full extent to which a local authority's “weighted” rateable value falls below the national average. After making some intricate adjustments, the Exchequer is apparently to assume—in the case of each affected authority—full liability for the deficient portion of rateable value, and to become a normal ratepayer in respect of it. Counties are to pass on an appropriate portion of equalisation grant to their constituent county districts. The total cost of the equalisation grants will clearly vary with the rates fixed by the eligible local authorities, and the poorer authorities will thus have some small financial incentive to local enterprise.

The new system will go a very long way to even out differences in the financial resources of local authorities. No authority will be allowed to fall below the national average in respect of rateable value, but at the same time the rate in the pound which it levies will remain at its own discretion. This provision of the Bill is a sound equalising measure. The chief criticism of the new system is that the financial resources of local authorities as a whole will be reduced and not increased. It is not a complete answer to say that their responsibilities will also be less; the sorry state of local finance is partly responsible for prompting these very transfers. In the future as in the past the rateborne cost of local services—in particular of education and of the health services left to local authorities—will rapidly increase. In such circumstances it is a pity that that part of Government aid which local authorities have freely at their disposal—represented hitherto by block grant and in future by equalisation grant—should be appreciably less. This cannot but dampen local initiative.

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The second main purpose of the Bill is to provide a new basis of valuation for rating. This takes responsibility for valuation away from the local authorities and entrusts it to the Board of Inland Revenue. Local valuation Courts of Appeal are retained (with appeal from them to the County Courts) and their constitution will remain the responsibility of the larger local authorities. This is a wise and necessary reform. For various reasons there has been an increasing lack of uniformity in the valuation practices of local authorities; yet uniformity is essential not only to ensure justice to the individual householder but to provide a fair basis for the division of Government grants among the local authorities. Without such a basis, the new equalisation grants will be wrongly distributed and it is a pity that the new valuation machinery will not be working until April, 1952.



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The important step which the Bill takes towards uniformity of valuation by centralising the administration of it is, however, partly vitiated by an equally significant step in the other direction. Dwelling-houses will in future be divided into three categories, each of which will be valued for rating on a different basis. The reasons for differential treatment are partly historical and partly perhaps—although this is less certain—political. It is estimated that in the years between the wars new houses were under-assessed (in comparison with older houses) to an average extent of around 20 per cent. This was done under the influence of the desire of many local authorities to stimulate housebuilding. It was a vicious type of indirect subsidy; but the fact remains that to treat all houses alike now would cause hardship to the householders concerned, and especially to the large class of owner-occupiers who started to buy their houses before the war. In addition, council houses have often received special treatment in the past, and, in the opinion of Labour politicians, deserve preferential treatment in the future.

The Government has chosen to legalise, instead of sweeping away, these unofficial distinctions and anomalies. The first of the three new categories of houses is to consist of all houses built by local authorities since 1918. For each of these houses the assessed annual gross value (from which rateable value is derived by making a deduction for repairs) is to be $5\frac{1}{2}$ per cent of the hypothetical cost of building it in 1938 plus $5\frac{1}{2}$ per cent of the hypothetical value of the site in 1938. For the second category, consisting of all those houses (but not flats) built by private enterprise since 1918 that come within the limits of the Rent Restriction Acts—that is, all the smaller ones—the prin-

ciple is the same, except that the cost of the site is to be taken at current values and not those of 1938. All other dwelling-houses—that is, all those built before 1918, and all flats and the larger houses built by private enterprise since 1918—are to be assessed on the entirely different principle of the rents which were being paid for comparable houses on August 31, 1939.

How these complex provisions will work in practice cannot be yet estimated. They are not necessarily intended to be permanent. Indeed, for all its liking for harking back to prewar standards, the Government could hardly retain 1938 capital costs and 1939 rental values as the permanent basis of valuation. Similarly, the division of houses into three categories may not be permanent—but it does set up a strong and undesirable precedent. The general intention seems to be to continue to give interwar houses an advantage over older ones, and also to give council houses an advantage over houses built by private enterprise. It is hard to justify these distinctions. If a common standard of valuation is not introduced now, it is improbable that it ever will be. In so far as its introduction has been shelved out of fear of consequent hardship to individuals, the proper way would have been to set up a fund to dispense relief in individual cases. But if the Government's aim is to assist poor householders in general, then it is setting about it in a wrong and clumsy way. Why should it be assumed that the average council tenant needs rate relief more than the occupier of pre-1914 slum property? It would be more satisfactory to permit higher statutory deductions for repairs to small and bad property. Moreover, if the intention is to give a concealed subsidy to new housebuilding, then it would be better given direct so that the whole nation can see it and examine the cost.

Patience—and Vodka

THE sensation caused by the recommendations for future American policy in Mr James Byrnes's book "Speaking Frankly"* has diverted attention from the historical record which the book contains. It is nevertheless the historical record which gives the book its main interest and importance. Mr Byrnes is out of office and "elder statesmen" do not count for much in the United States in the making of policy; it is the more unfortunate that his suggestion of an ultimate use of force should have so conveniently provided a text for Mr Vyshinsky's charges of "war-mongering" in the Western democracies. But Mr Byrnes was behind the scenes in the series of momentous diplomatic episodes from the Yalta Conference in February, 1945, to the completion of the peace treaties with the Axis satellites in December, 1946. Retiring statesmen seldom bring out their memoirs so quickly after their withdrawal from active politics, and though sometimes Mr Byrnes's frankness is a little too indiscreet, we cannot but be grateful to him for providing so soon a volume of first-hand testimony on what went on in the conclaves of the mighty during those critical recent months. It is all past now, but the *post mortem* is of no merely academic interest; the study of this experience should provide a key to understanding and practical wisdom in the time ahead. Mr Byrnes has departed from the stage, but we still have to negotiate with Mr Molotov.

Mr Byrnes's chapter on the Yalta Conference is entitled "High Tide of Big Three Unity." The subsequent history of Big Three relations was destined to be a story of deterioration from that point. But some deterioration was only to be expected, for Yalta was the last of the great wartime conferences and the tendency of victorious coalitions to fall asunder after the end of the hostilities which brought them together is so normal a phenomenon of history that it really should not have occasioned great astonishment in the year 1945. The

* New York: Harper and Brothers. 324 pages. \$3.50.

Allied Powers who defeated Napoleon quarrelled so bitterly over the territorial re-division of Europe that they came to the verge of war while the Congress of Vienna was still in session; in 1919 there were crises in plenty at the Paris Peace Conference and afterwards the Americans withdrew into isolation while British and French policies continued for years in acute conflict. In the last war the prospects of permanent harmony in the coalition were unusually slight, for not only were the major Allies separated by most disharmonious ideologies, but one of them had been in the first year of the war a partial co-belligerent on the side of the enemy and had only been kicked on to the side of the angels by a lack of honour among co-partitionists. The risks of the emergence from war were recognised by Allied leaders and it was Stalin himself who said in giving a toast at Yalta: "It is not so difficult to keep unity in time of war since there is a joint aim to defeat the common enemy, which is clear to everyone. The difficult task will come after the war when diverse interests tend to divide the Allies." These words were indeed prophetic, and Mr Byrnes—at least in his own estimation—improved on them at the Christmas Eve dinner for the Foreign Ministers in Moscow ten months later with the epigram "Whom war hath joined together, let not peace put asunder"—a stroke of wit which, he has to admit, the Russians owing to their imperfect acquaintance with Holy Writ failed to appreciate.

The decline in co-operativeness which actually took place appeared to the public in Western countries more abrupt and catastrophic than it really was because of the extraordinary structure of humbug and make-believe created by Allied wartime propaganda. Even during the war there were not that harmony of aim and elevation of purpose to question which then classified the doubter as an agent of Goebbels. The Big Three were never really banished from the Garden of Eden; they never inhabited it. But at least after the Yalta and Potsdam conferences it was possible to make a good show of agreement

and to make light of the differences which remained unresolved. But after the breakdown of the Foreign Ministers' Conference in London in September, 1945, it was no longer possible to pretend that all was well; it was necessary to tell the people. Mr Byrnes broadcast on his return to the United States and found the popular response "gratifying." He relates that he then "decided that hereafter the people would have to be more fully informed if we were to maintain a firm position in international affairs with full public support." But fully informing the people in order to get their support had its disadvantages; it certainly did not make for the relaxation of tension. On the contrary, the transfer of intractable disputes from secret conclave to open forum has put the world in an uproar in which all the diplomatic decencies have gone by the board; the public exchange of insults has been added to the irritations of bargaining behind closed doors. The world now lives under the sign of open disagreements openly arrived at.

One of the effects of turning the spotlight of publicity on international negotiations is the exaggeration of ideological issues. One of the most striking features of Mr Byrnes's record is the almost complete absence in the non-public gatherings of the Allied leaders of anything that can really be called an ideological conflict, at any rate on the Russian side. As far as the actual subjects of dispute are concerned, the great struggle of socialism and capitalism, which is supposed to be the central issue of our age, might never have existed. In the pages of Mr Byrnes's book it is only too easy to forget what century we are in; the diplomatic historian is haunted by the feeling, "I have been here before." Here are the Partitions of Poland, here is the Eastern Question, here are the Treaty of San Stefano and the anxiety of the Western Powers about a "Big Bulgaria," here is Potemkin dreaming of a Russo-Greek empire, and here is Disraeli taking a firm line on the Straits. Here in fact is the Old Diplomacy—indeed, the Very Old Diplomacy, hundreds of years of it. It is true that there are a few changes in the political landscape, but most of the old familiar landmarks remain, and the Russians in particular like doing things in the traditional way. There may have been an economic and social revolution in Russia, but for thinking about the Dardanelles the style is Nicholas I or Catherine the Great. In these last years the Russian representatives have continually been seeking definite, concrete objectives—annexations of territory, political control of certain countries, particular strategic bases, material goods ranging from machine tool plant to household silver. It is the Americans, not the Russians, who have been concerned about world organisation, abstract principles of universal application, the rights of nations and global economy.

This difference of approach has been one of the main causes of difficulty in adjustment of relations; aims have been too incommensurate for successful horse-trading. Mr Byrnes states that the "chief objective" of the American delegation at Yalta was "to secure agreement on the Dumbarton Oaks proposals for the creation of an international peace organisation," but that he was "deeply disturbed" to find that Marshal Stalin was so little interested in the matter that he had not even read the American proposal on voting which had been sent to him 63 days previously. The Soviet concern was about frontiers, the composition of the Governments of Poland and Rumania, and getting a strategic foothold in the Mediterranean.

It was no doubt largely because the Allied leaders were talking about different things that there was so much misunderstanding about the "Declaration on Liberated Territories," which was accepted by Marshal Stalin at Yalta almost without discussion. The Russians were apparently unable to imagine how anyone could take it seriously; it appeared to them merely a face-saving formula for American acquiescence in the partition of Eastern Europe into spheres of influence, on which an understanding had already been reached between Marshal Stalin and Mr

Churchill. When the Americans, basing their policy on the Declaration, protested against the Vyshinsky *coup d'état* which put M. Groza in power in Rumania, the Kremlin regarded it as a double cross. Mr Byrnes confirms in his book that the Rumanian question was the main stumbling block on which Big Three unity broke down. The issue was already acute before President Roosevelt died and in London in September of the same year (1945) the Anglo-American demand for fulfilment of the "Yalta pledge" and refusal to recognise the Russian promoted Governments of Rumania and Bulgaria caused the Conference of Foreign Ministers to break up without even a protocol on points of agreement. The deadlock then reached was subsequently broken, but nothing like "unity" has ever been restored.

To establish good working diplomatic relations Americans and Russians have to overcome differences of mental habit and outlook which have very little to do with Communism or anti-Communism. American dislike of the "Byzantinism" of Russian diplomatic technique long antedates the Bolshevik era. In 1903 Secretary Hay wrote to President Roosevelt (not Franklin, but Theodore) about the Russian Foreign Minister (not Mr Molotov, but Count Lamsdorf): "Dealing with people who make a science of mendacity is an extremely difficult and delicate matter." The Russians on their side are always afraid of being regarded as not clever enough to cope with the sophisticated West. Talking to Mr Hopkins, Marshal Stalin once burst out that "even though the Russians are a simple people, the West often make the mistake of regarding them as fools."

If one may draw a moral from Mr Byrnes's pages it is that the keys to living diplomatically in the same world with Russia are patience and unstinted hospitality. The latter is far more important than is commonly imagined. Whatever hard things he has to say about Mr Molotov, Mr Byrnes pays tribute without reserve to the qualities of the Russians as hosts whenever conferences have been in their territory. There is still in some quarters an idea that the way to get on with the Bolsheviks is by a squalid informality. Nothing could be further from the truth. The Russians like magnificence, pageantry, the circumstance of power and the lavish hospitality which they themselves provide; they believe that, whatever their disputes, princes should know how to entertain one another. Instead of studying ways and means for making diplomacy more plebeian, the Foreign Office would be better employed in finding out what was done at the Field of the Cloth of Gold. This is not a matter of rewards or privileges for a few individuals. The diplomacy of sovereign states is the pursuit of war by other means; in order that the means may remain other than war and the all-too-human participants may not lose their balance from the nervous strain, it is always good that the tensions should be offset by amenities of civilised life at a standard appropriate for the representatives of great nations. Patience comes more easily when supported by a degree of ritual and Mr Byrnes makes it clear that for negotiation with the Russians patience should be the first and greatest commandment. "If we are correctly informed about the patience exercised by Job," he writes, "I am certain Mr Molotov is one of his lineal descendants." Hurry and the craving for quick results are the greatest weaknesses of the Anglo-Saxon and especially of the American in negotiating with the Russian; in a test of endurance the hustler loses and is only too apt then to lose his temper instead of blaming his own failure of nerve. Mr Byrnes himself recognises the virtue of patience better than he practises it; he has not always been able to bear frustration. Yet he admits from his experience that when the Russians in conference "conclude that they have exhausted their bargaining efforts, that further delay will result in no further concessions and they might as well agree, the Russians suffer no embarrassment whatever in changing their position."

NOTES OF THE WEEK

Party Clash at Westminster

Mr Churchill, when he was Prime Minister, once referred to the debate on the Address as the grand inquest of the nation, as a time when nothing can be held back from discussion, when "real trials of strength can be brought about, in days of party conflict, between the Government and the Opposition." This week, he lived up to his own words and launched a full-scale attack on the Government—and he certainly held nothing back. For one hour and a half last week, Sir Stafford Cripps had lifted the tone of the debate far above all party controversy. Here at last was a speech that might almost persuade people of all parties to switch off their electric fires of their own free will—"one of the greatest speeches that I have ever heard" with "a most moving and eloquent peroration," said the leader of the Liberal party; "an important and courageous" speech said Mr Churchill himself. Why then did he choose, in this time of national danger, to use his own brilliant oratory for purely party purposes?

Perhaps the temptation was irresistible. Members of the Government, Sir Stafford Cripps excepted, have certainly laid themselves open to the charge of putting party above nation. Why should the leader of the Opposition deny himself the opportunity of pushing an advantage home? Moreover, as the leading article this week points out, there is a great deal of force in his contention that controls are stifling the national economy today. There will be many people who will sympathise with his desire to free himself for a brief moment from all controls—including the restraining influence of the younger members of his own party who are trying to reshape Conservative economic policy. Certainly, these members must have listened uneasily as he returned to the pure milk of Conservative doctrine.

Perhaps, however, Mr Churchill was right to overstate the Conservative case—no Conservative Government, if it were returned to power today, would surely abandon controls so wholeheartedly as he advocated. For it led Mr Morrison in his turn similarly to overstate the Labour party's case. At least the people of this country, to judge by the speeches of this week's protagonists at Westminster, now know what the political choice before them amounts to. The case for free enterprise and controls respectively has seldom been more forcibly put; there is apparently no half-way house. Are we really to believe that two years of Labour in power and the Conservatives in Opposition have yielded such poor fruits in the political tenets of their leaders?

Mr Morrison's Defence

In the debate this week and in an address to his constituency, Mr Morrison has attempted to defend the Government's proposal to amend the Parliament Act by claiming that it was a normal piece of legislation that might just as well have appeared in the last session's programme as in this and was totally unrelated to the decision to nationalise the iron and steel industry. One cannot, of course, give Mr Morrison the lie in the throat. One only wonders what other measures the Government may be hiding up its sleeve, which it is so afraid the House of Lords may reject that it feels compelled to bring in this amendment to the Parliament Act as a "precautionary measure." Nor do the Labour leaders' other arguments carry much conviction. It is quite true that the leadership of the House of Lords *might* fall into less responsible hands, that by using their power of veto they *might* reduce Labour's effective term of office to three years. But if the peers are ever likely to indulge in wrecking tactics, why allow them any power of veto at all? Why merely shorten the time which must elapse before their veto is overridden from two years to one? The amendment will still leave a Labour Government at a disadvantage compared with a Conservative Government.

What makes the Government's arguments so unconvincing is that the only evidence brought in support of them is the attitude of the House of Lords in the years 1906-1911. But it is quite inconceivable to the unprejudiced mind that the present House of Lords, for all the "backwoodsmen" who compose it, would reject a Labour measure unless it were quite sure that the Government had not the backing of the electorate for the measure in question. It is even—just—conceivable that in the years to come they might reject a Conservative measure for the same reasons. All things considered, the present House of Lords is probably as good a second chamber as any constitution maker could devise—at least in respect of its powers, its composition (which the

Government are not touching) is another matter. And if Mr Morrison, when addressing his constituents, to condemn the Lords' action in sitting in splendid isolation this September. If the Government had shown a proper sense of responsibility, it would have arranged for the Commons to be recalled, instead of dismissing them from early August until late in October at a time of growing economic crisis. It is this attitude towards Parliament—this tendency to regard its function as merely rubber-stamping Government actions and Government-made measures that is "constitutionally dangerous" and "contrary to the spirit of the constitution," not the well-founded anxiety of the peers to be kept informed of the facts.

The Constitutional Time-table

The time-table for the rest of this Parliament that the Cabinet has evidently planned is an interesting exercise in cutting things very fine. The calculation is, apparently, that by the end of the fourth session—that is, by August, 1949—the Bill to amend the Parliament Act will have been passed twice by the Commons and rejected twice by the Lords, while the Steel Nationalisation Bill will have been passed and rejected once. These can be slow and leisurely proceedings, but in the fifth session, which will presumably begin in October, 1949, every day will count. The first business before the Commons will then be to send the Parliament Bill up to the Lords a third time; to keep within the existing Parliament Act, it must not be passed until two years after the date on which it received a second reading. It could not, therefore, arrive in the Lords for the third time until November, 1949. The Lords cannot be said to have rejected it a third time—and the Act of 1911 makes rejection for the third time a condition of presentation of a Bill for the royal assent—until they have finished their debates on it and it might not be beyond their Lordships' powers to go on talking until Christmas. It would therefore seem possible for the Opposition, if they wish, to delay the enactment of the amending Act until the very end of 1949. Nothing that is put into the amending Bill can affect this date, for the Bill will not be law until then. Hard on its heels will be the Steel Nationalisation Bill, coming up for the second time. But this also—if the amending Act merely shortens the period in the Act of 1911, without changing its procedure—can be debated at length and might not be rejected by the Lords, and therefore eligible for enactment without their consent, until several weeks—perhaps even months—into 1950.

Thus there is only just time within the maximum lifetime of this Parliament to get the Steel Bill on to the Statute book. But getting it into effect must take a little longer, even with the utmost hurry. In fact, nationalisation might not be actually accomplished by the time of the General Election, and if the Conservatives were to win the election, they might be able to rush through a repealing Act before the appointed day. Even if the steel industry did not get its reprieve before the trap was actually sprung, it might be possible to revive the body if it were cut down while still warm. Evidently it is going to be a very close thing.

There is only one way in which the Cabinet could substantially speed things up, and that would be by obtaining from the King a mass creation of peers in order to get the amending Act through earlier. Mr Churchill recalled this week that in 1910 King George V made a prior General Election a condition of his consent. Mr Morrison was right in objecting to Mr Churchill's description of this as a ruling precedent; there are no ruling precedents in the British Constitution. But it is equally clear that the King is not bound to accept unconditionally any advice that is tendered to him on this point. Fortunately matters are most unlikely to reach the pass of forcing a personal decision on the King; for it would take a truly gigantic creation to give the Labour party a majority in the Lords, and Mr Attlee might be very hard put to it to find hundreds of Labour supporters willing to assume the ermine to please Mr Aneurin Bevan.

Last Week's Breath-taker

"Economic and financial policies should work together and supplement each other, as indeed they do under His Majesty's present Government"—The Rt. Hon. Hugh Dalton, Chancellor of the Exchequer, speaking in the House of Commons, Friday, October 24, 1947.

M. Thorez Isolated

The second ballot of the French municipal elections and the election of the mayors of the larger towns constitute together an overwhelming defeat for the French Communist party. They no longer hold the leading office in any of the major French cities, and though the final results of the second ballot are not yet known, it is already plain that their power to direct local government has been decisively reduced.

This, however, does not mean that the party has lost any substantial proportion of its former support. On the contrary, evidence from the first ballot shows that it has lost only a few per cent of its voting strength. What has happened is that anti-Communism has made immense advances, so that in almost every locality the Communists went into the fray in total isolation. In some localities the Socialists joined forces with them in the second ballot, but many Socialists, and all the other parties, when called upon to make the choice between Gaullist and Communist preferred to look to the Right. In one northern town a Socialist mayor was elected by the joint forces of the Centre and Right in disregard of a local Communist-Socialist agreement. The only Socialist to vote with the Right was the mayor-elect, who defeated his Communist opponent by a majority of one.

M. Thorez and his followers have evidently been preparing for some time to fight alone, and the violence of their invective against the "parti frère" reached new heights this week, when they devoted almost half the front page of *l'Humanité* to headlines announcing "the Socialist treason." Their policy of opposition to America, and particularly to the Marshall Plan, does in fact exclude them from any coalition. Their latest party appeal recognises this, and asks for a "determining role," and not, as before, mere participation for the Communists in a reconstituted government.

With diminished authority in local government and a permanent and derided minority in any nationally elected Assembly, the Communists have no choice but to turn now to extra-parliamentary methods. Their main means of pressure are in the trade unions, where there is a fund of discontent and distress ready for exploitation. This week the government has made new concessions to buy off a threatened railway strike which, it had been feared, would lead to a general strike. But M. Ramadier has warned the Assembly that a firmer policy will be required to save the franc, and a trial of strength between the State and the CGT, which is under intransigent Communist direction, must now be expected.

Fight Outside Parliament

On the Gaullist side there is also new evidence of a determination to resort to extra-parliamentary methods in order to establish the "strong state" which this powerful section of the community, though still decisively in a minority, believes to be the only bulwark against the Communists. General de Gaulle's own statement declares first, that it would be desirable for the Assembly to revise the constitution, to transform the electoral law, and then to commit *hara-kiri*; but, since he must know that there is little hope of getting the Assembly to comply, his conclusion—that the RPF will take its responsibilities "whatever happens"—is certainly the key to his real intentions.

This forthright denunciation of the institutions of the Fourth Republic has frightened many potential sympathisers with the

General, and he has had some hard knocks this week, even from such conservative papers as *Le Figaro* and *Le Monde*. The Socialists now seem to be taking the lead in a new effort to strengthen the shaky coalition of centre parties in defence of the political *status quo*. They have been equally outspoken this week against the RPF and the Gaullists. A leader by Léon Blum in *Le Populaire* makes it very plain indeed that they share the Communist view of the General as a potential Fascist dictator, and that no anti-Communist rallying cry will be sufficient to rally them behind the General's stern leadership. There seems good reason to hope that the recent election results and the disagreeable "incidents," which have brought Communist and Gaullist factions to blows with each other both in Paris and in many provincial towns in the last few days, will have a salutary effect on the centre parties. They certainly wish to prevent the existing tension from developing into civil war, but have been sidetracked until recently by inter-party polemics and endeavours to cadge votes from each other.

Pump Priming in Germany

The latest report of the Select Committee on Estimates is an excellent intelligent man's guide to Germany. They have unearthed only one novelty at which they "were astonished"; they discovered the Control Commission still had no branch for checking expenditure in Germany. This is being put right now. They might well be astonished, considering that the net annual charge on the British taxpayer for maintaining the late enemy is over £80 million a year, not counting the £60 million spent on the occupying forces. Of this total £71,250,000 is spent on essential imports—mostly food—and another £5 million on imported raw materials and partly manufactured goods. Against this costly pump priming there can be set only £8 million from the proceeds of exports from the British Zone in 1946.

Outstanding among the 21 recommendations of the Committee are two: a proposal that the whole question of revising the German price structure and fixing a uniform rate of exchange for the mark should be investigated by experts; and a pungent reference to the fact that more paper is used for football coupons in Britain than is available for education in the whole British Zone. Discussion about currency reform in Germany has become hopelessly complicated by quadripartite disagreements, and also by differences between those who want to defer the reform until productivity increases and those who say that productivity cannot increase until the currency has been reformed. It is time for fresh minds to get to work. Outstanding in the information provided by the report is an appendix giving a detailed study of transport resources in North Rhine-Westphalia, and another giving a survey of the food situation and recommending an immediate increase in the present ration. The first points out that only a third of the demand for extra wagons to move Ruhr coal can be met, and that transport services are only just capable of moving current coal production, leaving just under 1½ million tons of coal stocks on the ground. The second points out that, with its present agricultural production, western Germany can provide its non-farming population with only 1,000 calories a day, or barely 39 per cent of the minimum ration required for "real recovery." This crucial dependence on imported food is likely to last for years, and is something to be borne in mind when questions are asked about long-term guarantees against German misbehaviour.

Marshall Plan and Molotov Plan

In the course of last Monday's debate Mr Bevin pleaded with his critics that they should try to understand the attitude on dismantling and reparations taken by Germany's neighbours. He was obviously thinking as much of Poland and Czechoslovakia as of France. There Communist propaganda is worrying even staunch friends of the West with the persistent charge that America and Britain are building up the strength of western Germany with a reckless disregard of the risks. Czechs, Poles and Russians are told repeatedly that Germany will have, if not priority, at least equality of benefits under the Marshall Plan. In his anxiety to allay this fear Mr Bevin went so far as to say that "nothing would have been more fatal to the Marshall Plan itself" than to have linked Germany with it, forgetting that the Paris report of the sixteen Governments includes estimates of German needs and productive possibilities. This lapse only shows how difficult, how unnerving, how destructive of clear

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thought and firm resolve must be any attempt to follow at this juncture the middle line between Russia and America advocated by Labour back-benchers.

It must be firmly held in mind that in Europe this winter there is a race on between the Marshall Plan for the West and the Molotov Plan for the East; that Mr Zhdanov and his Cominform have declared open war on the Marshall Plan. ("As far as the USSR is concerned it will make every effort to prevent this plan being realised.") To hesitate or delay in mobilising all the resources of western Europe behind Mr Marshall's Plan would simply be to play into the hands of a very determined opponent. If the Plan succeeds and western Europe begins its climb back to prosperity and solvency, its power to influence and attract eastern Europe will be far greater than it is now. While that process is going on the countries of eastern Europe will be learning whether their effort to reconstruct and industrialise themselves can in fact be carried out with Russian help alone. At the moment it is in the Soviet Government's interest to make the best showing it can with supplies of food and raw materials to such allies as Poland and Czechoslovakia. Whether that showing can be kept up, whether those countries can supply enough of the capital equipment that Russia needs, and whether they can dispense with either the quality or the quantity of goods that America has to offer—all this is at least as uncertain as the success of the Marshall Plan.

Nothing that Mr Bevin can do in the way of diplomacy can now undo the success won by Mr Molotov when he forced these eastern European governments to stay away from the Paris economic conference. Time, bitter experience and patience can alone heal that breach. Concessions here and compromises there to meet the complaints of Germany's plundered neighbours will not noticeably affect Russian and Communist influence on them. What will check that influence is a swift and clear demonstration that western Europe—including Germany—can recover, that acceptance of American aid does not mean political dependence, and that the Communist theory of non-Communist countries inevitably collapsing into chaos and war is demonstrably untrue.

Something else, too, is needed, so far seldom discussed in public: a serious effort, made by industrial and scientific experts, to work out simple methods by which any attempt of the Germans to re-arm or prepare aggression can be detected and checked at an early stage. So long as this is not done there will be plenty of important people in Europe ready to believe that Britain is preparing what they call "another Munich."

International Trade Agreement

The mountainous labours of the Geneva Conference are at last at an end, and all concerned are saying that what has been brought forward is much more than a mouse. But the public is to have no opportunity of judging until the middle of November, when the documents are to be published—unless there is the usual leak in Washington. Even in three weeks' time it may be very difficult to form a firm judgment, for what is to be signed this week is an immense document incorporating the results of a large number of bilateral negotiations among sixteen different nations. And even when the different concessions have been sorted out, it will still be difficult to distinguish those that open a door against which traders have been actually knocking from those whose practical effect is nil.

The Agreement will stand or fall by what happens in consequence of it to imports into the United States. Not only is it dollars that the world needs, but the American tariff is almost the only one in the world that is effective at the moment, since all others are overlaid by quantitative restrictions. The President of the Board of Trade said on Wednesday that

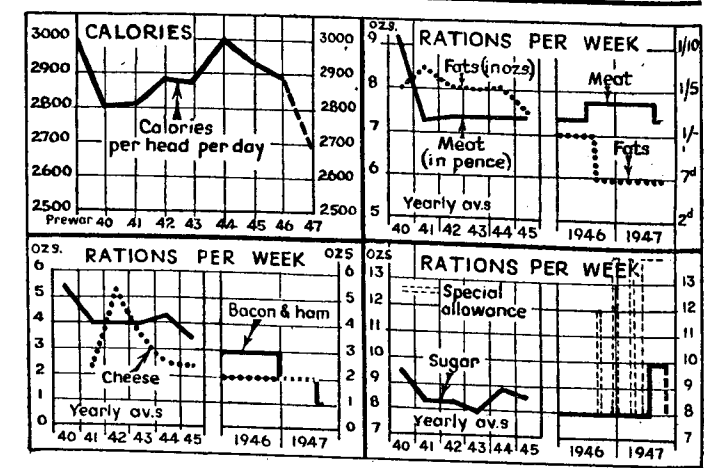
we have agreed to reductions in our own tariff or to reductions or eliminations of the preferences we enjoy in other Commonwealth countries only in return for concessions which we consider equivalent in terms of the trade thereby opened up to us. We have been particularly concerned to secure reductions in the tariffs of other countries, including the United States, which would provide an immediate opportunity of increasing our dollar exports.

The key word in the last sentence is "immediate" and if the immediate gain to dollar earnings is of any size, the British negotiators will deserve the heartiest congratulations. On one point, the congratulations need not have this provisional element: it is a technical achievement of a high order to have brought to completion a negotiation as complex as this must have been.

The fact that it was done reflects highly on the skill, the patience and the will to co-operation of those who have been concerned.

2,700 Calories a Day

The cuts in rations announced last week by Sir Stafford Cripps should have surprised nobody, for it was well known that dollar food purchases would have to be restricted. But, strangely enough, the cuts bear little relation to any saving in dollar expenditure. The weekly ounce of bacon is a direct result of the failure of the Danish food negotiations; so is the reduction from 3 to 2 ounces in the butter ration that will come into force in November. The maintenance of the meat ration at a shilling's worth a week, and the reduction of sugar to 8 ounces a week, are perhaps the only two items on which a few, if any dollars will be saved. On the other hand, the Ministry of Food's reported decision to ration potatoes is right. Administratively it will be difficult to work satisfactorily, but the poor potato harvest (estimated this year at 8.1 million tons, compared with 10.2 million tons in 1946), coupled with a possible tightening up of the bread ration, unless adequate supplies of Australian wheat are made available, has made it imperative to husband supplies against next spring and early summer. It is only a pity that it was not done two months ago before consumers started to husband supplies for themselves.



The reduction in the calorie value of the diet from 2,870 to just below 2,700 amounts to a 6 per cent drop in consumption—or 10 per cent lower than it was before the war. (The trend of some basic rations and the number of calories available is shown in the accompanying chart.) Of course nobody, not even the Ministry of Food, believes that calorie figures reflect the full decline in actual consumption. The figures are averages and apply to food moving into consumption and not to food consumed. The high calorific value of the national diet has been achieved by the increased quantities of bread, fish and potatoes, which make the British diet monotonous and unpalatable. Under the new cuts, the actual amount of food consumed is more likely to be four-fifths of the 1938 level.

What, however, is more serious is that British food policy seems to have gone awry. Purchases of American foods cannot be made because of the dollar shortage. Food subsidies cannot, it appears, be taken off. Nor, on the other hand, can the Government afford to increase their total amount. This means that food supplies from soft currency areas cannot be purchased because their price is too high. When such a policy reduces the quantity of a ration—the weekly ounce of bacon for instance—to absurdity, a good case can be made out for derationing and desubsidising that foodstuff and allowing those consumers who will to pay the higher price. To do this for bacon at the moment could not be said to be starving the poor.

Victory for Mr Bevan

It appears that the public have now heard all they are likely to hear about the revised housing programme and that the new White Paper on the capital cuts will add little or nothing to the brief statement made in the course of Sir Stafford Cripps's speech in Parliament on October 23rd. The next step is for the Minister of Health to issue detailed directions to the local authorities. This is a lamentably vague situation in which only the victory of Mr Bevan in the councils of the Cabinet stands out clearly.



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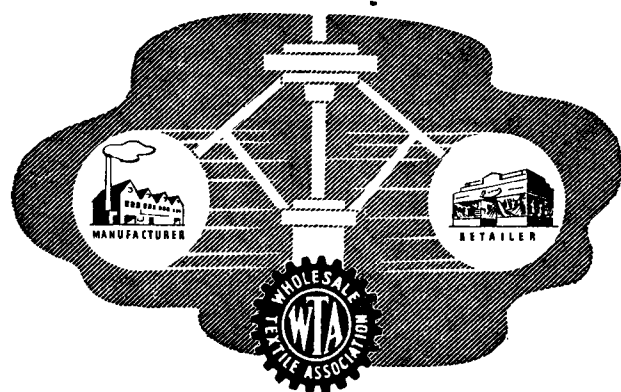
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**SALES OFFICES AND SERVICE DEPOTS
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And what justification can there be for carrying on without alteration with the 90,000 houses under contract but not yet even begun? There would indeed be genuine wastage of effort if houses nearing completion were abandoned and the Government would be perfectly right in concentrating on these, provided they took steps to ensure that they were completed with due speed. But the effect of its present decision is likely to be that fewer houses will be completed over the next six months than would otherwise have been the case. Any cut in the programme must, indeed, be a very grave matter, because of its social repercussions; nevertheless, the discomforts of overcrowding are lesser evils than hunger or cold.

Mixing-up the Classes

Mr Aneurin Bevan has in the past expressed himself in favour of housing schemes which provided for a judicious mixing of the classes, so that new housing estates should no longer be filled entirely by people drawn from one section of society. So far this new policy has been implemented in the breach rather than the observance, since local authorities have not been permitted to do more than leave an open space for those houses intended to be bigger, better and more expensive for their future middle-class occupants.

It now appears that the Minister of Health is prepared to sanction the building of a limited number of these larger houses straight away, and the London County Council last week approved a number of plans for them. The houses are mostly of a four-bedroom type, with immersion heater, independent boiler, one or two radiators and in some cases a garage. It is intended that they should be built in pairs, or occasionally in blocks of four, in the same streets as the more normal type of council house. Economic rents will be charged, and it will be extremely interesting to see how these compare with the subsidised rents.

It remains to be seen whether this small concession to the middle classes will survive the cuts in the housing programme. Nevertheless, it is some cause for gratitude that Mr Bevan has even recognised their difficulties thus far. How long the gratitude of the future occupants will survive the acutest phase of the housing shortage will depend on how fast the social transformation of this country takes place. In a country so socially undemocratic as Great Britain the first middle-class tenants are likely to feel themselves isolated and lonely, and the poorer tenants to regard their more well-to-do neighbours with jealousy and suspicion. This is not to say that the experiment should not be tried, but rather to anticipate the initial difficulties which will take place. If the LCC would also experiment with building larger groups of middle-class houses, say, a street at a time, next to streets of subsidised houses, the comparison of results would be valuable.

Both Dominions thus appear to be trying to have it both ways, maintaining the principle of ruler's choice when it is to their advantage and denying it when it goes the other way. But Junagadh is a trivial matter, whereas Kashmir is of very great importance. It is the largest of the Indian States in area except for Hyderabad—it is about the size of England and Scotland—but, as it is very mountainous, it has only a small population; it is economically significant as a producer of timber and silk. It really consists of two States—Jammu, which is mainly Hindu and was made over to Gulab Singh by the Sikh ruler of the Punjab in 1820, and Kashmir itself, which was added by the British in 1846.

The issue has already nearly brought war between India and Pakistan. When the Maharaja notified his accession to India, Indian troops were sent by air to assist the State troops against the rebels ; Mr Jinnah thereupon ordered General Gracey, Acting C.-in-C., Pakistan, to cross the frontier of Kashmir and occupy Srinagar. But General Gracey pointed out that this would be an act of war against India, and asked for reference to Field-Marshal Auchinleck, the India-Pakistan Supreme Commander, who flew to Lahore and warned Mr Jinnah that, if the two Dominions were to fight each other, all British officers on both sides would resign. Mr Jinnah then invited Lord Mountbatten and Mr Nehru to a conference in Lahore, but Mr Nehru is ill, and the Governor-General cannot act constitutionally without him.

There is talk of a popular referendum in Kashmir to decide the issue, but in such a vast and mountainous territory a referendum would require hundreds of external observers if it was to have any validity, and such observation would be hard to arrange. A solution might be to separate Jammu and Kashmir, Ladakh remaining with the former and the Gilgit region with the latter. If no political settlement is reached, the local military advantage is likely to be with Pakistan, for winter snows will soon block access from India not only overland, but even by air, whereas communications with Kashmir in winter from the Pakistan side are much less obstructed.

In face of violent attacks from the Left, the Italian Government has since June been trying to strike a balance between various economic objectives. With the overriding aim of inspiring confidence abroad and coaxing out much-needed foreign loans, it has been trying to balance the budget, while at the same time taking measures to lower the cost of living and to ensure full employment. At the moment it looks as if it is having some success in one effort: after a steep rise in the cost of living between June and September wholesale prices of certain foods—meat, sugar, olive oil and vegetables—have shown a tendency to fall. It is too early to say whether the tendency is merely a passing one.

As part of his measures against inflation, Signor Einaudi has been trying to restrict credit. The ultimate results of this policy cannot yet be gauged. But, taken in conjunction with the lifting of the ban on dismissal of workers—at last coming into effect after prolonged negotiations—it is now possible to see some immediate consequences in industry. That ban, introduced after the liberation and nominally suspended in August, 1946, has, in fact, remained effective until now, owing to the difficulties of reaching agreement between the Industrialists' Confederation and the CGIL (the Italian Trades Union) on the method of dismissal. So industrialists have had to meet very heavy wages bills, irrespective of whether or not there was the work for the many hands to do. In the iron, steel and engineering industries, where recovery has been considerably slower than in the textile industry, the

burden has been particularly heavy. Firms found themselves compelled to depend on Government subsidies or bank credits to meet their obligations.

Now the Government is trying to regularise the position. On the one hand, banks are no longer authorised to lend sums above 70 per cent of a firm's deposits. On the other hand, it has established a fund for the assistance of the engineering industry, to be known as the "Fondo per l'industria meccanica" or FIM, which is to be held by the semi-official Instituto Mobiliare Italiano and administered through a committee which will examine firms' applications for assistance. It has been specifically stated that small firms will be as eligible for assistance as large concerns. This policy may take some time to put into effect. For the time being, while Fiat and Isotta Fraschini have between them just received advances amounting to 1,250 million lire, many other firms—large and small—cannot find the money to pay their workers.

* * *

Berlin Bait Refused

The sixth interzonal conference of German trade unions, which ended its session at Bad Pyrmont on October 23rd was an occasion of some importance. The delegates, behind closed doors, discussed two main questions: the first was whether the unions should fuse, and the second, what their attitude should be to dismantlement. That they came to no sensational decisions on either is a matter for satisfaction.

The conference's resolution on the formation of a united German trade union organisation did not carry things much farther. The working committee which has been considering it for some months will continue working, and a "trade union congress" will meet next spring. It was suggested at the conference that the World Federation of Trade Unions might be asked to consider this convention sufficient evidence of unity to permit the German unions to be affiliated to it. The WFTU's offer of affiliation, made on the condition that a single German organisation should be established, was a bait which Moscow has long dangled before the Germans. There has been a fresh ribble at Bad Pyrmont, but no bite on the hook.

The organisation of the trade unions in the West and East of Germany is fundamentally different. In their Zone, and in Berlin, the Soviet authorities sponsored a single union on the Russian model, strictly controlled from the centre, and under Communist domination. Attempts to do the same in the West were frustrated by the rules of British and American Military Government, which insisted on the democratic growth of unions from the bottom upwards, based on free elections. No aspect of British policy in Germany has been so unfairly criticised as this. Without those SHAEF regulations the entire German labour movement would today be under Communist direction from Berlin. Instead, unions in the British Zone, formed on an industrial basis, are now autonomous organisations grouped in a zonal federation. In the American Zone, the unions are also autonomous, and are still not combined in a zonal federation. The Americans are less neutral than the British in opposing the formation of a single organisation holding financial, and thus policy, control at the centre but they have encouraged the establishment of a bizonal trade union federation of autonomous unions.

The conference's resolution on dismantlement, passed by the Western unions only, was a very mild protest, which closed with an appeal to German workers not to despair, or to take any desperate action. This does much credit to the moderation of the non-Communist leaders, and also reflects the dilemma in which Communists from the well-stripped Soviet Zone are placed when they agitate against dismantlement in the West.

* * *

The TUC and Wages

It could hardly be expected that the Trades Union Congress, which has so frequently and so adamantly refused to admit the necessity for any kind of wages policy, would respond with alacrity to the Government's recent approaches on the subject of wage stabilisation. It is perhaps remarkable that the General Council should have gone as far as it has, in discussing the issue at all and in agreeing to call a special conference of trade union executives to consider what, if any, action to take. Two months ago, any such suggestion would have immediately been ruled out of court. The General Council is, of course, quite correct in insisting that it cannot speak for its affiliated unions and has no authority over them in matters of wages and working conditions.

But this does not preclude it from giving a lead, which individual unions could follow, as it did in the case of staggering working hours.

The discussions have been proceeding behind an iron curtain at Transport House and no definite facts have yet been given. It is, however, known that among the tentative proposals put forward by the Government is one for a "points" scheme for wages, under which the deserving undermanned industries would rate high for increases, while industries already fully manned or in non-essential categories would not qualify. The conflict over this proposal has appeared before—at the Margate conference, when Mr Deakin, on behalf of the General Workers' unions, rejected categorically the idea of any wage discrimination in favour of any particular section of industry, whereas Mr Lawther urged special incentives for the miners.

Whatever divisions may exist on wages, however, there is complete unanimity among the unions on the limitation of profits, and on their opposition to the reduction of subsidies. That is why the TUC is anxious that the unions' views should be clarified and presented to Mr Dalton before he finally determines his autumn budget.

Budget apart, the need for speedy decision is emphasised by the imminence of a number of wage claims. That of the Post Office workers, who are seeking a minimum rate of £5 a week and an increase of £1 all round, may be regarded as something of a test case. Consideration of the miners' claim for £1 increase in the weekly minimum was only postponed because Lord Hyndley, wisely and firmly, refused to negotiate while there was a stoppage in the Scottish coalfield. Meanwhile, figures published in the *Ministry of Labour Gazette* show the extent to which wages have risen. The average weekly earnings of nearly 6,000,000 workers in manufacturing industries in April, 1947, were 103s. 6d., or 94 per cent above the 1938 level. When the last return was taken, in October, 1946, the increase was 90 per cent, and in January of last year it was only 74 per cent. Since April there has been a further upward movement in wages in a number of industries.

* * *

Service Strength

The process of clarifying the present strength of the Services has been carried a good deal farther over the last week, to some extent by the Minister of Defence in the House of Commons, to a greater extent by Lord Hall in the House of Lords. Public attention had been mainly attracted by the allegation that the effective striking force of the Home Fleet at the moment was reduced to one cruiser and four destroyers. Mr Alexander in his explanation was far from clear. In the end he admitted that substantially the position was as alleged, but he quite failed to give the man in the street any clear grasp of why such a state of affairs existed. Lord Hall, on Tuesday, was more frank and as a result more effective. The Admiralty have faced the fact that the manpower of the peacetime Fleet is never likely to exceed 147,000 men—maybe the Navy will be fortunate to retain that number for any considerable period—and that in consequence the Board of Admiralty decided to make at once a complete reorganisation in the deployment of that number of men. Inevitably, some portion of the total Fleet had to be laid up while the process was in operation, and it was the Home Fleet that was chosen for that purpose. As Lord Chatfield put it, if the Foreign Office were prepared to advise the Admiralty that the Home Fleet could be laid up for six months—and it is unlikely that the Admiralty took action without that assurance—he was prepared to accept that decision. Few would disagree with him. It is rarely possible to make an effective reorganisation of anything without making some section of the machine stationary for some period.

In the long run the most disquieting feature of the information extracted from the Government is the comparative failure, so far as the Army and Air Force are concerned, of the recruiting campaigns for the auxiliary services. The figures speak for themselves. The present totals are: Territorial Army, 32,000, Naval auxiliary forces, 11,800, Auxiliary Air Force, 1,800.

This is not a matter of immediate concern. The country still possesses a very considerable number of trained men and women still of military age. No doubt they do not join any voluntary service because they know that if trouble arose they would be called back without delay. But every year a percentage of them ceases to be of military age. The voluntary organisations exist to make good this wastage and that they clearly are not doing at the moment. Since the problem is essentially a long-term one it is easy to dismiss it now, only to find it all the more difficult

to solve when a scare comes. It is as important as any that the Service chiefs have to solve.

* * *

"Exploiting" the Colonies?

One of the first Bills of this session to be published is the Overseas Resources Development Bill, which gives legislative form to the Government's proposals for the East African groundnut scheme and the £100 million Colonial Development Corporation. Two corporations are to be set up: the Overseas Food Corporation, with total borrowing powers of £55 million, whose sphere may be anywhere outside the United Kingdom and which will, among other things, carry out the groundnut scheme; and the Colonial Development Corporation itself, whose total resources will be £110 million. The first corporation will be responsible to the Minister of Food, the second to the Secretary of State for the Colonies—a division of responsibility which may be unfortunate. It is quite true that the Overseas Food Corporation has to be invited by the Colonial Secretary before it initiates a project in any colonial territory, and both corporations will have to consult with local interests and wishes. There is also a clause in the Bill designed to safeguard the interests of the employees of the corporations' undertakings. But there are already suspicions enough among colonial peoples about the real purpose of the corporations without the entry of the Ministry of Food, whose primary function is to fill the stomach of the British consumer at the lowest possible price and which is sure to be accused of keeping down producers' prices.

These suspicions arise mainly from the emphasis that was laid, during the 'thirties and early 'forties, on the need to diversify the colonies' economies, to prevent them from specialising on one or more export crops which made their prosperity dependent on world markets. What those colonies, where big production schemes are contemplated, are asking is whether, in its own interests and because of its own crisis, the United Kingdom is now changing its mind and imposing a policy of agricultural specialisation on them. "Industrialisation" has become a political catchword in the colonies, especially in parts of Africa, and though industrial projects are not ruled out for the Colonial Development Corporation, its activities will be mainly agricultural.

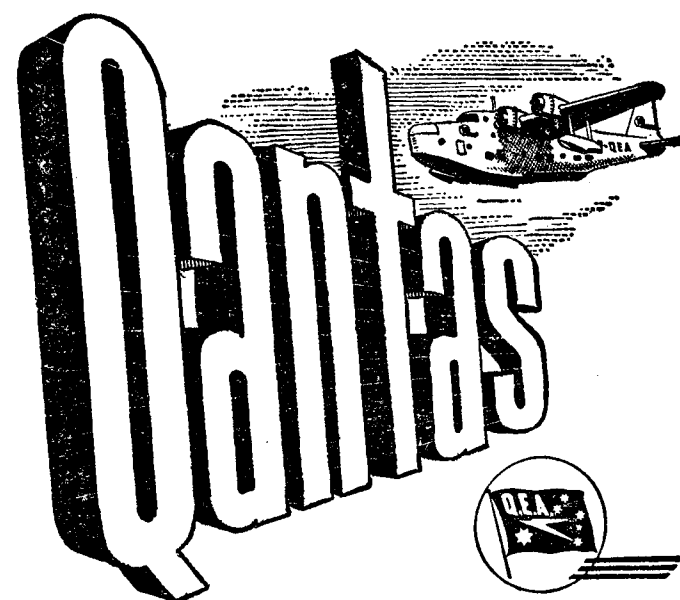
It is true that official policy always emphasised that what industry would be started in the colonies would be mainly the processing of raw materials and that industry needing protection or subsidies would not as a rule be encouraged. It is also true that the secondary effects of the introduction of capital on a large scale, implicit in the new policy, may well be a broadening and diversification of colonial economies and even a certain amount of industrialisation. Nevertheless, the colonies may well insist on more tangible evidence that they are not being "exploited" at a time of shortage, only to be abandoned when the shortages are over. And however unjustified their suspicions, and however justifiable the new policy in their own interests, it will be very difficult to provide this evidence.

* * *

Right Revival in Norway

The municipal elections in Norway on October 20, like those in France, were significant because the issues were not local but national. If it were otherwise, the swing to the right which has taken place would not call for attention. So far results are available for only 640 of the 744 districts, and in those Labour, with 536,000 votes against 487,000 in December, 1945, has made some gains. But the comparative gains of the right-wing parties have been far larger. Most important are the well-organised Conservatives, with 197,000 votes so far against 124,000 in the previous elections; the Liberals come next with 130,000 votes against 99,000; then the right-wing joint list with 107,000 votes against 74,000; and the Christian Popular party with 103,000 against 98,000. With 80 per cent of the electorate polling (against 65 per cent last time) all the important parties, except the Communists, increased their poll.

The main cause of the swing to the right against the government was probably resentment at recent proposals for increased taxation. But in agricultural districts there is also much dissatisfaction with the level of controlled prices for farm produce. General opposition to price control, centralisation and expensive administrative machinery has concentrated on the controversial *lex Thagard*, the key to the Government's power to impose controls. But in spite of these grievances and cuts in imports and rations, Labour remains by far the largest party.



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Letters to the Editor

End of Act Two

SIR,—I was very interested to read the letter from Mr Timms in your current issue, especially as I was expecting that before long an attempt would be made to discredit the recent Government debacle in the Cambridge Union. I do not seem to remember that before 1939 the anti-Conservative majorities in the Oxford and Cambridge Unions were regarded as composed of "partially developed critical faculties" by those who shared their views outside the two Universities. On the contrary, they were hailed as the outward and visible sign of youth's determination to resist Fascism, to abolish national armaments, and to uphold the League of Nations. Support of these causes was regarded as the hall-mark of sane and progressive thinking.

Nor do I remember hearing, from the same source, the supporters of Mr Chamberlain praised for their "firm conviction," and their stability and firmness favourably contrasted with the vacillation and loose thinking of their Socialist opponents. If Mr Timms desires to make a sacrifice for once to consistency, a post-date tribute to those Conservative undergraduates who did not "change colour" during their term of service in the recent war would not be altogether out of taste.

It is a pity that the Left are unable through their self-inflicted blindness to see the writing on the wall. It only means that the eventual disillusionment will be unnecessarily painful, but if it is not to be unbearable it should not be assumed that young Conservatives and their allies at the Universities do not mean what they say.

Mr Timms seems to forget that there are subtle differences between Oxford and Cambridge. In my experience, the members of the Cambridge Union vote for measures rather than for men.—Yours faithfully,

RICHARD FIELDEN,

Ex-President, Cambridge Union Society

11 Cheyne Place, S.W.3

SIR,—The prospect of forming a new party, as mentioned by a correspondent in your issue of October 25th, must have excited the interest of many who like to think themselves impartial. Having been labelled a "nation of compromisers," Britons proudly try to live up to that epithet, often using extreme and eccentric methods to prove it.

But no middle party of compromise would stand a chance now for three reasons. First, the parliamentary system in this country favours the two-party House—for which we may be devoutly thankful as we watch the fluctuating coalitions and *coups d'état* in our European neighbours. Hence a third party would have small chance of success indeed unless it appealed to a new and hitherto ill-represented class of the community, as the Labour Party did at the turn of the century.

Second, the moment is inopportune to create a central party when the swing of the electoral pendulum is considerably to the left of centre.

Third, there is already a central party, the Liberal Party, and the extent of its support is the measure of the popularity of political compromises.

The only hope for a new and more moderate party is from a cleavage in the ranks of one or both of the two main parties, causing a breakaway and the formation of rival groups. But divided loyalty has always proved fatal, and when the parties resolved themselves into two large ones at the expense of one "splinter," we should again be faced with the choice of right or left.

It seems that in politics there is no compromise, only a choice between two evils, and he who has no axe to grind had better not vote at all.—Yours faithfully,

J. W. N. RIDDELL

20 Moor Lane, Rickmansworth, Herts

SIR,—Your leader of October 18th asserts that

it is difficult to believe that, had the crucial two million voted the other way in 1945 the position of the country would have been substantially different to-day.

I dissent wholeheartedly from such a concept, for have we not witnessed during the two years of Labour administration the gradual supersession of private trade, the emphasis on planning and the subordination of the individual, the immense increase in bureaucracy, the steady appropriation of wealth and the extinction of liberty, the virtual sterilisation of the middle classes and the

multiplication of officials, the slackening power of production and the lack of incentives to industry.

Can you, Sir, imagine that similar results would have accrued from a prudent and far-seeing Government, intent on the all-important work of restoring our weakened economic fabric?

What incentive did the Government give to the people to go all out in a determined effort to restore production? Did they not lull the nation into the mood of slothfulness by promising them the moon and by failing to point out the serious position into which our finances had sunk?

No, Sir, I do not think "it is a good thing that Labour has been in power these last two years." The facts belie such a belief.—Yours faithfully,

A. WIGGLESWORTH

Port of London Building, Trinity Square, E.C.3

Political Plague

SIR,—As one who deplores "anti-semitism," may I protest at the way this term is used in the article in your issue of October 18th? Since you support the tightening-up of the operation of the law against racial incitement, clarification is most necessary.

The decision to send the *Exodus* immigrants to Germany may indeed have been a wrong and disastrous decision. But in arguing that the decision was the result of "anti-semitism in high places" such as the Colonial, War and Foreign Offices, you are on less firm ground. Are we not entitled to be given the evidence of this? It should be recalled that General Morgan was accused of "anti-semitism" when he first revealed the existence of organised Jewish emigration from Europe. Is there not a danger that those who call attention to the rights and views of the Arabs may, if judged by *The Economist's* standards, also find themselves accused of this? *The Economist* continues,

... an anti-Jewish policy in Palestine is inseparable from the growth of anti-semitism in Britain. It will not be possible for the Government effectively to check anti-semitism in London or Manchester while the newspapers continually carry reports of violence, reprisal and repression in the Government's campaign to enforce its immigration laws in Palestine.

If this is to be the criterion, the Arabs can hardly expect the Mandate's administration to be impartial.

You contend further that it was the anti-semitism of Hitler's rise to power which has defeated assimilation. Yet surely the 1917 Balfour Declaration and the rise of political Zionism had already defeated the cause of assimilation, even if it ever stood a chance of victory in view of the age-long Jewish antipathy to marriage with Gentiles. This antipathy can no longer be attributed solely to religious sanctions by which other faiths protect their beliefs, for, as your article indicates, the Messianic hope and moral fervour springing from the Jewish religion has become secularised with the decline of religious belief. The other side

From *The Economist* of 1847

October 30, 1847.

THE act of the Government on Monday last must be looked upon, not alone as a suspension of the Bank Bill of 1844, but virtually as an abandonment of its principle. It is quite true that the letter from Lord John Russell and Sir Charles Wood to the Governor of the Bank, describes it as an "extraordinary and temporary measure"; but it is impossible to deny that, whether the act be of itself good or bad, the abandonment of the bill at the only moment when its provisions really became effective, must for ever destroy confidence in its virtue to protect the public interest. Its power for good in the future—even in the eyes of its warmest friends and supporters—must be felt to have received a shock which no vote of Parliament can possibly repair. But we fear that the circumstances and the avowed motives under which this policy has been adopted, will go far to destroy the influence of the legislative in any future course which it may adopt in reference to this important question. Whatever law is passed—whatever restraints are imposed in order to protect the convertibility of the notes of the Bank—it will be impossible to destroy a feeling which for many years must pervade the public mind, that the pressure must only be severe enough, and the demands loud enough, in order to procure a suspension of any restriction which may exist.

of the medal must also be shown if *The Economist* is to maintain its impartiality. Could not *The Economist* make a stand against all forms of racialism?—Yours faithfully,

Pharos, Fairmile Lane, Cobham, Surrey JULIAN BADCOCK

SIR,—May I query the statement in your article in your issue of October 13th, that "in our time anti-semitism has defeated assimilation." Assimilation and absorption are, in fact, proceeding apace under our eyes and remain the solution of the Jewish problem, despite Hitler and also despite the efforts of some Jews to prevent it. Religious practice has decreased to such an extent among Christians and Jews alike that religious differences have become less important and intermarriage easier. Unfortunately it is mostly forgotten or altogether ignored when anti-semitism is discussed that practically all the Jews against whom it is directed are only the first generation of Jews born in this country—if not themselves immigrants!

Racial anti-semitism can be traced to the influx into a country of large numbers of foreign Jews (Eastern Jews from Poland and Russia in the case of Germany and Austria, Central European Jews in the present case of Britain where even the Eastern Jews who came here round the close of the last century are only just about to be assimilated). Hitler's extermination policy has ever destroyed the reservoir of Jews in Eastern Europe (a miserable remnant survives in the DP camps on the Continent and desires to settle in Palestine). Thus, with the exhaustion of the

big reservoir of Jews, the prospects for assimilation and absorption are surely better than they have ever been before and need not be ridiculed as an unattainable "comfortable ideal."

As far as Britain is concerned, the influx of Jews from Germany and Austria between 1933-39 was one of Jews in most cases already assimilated in those countries and thus comparatively easy to absorb here. It is significant that a large proportion of those who came over here as children or adolescents and who have since had a British education or served with the British Forces are marrying Gentile partners and will thus be completely absorbed into British life.

Unless Britain ever were to adopt Nazi methods of investigation into the "racial purity of ancestors," the children and grandchildren of these marriages may grow up without even the burden of the knowledge of Jewish blood in their veins.—Yours faithfully,

REFUGEE WORKER

Sharing *The Economist*

SIR,—Would any of your readers like to pass on their real copies of *The Economist* to English reading Germans? During my recent stay in Germany I have met many persons, students of economics and others, who would greatly appreciate the chance of reading it. I shall gladly supply an address to anyone interested.—Yours faithfully,

L. BUCKNER

121, King Henry's Road, London, N.W.3

THE WORLD OVERSEAS

For and Against MacArthur

(From a Correspondent recently in Japan)

ALMOST every day some Minister rightly reminds us that we must export to live. The trials that beset British merchants in the Far East are a reminder of how difficult it will be, once the temporary shortages have been met, to find buyers for our exports. In China, the continuing civil war has led to such a growth of corruption and incompetence that years must elapse before that huge market is reopened. Even then there will not be the increase of purchasing power for which one hoped twenty years ago, when Chiang Kai-shek marched north and gave China an astonishing and encouraging sense of national unity. Today egg-processing factories in Nanking are closed down—when so many of us would wish to buy eggs—because a ridiculous regulation forbids British refrigerator ships to trade up Chinese rivers. It is far cheaper in Hongkong to buy tea from Ceylon, three thousand miles away, than from Foochow, less than five hundred miles away. Merchants are apt to find that the cost of carrying cargo all the way from Britain to Shanghai is less than the cost of unloading it when it arrives, and storing it in their godowns.

The Americans have burnt their fingers in China. They have trained and equipped Chinese divisions for Chiang Kai-shek, and

these divisions have deserted to the Communists, equipment and all, at the first possible opportunity. In its impatience, and its growing anxiety over Russia, the United States government seems to be in process of transferring its support from China to Japan; it seems heedless of the danger of restoring to power the "Zaibatsu," the leaders of big business, whose desire for world domination was hardly less than that of the militarists, even though they favoured milder methods of obtaining it. To what extent then, pending the recovery of China (where cordiality towards the British survives to an unexpected and encouraging degree) can or should the British turn their attention to Japan? To what extent will the Japanese want to buy British goods? To what extent have they lost their old ambitions, and become "safe for democracy"?

Grievances of British Traders

General MacArthur has in many ways done a remarkably good job. Compared with the chaos of four-power control in Germany, one-power control in Japan is magnificent. But the British business-man who hopes for a share in Japanese trade will meet

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many disappointments. The entire administration of the country, even in the small south-western zone of the British Commonwealth Occupation Force, is in the hands of SCAP—Supreme Command for the Allied Powers—and SCAP is American. There can be no British complaint about this, for the responsibility of controlling Japan was placed on American shoulders at the Potsdam Conference, and our lack of men and money has compelled the British to withdraw even the one brigade which took part in the occupation. And the Americans would be more than human if they were to give no advantages to business men of their own nationality. For example, British shipping firms with generations of experience in the Far East were told that all SCAP supplies would be carried in American bottoms. This is natural enough, since the Americans pay the bill and the officials are American. But the bitterness of these British firms is also natural.

Now that Japan is being opened to the private trader, even the most scrupulous effort by the SCAP officials to be impartial will not enable them to give to foreign firms they do not know the same opportunities as they give to American firms with which they may have dealt for years. And the immense predominance of Americans in the forces of occupation tends to make the Japanese forget that the British Commonwealth played a considerable part in their defeat, and still exercises great influence in world politics and commerce.

Years Needed to Rebuild

Quite apart from these handicaps in the way of the British business man, there is the far larger problem of Japan's recovery. The material destruction there is much greater than most British people imagine. Superficially the damage is not nearly so great as the damage in the Ruhr, for the wooden buildings of Japan went up in smoke and left none of those appalling piles of rubble Europe knows so well. But it must take even so industrious a people as the Japanese many years to rebuild their industrial areas. When they have managed again to step up production, it may take them many years to recover lost markets, either because they have left such a heritage of hatred or because these markets—such as China—have themselves suffered destruction. Meanwhile, more Japanese will have to live in greater poverty in a smaller area; for Okinawa, Formosa and other lost islands provided homes for many, and Manchuria provided invaluable raw materials without currency complications.

There are at present very few signs of malnutrition in Japan; but that is because the occupation is costing the Americans some £80 million a year, most of which goes on food to keep the Japanese alive. Also the proverbial but haphazard generosity of the GI provides masses of young Japanese with chocolate, coca-cola and chewing gum. SCAP itself has done an admirable job with injections and vitamins. Before the war Japan was the foremost fishing country in the world; and, although the best fishing grounds have been lost, negotiations with the Russians and others might restore very quickly this invaluable source of food. Japan is so mountainous that, although 47 per cent of the people have to depend on agriculture for their livelihood, only 16 per cent of the country is under cultivation. But SCAP officials have reclamation and other plans which should bring another four million acres into production. All this help, however, does not remove the fact that there is a population of seventy-six million people to keep alive, increasing annually by roughly one million.

Freedom Thrust Upon Them

In such circumstances it would be absurd to expect the Japanese to come through the next decade without the gravest difficulties; although they will inherit from General MacArthur the most democratic constitution in the world, they will also inherit formidable economic difficulties. Many SCAP officials, including the Supreme Commander himself, are very confident that Japan is already safe for democracy; but one dare not forget that the Germans after the first world war had the most democratic constitution in the world, and made singularly little effort to defend it when there appeared both a ranting demagogue and an economic slump. The present Prime Minister, a Socialist lawyer who has spent a good part of his life in prison for his political opinions, does not impress one as a man who will show unflinching energy; other men who have now come to the top are far less experienced than were the members of our own Labour Government. They have to control a population that has not achieved freedom; it has had freedom thrust upon it and therefore may not value it very highly. Even these new democratic

ministers are so surrounded by bowing and sycophantic secretaries and assistants, that one is left wondering whether any change at all has taken place since the days before the war.

SCAP's educational department has done its best. Under its fairly remote control a Japanese committee has "screened" all the teachers, and more than a quarter of them have been removed. In selecting those who are to remain, great pains are taken to get rid of the "skilled mechanic" from the class room. Teachers are themselves preparing their new text books. On a different level editors and political writers are lectured *ad nauseam* on their duties and responsibilities. General MacArthur bases his terrific optimism on the many Japanese who are being given a vested interest in the maintenance of a democratic regime.

Vacuum in the Pacific?

For three reasons some of his subordinates, especially those who lived in Japan before the war, do not share that optimism. One is that so inexperienced a team of men will almost certainly have to turn, after American advisers have been withdrawn, to the Japanese "Zaibatsu," whose past does not lead one to expect from them much resistance to a possible revival of militarism. The second reason is that people so little accustomed as the Japanese to the idea of democracy are likely to pay too much attention to their rights and too little to their obligations. The third reason arises from American fears of Soviet intentions.

These fears are likely to distort the American conception of what kind of democracy would be good for Japan, and of this the Japanese are of course well aware. Those of them who have been pushed off their pedestals by the evidence of their past megalomania may hope to win back the Americans' favour by expressing a distrust of Russia as intense as their own. It can be suggested, ever so delicately, that if only Japan were again a strong military power she could be an invaluable ally in the Pacific. Have not some American papers already gone so far as to suggest that a new Japanese army should be organised under American officers? But then, an army is of little use without heavy industry to keep it supplied; and, after all, the past is past and best forgotten.

Such arguments will find increasing response in the United States as the responsibilities of a Great Power become more obvious and irksome to its remoter citizens. And, if they are allowed to influence American policy, one of two unpleasant consequences is probable. Either the "old gang" in Japan will regain power and will crush the timid and delicate democracy the Allies have fought so hard to introduce. Or the younger generation of Japanese, increasingly resenting American encouragement of reaction and increasingly tempted by the forbidden fruit of Communism, will look to Russia for guidance and inspiration, as the peoples of Eastern Europe looked to England and France during the nineteenth century. That is why many observers in Japan, while paying tribute to MacArthur's sincerity, wish that he were not so addicted to wishful-thinking and were not so surrounded by men who encourage him in this vice.

Socialist Strength in Europe—II

Old and New Currents in the West

[BY A CORRESPONDENT]

AMONG the Socialists of Western Europe there are marked contrasts with both Eastern Europe and Scandinavia. Preoccupation with doctrine and theory, a serious division between Socialist Ministers and party militants, and the competition under democratic rules of strong Communist parties distinguish the situation in Belgium, France and Italy. In the last two the Communists' part in the resistance left them firmly established in 1945 as major political parties, and the Socialists have never recovered among the workers the ground then lost. Intellectuals from the middle classes preponderate in the party executives, while the remaining Socialist influence in the unions is inadequately represented. The embarrassing central position that Socialists now occupy between Catholics and Communists is the result—not the cause—of their inadequacy.

With every new compromise made by the Socialist Ministers in France, the tension between them and the party executive

grows more dangerous. The tragedy of French and Italian Socialism is that the present situation demands collaboration with the Communists, while the Communists have repeatedly demonstrated that collaboration with them is impossible. In despair, some Socialists are turning to the idea of a Socialist International as the only means of regaining lost prestige. Nenni's party in Italy, however, has identified itself in this, as in other matters, with the East European parties, so as not to complicate its relations with the Communists.

In the French and Italian parties a kind of revolutionary socialism is emerging as a dominant current. This has many causes besides the national temperament: the desire to outflank the Communists on the Left, is one; an ingrained mentality of opposition is another. But there is also the fact that thousands of people who would have joined a Communist Party in similar circumstances after 1917 now consider the Communist parties as instruments of a bureaucratic and imperialist tyranny. Some of them flirt with Trotskyism and anarchism, but many have joined the Socialist parties in the hope ultimately of capturing or converting them. The British ILP was such a group before the war. Today, the *Iniziativa Socialista* in Signor Saragat's party and the most powerful group supporting M. Mollet, the French Socialist Party secretary, are composed largely of such elements. These "neo-maximalists," "impossibilists," or "Trotskyists" as they are variously called, tend to be anti-British as well as anti-Russian and anti-American, and their influence is already important. They want to establish a Socialist International as the instrument of a co-ordinated offensive for world Socialism.

The success of the French Socialists in capturing some areas from the Communists during the current municipal elections, suggests that, if the Cominform leads the French and Italian Communist Parties into suicidal adventures, this revolutionary anti-Stalinism in the Socialist Parties may prove a valuable asset.

German and Austrian Parties

It is much too early to predict the future behaviour of the Social Democratic Parties in a free Germany and Austria. Their present importance in European Socialism lies mainly in the embarrassment which their existence causes in Eastern, and parts of Western, Europe. The Austrian party will almost certainly win the next election—after the ratification of the Austrian Peace Treaty. It has made striking progress in the rural areas previously monopolised by the Catholic parties and its prewar rigidity of doctrine is much relaxed. Both German and Austrian parties have identified themselves completely with Western Europe and are in good relations with the British Labour Party.

Holland is an entrepôt of Socialism, as it is of commerce. The anti-clerical Marxist NSDAP gave place in 1946 to a Labour Party more on the Scandinavian or British model; but disappointing election results and the Indonesian issue have made the older members restive. The Party secretary, Koos Vorrink, who was mainly responsible for the new form of the party, is the protagonist of another important current in postwar Socialism—the attempt to present Socialism as a Christian faith. This current is active also in France, Germany and Austria.

The sketch of European Socialism given in this article and the previous one may justify certain conclusions. Firstly, that Socialism is an international political force comparable in importance with Communism and Catholicism; it is, moreover, a force making for European unity. Secondly, Socialists exercise decisive power at the moment only in Scandinavia and Britain; they are unlikely for some time to form majority governments in any other area. Thirdly, so long as America and Russia are divided on all important European issues it will be difficult, if not impossible, for the European Socialists to formulate a common policy in public. Finally, the survival of Socialism in Europe depends primarily on Britain's success in establishing its economic and diplomatic independence; the solidarity of the parties cannot be exploited on a major scale until the material resources are available to support it. Above all, the European Socialists cannot be considered as an anti-Soviet force; any attempt to organise them for such ends would fail or lead to their division and destruction. The men who organised the Cominform, with its abusive and indiscriminating challenge to Socialist leaders and parties, seem unable to understand this.

On the other hand there is a real danger that the Americans in pursuing their cold war against Russia will consider the European Socialists as expendable. Such an attitude would be ill-advised if the aim of American policy is ultimately to produce the conditions in which Europe can recover her unity without a war.

No Headway on Indonesia

[FROM OUR CORRESPONDENT AT THE HAGUE]

"It should be quiet in Holland now that all Dutch fools are in London," said a cynical commentator on his return from Sjahrir's headquarters in a London hotel. Not all Dutchmen who paid a visit to the former Indonesian Prime Minister during his recent stay at Claridge's are "fools." But it is a fact that all Dutchmen who went to see him were private emissaries negotiating on their own behalf; neither the Dutch Ambassador in London, who "could perhaps see Sjahrir"; nor Dr Koets, right-hand man to the Lieutenant-Governor General Van Mook; who was "accidentally" in London; nor Dr Joekes and Professor Logemann, who came over as representatives of the Dutch Labour Party, had any official authority. Sjahrir was growing somewhat sceptical about the chance of new negotiations with the Dutch—and who will blame him?

Some of the private politicians who went to London, particularly Dr Otten, head of the Philips Works at Eindhoven, published a joint manifesto with some Indonesians, asking for fresh co-operation between the Dutch and the Indonesians. Apart from the merits of the manifesto (which were small) two things aroused comment in connection with it.

One of the Indonesian signatures under the manifesto was that of Soekawati, the moderate, co-operative head of the new State, "Eastern Indonesia," that was created six months ago. It is rumoured at the Hague that an official of the Ministry for Foreign Affairs sent Soekawati a cable asking for the withdrawal of his signature. . . . If the story is true, it illustrates rather well the actual position of such creations as "Eastern Indonesia"; Soekawati's position is more like that of the mayor of a fairly large municipality than that of head of an "independent State," member of the future "United States of Indonesia."

Internationally, the Indonesian problem is not making very much headway so far as Holland and the Republic are concerned. All hope is centred now on the "commission of three" approved by Uno, which will perhaps be able to bring both parties together.

In Holland no progress to speak of is being made on account of the international political difficulties. The Cabinet has been divided on the Indonesian issue, and the Prime Minister has openly said so. He added, however, that an agreement had been reached by the Cabinet; but the relevant Government statement gave a history of the conflict from the Dutch side rather than constructive suggestions for further action. Neither the Government's own statements nor lobby rumours give hope that any progress is being made at the Hague.

Waiting for the Cat to Jump

Meanwhile, a silent struggle has been going on over the portfolio of Overseas Territories. Dr Jonkman, its present occupant, an extreme right-wing Labour man, has been ill for a considerable time, and during his absence from office Dr Beel, the Catholic Prime Minister, acted for him. But what lies ahead?

Dr Beel seems to have thought of taking over Overseas Territories himself, whilst shifting Jonkman to a new, less exacting portfolio for "constitutional reconstruction." The Labour Party intimated, however, that such a step would end the delicate balance between Labour and the Catholics in the coalition, and would be unacceptable to them.

A second possibility was that Jonkman should either remain in full charge of Overseas Affairs or resign definitely in favour of another—and possibly more radical—Labour Minister.

As nearly always happens in such situations, a compromise solution is most probable. It is said that Jonkman is to remain, officially, Minister for Overseas Territories; but Dr Beel, who has recently been relieved from his departmental duties for Home Affairs by the appointment of a new Catholic Minister, will from the Prime Minister's office exercise considerable influence on the Indonesian policy of the Government. In order to make this *quatre-mains* even less burdensome, two "Government commissioners" (under-secretaries) will be appointed to look after special sections of the Indonesian, and perhaps also the West Indian, questions. It is said that, in accordance with the compromise nature of the solution, "neutral" persons are to be appointed to the two new posts.

Now, three months after the beginning of military operations on July 20th, the Dutch Government is still looking which way the cat will jump. So far the cat does not jump. In some quarters it is even said there is no cat.

AMERICAN SURVEY

Special Session

VICTORIES for statesmanship over politics are rare enough to be worth applause even if they appear to be belated, as Mr Truman's decision to call a Special Session certainly appeared to anxious Europeans to be. It is doubtful, however, whether anything would have been gained by making the announcement sooner, although even in Washington there were many who were beginning to despair. If the President was in fact determined to act sooner or later, there was everything to be gained from calling Congress for the first possible moment, but delaying the call until the last.

Mr Truman has maintained all along that the effects on European morale—and on the Administration's long-term plans—would be worse if a special session refused his programme than if he never called it. There is no way of limiting the subjects that Congress can debate when called into session. A Republican Congress could, if it liked, refuse to consider the measures for which a Democratic President had called it together, and go on a spree of tax reduction and labour-baiting. The President therefore had to be certain of two things before taking the risk. He had to have his legislation ready for Congress when it met and he had to have some assurance that it would be considered. There had also to be some sign that the Marshall Plan was a practical proposition—that there was the firm ground of recovery on the other side of the gap the United States was being asked to stop. This could only come after the Paris Report had been examined and digested and when the talks with Sir Oliver Franks and his technicians had shown that it was a genuine plan with a bone structure able to carry the flesh of American aid. Before he could know whether Congress would be prepared to discuss the European recovery programme and that it had a reasonable chance of success, Mr Truman had to wait until 215 peripatetic Congressmen had returned from collecting their own evidence. The President's proclamation of a special session is thus a sign of confidence in the work of the Paris Conference and an announcement that the Congressmen who went and saw also learned.

November 17th is the day when action begins, but no one knows how it will develop. The Administration will request, in all likelihood, something over a billion dollars for stop-gap aid, on the assumption that the gap will end on March 31st: some \$642 million for France and Italy, and about \$430 million for the occupied territories. It is also expected to submit to the Congressional committees and then to Congress estimates for the first year's working of the Marshall Plan itself, thought to be in the neighbourhood of \$7 billion.

Relief is a simpler and more popular project than recovery, and there is no reason to doubt that the funds will be voted to keep Europe from starving and freezing this winter, though they may not arrive in time for Christmas. For Mr Truman sprang a surprise in his proclamation by coupling the need for stop-gap aid with the equally urgent need for legislation curbing high prices, and there can be no firm pledge, but only a hope, that the Bill to provide aid for Europe will be given priority over the domestic cost of living, which most Americans regard

as their most pressing problem. The "startling price rises" which the President pointed out were causing hardship, include a 40 per cent rise in the cost of food since mid-1946, and 18 per cent increases in the retail prices of clothing and household furnishings.

Throughout the spring and summer, the Administration has clung desperately to the belief that an already top-heavy boom was on the point of collapsing beneath its own weight, and that any drastic measures to curb inflation could only bring about a decline in productivity which would be worse than the boom itself. Now the trend of banking and industrial opinion is changing fast, and it is becoming quite evident that fresh controls of one sort or another must be imposed within the next few weeks if the situation is not to reach a stage where nothing at all can be done except to wait for an inevitable crash. President Truman in his proclamation gave no precise indication of what the domestic steps would be, but there can be little doubt that his Message to Congress will embrace most of the steps advised by the Council of Economic Advisers at the beginning of October; retention of tax revenues at present levels, tighter regulation in the commodity markets, extension of export controls, and the imposition of new priority and allocation powers for key materials. The Council is known to hold the view that the foreign aid programme is not the primary cause of the inflationary movement, and, moreover, that whatever may have been true in the past, it is now prices that are leading wages, rather than the reverse, so that, given an attempt to hold the price line, there is no case for controls on wage rates.

★

The President is unlikely to press for more than a return to indirect controls and the powers granted in the Second War Powers Act. At a press conference recently, Mr Truman created a small sensation by denouncing price controls and rationing as "police-state methods." This was a political mistake from the point of view of those Democrats who wish to fight the battle of price control all over again, and it is also a quite untenable thesis, but it suggests that Mr Truman has digested the lesson of a recent Gallup poll that 68 per cent of the American people disapprove of a return to rationing to save food for Europe. This is a sharp reversal from a similar poll last year in which 65 per cent were willing to return to rationing. Even so, the political battle on the price-control programme threatens to be bitter and prolonged. Any programme to curb prices in an election year is bound to revive the old controversy of which political party is chiefly responsible. Is it the Republicans for destroying price control last year? Or is it the Democrats for sponsoring foreign aid and turning a blind eye to the consequences of wage increases? Last week Senator Taft suggested that the chief issues in the 1948 campaign might well be high prices, the issue of more or less Federal government interference, and foreign relief. The President's anti-inflation programme, which embraces all three, may thus inaugurate the official opening of the 1948 campaign; the Republicans are likely to have their own prescription for the country's economic ills and it will certainly include tax reduction.

Even indirect controls, which do not affect the voter directly, may be highly controversial. The steel industry, for example, has constantly resisted efforts to impose Federal control on its programme of plant extensions, and while a number of its spokesmen admit that the problem of directing home and foreign buying must involve an extension of priority powers, there is a fear that any programme of allocations must gradually and consistently spread. The imposition of penal restrictions on commodity exchange speculation is another example. At the urgent

request of the President, an attempt has been made to curb speculative activity by the increase of margin requirements, but any suggestion of the creation of a body with powers over the commodity markets equivalent to those of the Securities and Exchange Commission over the Stock Exchange will be met by the united resistance not only of the commercial interests, but the farm producer organisations as well.

An anti-inflation programme, overdue from the domestic point of view alone, is equally essential for the sound economic and political functioning of any long-term programme of foreign

relief. The Marshall Plan is most vulnerable politically on the score that it fosters scarcities and high prices at home. Mr Truman has had the courage to ask Congress in its special session to approve not only the financial cost of stop-gap aid, but the moderate programme of domestic restraints which are the true economic price of America's foreign policy. The Administration's plans must be ready by November 10th when the Congressional committees meet. All that will be needed then, as the *New Yorker* says, is "the proper mixture of charity, austerity, and prosperity."

Low Prices for Shares

(From Our US Editorial Staff)

INFLATION and boom are abounding in the American economy in every sector but one. Commodities are dear, many unprecedentedly so; housing is exceedingly high in cost; the size of incomes in dollars is unparalleled; profits are very large; entertainment and travel are decidedly costly; bond prices are very high and their yields very low. The one major exception is the price of American industry, which preponderantly supplies the country's goods and services and is the source of employment and markets. The valuation which American investors place upon American business is distinctly less optimistic than the price which American buyers are placing on everything else. This is not according to the traditional pattern or the popular concept of booms and is indeed one of the most peculiar aspects of the current American scene.

This low evaluation of American business is not a momentary condition in a fluctuating stock market. It has now persisted for more than a year—and has become steadily more pronounced during that time. The market for industrial stocks made a high since 1937 in the spring of 1946 and was about 15 per cent below that high at the beginning of October. While the present prices are somewhat above the lows of last spring, earnings and dividends have been rising substantially, the latter being about 20 per cent above a year ago.

But the peculiarity of the present condition is more clearly visible in a longer perspective. An average of representative good industrials is now priced at a little less than ten times their annual earnings, which is about the same as at the bottom of the three year decline in stock prices in 1942 and at the bottom of the drastic 1937-1938 break. The evaluation of earnings was much higher than this rate at major market peaks: prices were 16 times earnings at the end high of 1946, and 19 times earnings at the high points reached in 1936, and in 1929.

All dividend paying stocks on the New York Exchange provide an average return on current prices of close to 6 per cent, thus being priced about 17 times dividends, while at the high of last year prices were, in the average about 30 times dividends. The decline in the past year has been greater in magnitude than any in this century, except for the one from 1929 to 1932. The present level is far below that which prevailed in 1939, from mid 1933 to mid 1938, during the latter 1920s, and virtually the whole period from 1900 to 1913. Furthermore, dividends constitute a somewhat smaller proportion of earnings than has been customary: stockholders are being paid somewhat less than half of earnings, while the rule has been somewhat over half. While the average yield on all listed dividend paying stocks is nearly 6 per cent, many investment quality issues provide 4½ per cent to 5½ per cent.

But the meaning of earnings and yields on stocks needs to be put not only in a time perspective, but as well in an "alternative use of funds" perspective. The most generally available alternative investment is bonds—and bond yields, despite the recent rise, are exceptionally low as a result of prolonged easy money conditions. The earnings and dividends on stocks, unusually generous in themselves, are extremely generous historically in terms of bond yields. Yields on good stocks are presently more than 1½ per cent in excess of those on good corporate bonds, while the excess was only 0.64 per cent at the end of May, 1946,

and 0.75 per cent at the high in 1937. To measure it differently, the rate of earnings on good stocks at present, relative to the yield on good corporate bonds, is higher than it has been at the lowest market price in any calendar year of peacetime since 1908.

Still another perspective suggests relative cheapness. The market prices of today are substantially below the valuations shown by the accounting statements of the corporations in a large proportion of cases: differences of 25 per cent to 40 per cent are not uncommon. Yet after the extensive squeezing of water out of capital structures in the 1930s and the rapid depreciation during the war and recent years of high earnings, these book values which the market is so greatly discounting are probably the most conservative in all history. But, in addition, commodity prices are high so that the cost to reproduce present plant and equipment at current prices is very substantially in excess of the depreciated valuations shown by company books.

Why these low valuations are placed on business is one of the most perplexing questions for analysts of the American situation. Three widely differing explanations are offered.

1. A slump in business is coming which the market even at these levels has not discounted. Fixed costs of business are very high and will prove very stubborn to change, so earnings will melt away much more rapidly on decline in volume than in past experience. Profits are inflated by gains being taken on goods acquired at lower prices, which will give way to inventory losses. A low evaluation of earnings is to be expected under present conditions, and existed in 1919 and 1920 when conditions comparable as to commodity prices prevailed. Reproduction costs will look very different when the slump comes and, regardless of book values, property is worth only what it will earn over a period of years. World affairs are moving rapidly in a direction basically deflationary. The view that the market is cheap is an illusion which arises from being too literal-minded about figures.

2. Present prices adequately discount any readjustment which is to come. The readjustment will be small at worst, because of vast unsatisfied demands internally backed by the enormous money supply. Conditions abroad are at a crisis, and with American aid and improvement from expanding efforts in other countries will before long look better; in the long run foreign demand for American products is very large. The price level remains high and existing business at depreciated values will for a long period of years have a great competitive advantage over new plant and equipment. The statistically low valuation of American business represents an extreme and invalid fright psychology; foreign liquidation may also be a temporary factor.

3. The United States is suffering from a serious shortage of funds available for equity investment. While aggregate savings are adequate, the savings-investment mechanism is badly warped. The long continued extremely high progressive income tax structure has drastically reduced savings in the higher income brackets which have traditionally supplied equity funds. The high rates have reduced incentives to take risks. High margin requirements have almost eliminated loan funds, and regulation has removed trading capital. Persistent labour demands make it impossible to benefit from new investment.

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Savings preponderantly now arise from the lower and middle income groups, which entrust them to fiduciary institutions prohibited by law and custom from equity investment. Egalitarian and high consumption economics, therefore are inexorably shutting off the sources of the funds for equity investment. Business cannot be dynamic on loan capital, and a deepening shadow is being cast over the future of American enterprise.

These explanations are, of course, not mutually exclusive, and they appear in various combinations. But they are different in nature: the first two are essentially shorter term, the third of a more enduring and pervasive character, of the type suggested by Sir Henry Clay at the University of Pennsylvania early this year: "The so-called capitalist system, so far from failing, has been almost too successful in the interests of its own survival; it has encouraged the great mass of our population to believe that the increase of wealth is easy and inevitable, and depends no longer on incentive and appropriate organisation. . . ."

Whatever judgment may be passed on the merits of the first and second, the third clearly has considerable validity and is the important one regarding the future role and quality of this economy. Either this country will presently have a slump or it will not, and the market will go up or down in the short run. But the constriction of that part of saving which has made this economy so dynamic needs to be cured by public policy and action primarily in the area of tax structure and fiduciary regulation and operation. If egalitarian taxation is to persist despite its dangers, it must be compensated by new fiduciary institutional methods—or by outright public entrepreneurship.

American Notes

New Monetary Controls?

Towards the close of September, Mr Marriner Eccles, the chairman of the Board of Governors of the Federal Reserve System, launched an unusually outspoken attack on the lack of direction in national economic policy. His speech contained no explicit demand for reconsideration of the new credit control powers sought by the Board a year ago (and subsequently ignored) but Mr Eccles did declare, quite bluntly, that the Reserve system is now quite powerless to restrain the inflationary tide.

Most observers assumed that, even at this stage, the speech would not receive any particular degree of consideration. But the pace of events in recent weeks suggests that Congress may fairly soon be forced to consider whether or not the restoration of more traditional controls over demand and purchasing power contain some advantages which cannot at this stage be ignored. It is true that the Treasury has in recent months sanctioned a timid retreat from the unprecedentedly low money rates established by the wartime pattern of finance, and is now willing to permit this retreat to continue to a point where yields on short-term Treasuries may discourage the commercial banks from further heavy purchases of long-term maturities.

This procedure, however, has quite clearly failed to arrest the cumulative expansion of credit. Over recent weeks, the total of the loans and investments of the commercial banks has been expanding at a rate fully equal to \$10 billions yearly, and a new element of expansion has been introduced by the resumption of a substantial gold inflow. Since the end of the March quarter, the inability of foreign nations to obtain adequate supplies of dollars has resulted in gold imports which have raised the monetary gold stock by about \$2 billion to \$22 billion—little short of the all-time peak touched early in the war. These gold balances provide reserves on a dollar-for-dollar basis, and are capable, under present reserve requirements, of credit expansion ranging from six to ten times as great as the newly created reserves. The commercial banks, meanwhile, have on hand abundant supplies of shorter-

term Treasuries which can be turned over to the Reserve system as an additional base for credit expansion, and unlike earlier periods of inflation, they are not generally subject to the check imposed by being already in debt to the Reserve system. And while, in theory, the Reserve Board could reverse the process by sustained and heavy liquidation of Federal securities, it has held consistently to the view that any such process, drastic enough to break the boom, would bring not only a general collapse in the securities markets, but serious injury to the level of industrial activity.

At this stage, the situation may rightly be termed explosive because, in the absence of special controls, gold imports may be expected to swell bank reserves by further substantial amounts, while the cumulative process of inflation demands steadily more accommodation in order to finance inventories and provide working capital for industry. In calling upon Congress for new powers, the Board may now be willing to relinquish demands for overall powers over the commercial banks which brought such controversy a year ago. But a simple reinforcement of reserve requirements, coupled with provision for much greater flexibility in administration might be sufficient to restore some sort of order. The collapse of an earlier post-war boom showed quite clearly that it is by no means essential to insist upon a drastic deflation of banking credit in order to bring a salutary correction of price levels over the wider industrial field.

* * *

Labour's Political Drive

The convention of the Congress of Industrial Organisations this year was remarkable for the firm hand with which Mr Murray handled the left-wing, playing the trump card of Mr Marshall's speech to align the CIO with the American Federation of Labour on aid to Europe. But the Taft-Hartley Act inevitably constituted the main business of both the labour conventions. Present compliance, made easier by the retreat of the Labour Board on the issue of anti-Communist affidavits, is to be coupled with political defiance. The reaction of both federations is on parallel lines—which by definition never meet. Not even the "slave labour Bill" has buried the hatchet between the AFL and CIO.

Both organisations have repudiated the suggestion that they should form or support a third party, thus finally taking the reality out of Mr Wallace's repeated threats of secession from the Democratic party. But political ill winds have led the AFL to set up a body similar to the CIO's Political Action Committee, to be known, more discreetly, as Labour's Educational and Political League. Both organisations are conducting vigorous drives for campaign funds. The AFL has levied an emergency assessment of a cent a week on its members and increased its monthly *per capita* levy in a drive to raise a million dollars. Under the Taft-Hartley Act, organisations like the PAC are immune from the ban on political contributions by labour, but this does not necessarily mean that they can be nourished by compulsory assessments on union members. Senator Taft has already denounced the compulsory scheme as a violation of the Act.

Both the AFL and the CIO are publicly pledged to defeat every member of Congress who voted for the Taft-Hartley Act and to bring out a record vote to guarantee a Congress sympathetic to labour in 1948. The AFL has already endorsed Mayor Humphreys of Minneapolis for Senator Ball's seat. The 1946 campaign, in which the total vote totalled only 35 million, has given the unions a costly lesson, and 1948 will see labour ringing door-bells on an unprecedented scale. It would be a mistake to underrate the influence of organised labour, divided as it is, under so strong a spur to political action as the Taft-Hartley Act. But in assessing its potentialities, it must be remembered that only 28 of the 68 Senators who voted for the bill are up for re-election in 1948, and only a proportion of these are from States where labour is strong. And of the 331 Representatives on the union black list, many come from seats beyond labour's reach.

* * *

How Red is My Movie?

Under Klieg lights, with batteries of motion picture cameras and television and radio transmitters at work, with a cast of stars drawn from all the major studios, a Committee of the House of Representatives is staging an extravaganza unrivalled in Hollywood and never before approached in Washington. Mr J. Parnell Thomas, who heads the investigation, a political Ziegfeld, will

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be able to inscribe over his door, "Through these portals have passed the most beautiful Reds in the world." It is hard to believe he would have brought the same gusto to less glittering fellow-travellers. The industry has been brought to judgment on a charge of having suffered Communist infiltration into its ranks; or rather it has been pre-judged and convicted, for Mr Thomas came equipped with a list of 79 prominent personalities alleged to be subversive—all the way from Charlie Chaplin to Donald Duck, presumably.

Hollywood, which in recent years has closed its ranks so effectively against the charge of corruption of public morals, has split wide open at the sight of Mr Thomas's witness stand. Stars who might reasonably be expected to be sated with publicity have tumbled over each other to denounce, without a shred of evidence, long lists of their fellow workers as Communists. (You can kind of smell a Communist, said one witness.) This is licensed slander on the grand scale, from which there is no recourse, for witnesses testifying under oath are protected by Congressional privilege, and their victims are barred from cross-examination, as well as from legal representation.

Hollywood, no doubt, has its share of "surtax-paying" pinks. What no member of the committee has dared to suggest—lest the whole investigation be dissolved in one great shout of public laughter—is that they have ever succeeded in getting the party line on to celluloid—which would surely provide the only excuse for such an investigation. Casting a banker as a villain is not, as one member generously conceded, necessarily evidence of enmity to the American way of life. The doubt, however, raises the spectre of an even grimmer strait-jacket of ideas than that which the industry has voluntarily adopted to safeguard its box-office receipts from the ire of organised pressure groups.

Where the Committee may have made a serious mistake is in the suggestion that the industry should make a quota of anti-Communist pictures, as its contribution to the American way of life. Mr Johnson and Mr McNutt, president and counsel to the Motion Picture Association, have been quick to raise the issue of the freedom of the screen, and to point out that it is a short step from films to radio, the press, and books. This is a discreditable performance from first to last.

* * *

Construction Recovery

A glance at the business record suggests that the reinforcement of what has become known as "boom psychology" during the last two or three months has been quite largely due to an unexpected revival in construction contract awards. Although dollar values for 1946—\$10 billion—made quite an impressive showing, the physical volume of construction was not significantly larger than in 1939, despite a tremendous increase in national income and general productivity. The Department of Commerce at first suggested a total of \$15 billion for 1947, but awards were sluggish through the Spring, and the half-year's dollar total, at \$5.3 billion, showed relatively little change. The Federal agencies were generally united in deploring high costs as a restrictive factor, while the construction industry itself declared that progress must wait on the abandonment of price controls, priorities, and material allocations.

Controls were duly abandoned and rent regulations relaxed. And August and September were good months for construction, with the dollar value for the first nine months of 1947 rising to \$10.5 billion, against \$8.2 billion for 1946. Recovery in this field has been marked by a belated spurt in residential building, and the year's total will certainly be very much better than the 1946 record of about 450,000 permanent units. In view of the shortage of materials and manpower, the failure of the building boom to attain the predicted levels earlier in the year is certainly far from catastrophic. But residential building usually falls away in late summer, and with other evidence suggesting that American industry may lose some of the "temporary props" to which President Truman referred in his mid-summer report to Congress, there is an atmosphere of some concern in trade reports from Washington.

Building costs are now held to be at least double those in pre-war years. The late summer boom followed an interval in which it looked as though costs might be settling down at a new postwar level, but evidence in recent weeks suggests that some basic material costs are higher again, and that labour is becoming aggressively conscious of the overall advance in living costs. It is true, of course, that building costs (in so far as they are directly measurable) are not far out of line with those in other important sectors of industry, and it is also true that, in the past, sharply rising costs have coincided with a rising volume of construction. But whatever may be the general trend of public opinion on the

duration of the industrial boom, there is an obvious reluctance at this stage to press forward with non-residential work, and for home building there is an equally stern resistance to increased rental charges. In recent months, advancing wage rates have not kept pace with the general trend of prices, and the lower-income groups have been sharply affected. Because of rising population, it has been estimated that more than one million new residential units will be needed for several years merely to maintain prewar standards which were by no means good over vast areas of the United States. It is becoming increasingly debatable whether the building industry, as it is now organised, will be able to supply these needs and make its due contribution to national income when other demands on resources will be far less urgent than they are today.

* * *

Taft's Hat In the Ring

Senator Taft has at last conceded what most Americans have suspected for some time: that he is a candidate for the Republican nomination for the Presidency. This is Mr Taft's third attempt; in 1936 he was defeated by Mr Landon and in 1940 by Mr Wendell Willkie, after a bitter fight on the convention floor. Senator Taft has drawn from his tour of the Far West an encouragement not so perceptible to disinterested observers. At present it still seems unlikely that he can accomplish more than prevent Governor Dewey's nomination, with the aid of Mr Stassen and a handful of favourite sons, thus deadlocking the convention and throwing the nomination to some less familiar candidate. Whether that candidate might be General Eisenhower is still an open question. The General's position seems to be that while he will not campaign actively for the nomination—indeed he cannot until he returns to civilian life early in 1948—he would not refuse the honour were it thrust upon him. But the legend of the unsolicited draft is a myth convenient to politicians which has very little basis in political history.

Regardless of Senator Taft's convention chances, what he has to say is well worth study, for both by his unusual campaign candour and by virtue of his position in the Senate, he not only has a determining hand in writing the record on which the party will be judged in 1948, he is shaping up the campaign issues. Other contenders may deprecate his initiative, but they cannot ignore it. In his latest speech he has accused the Administration of a "riot of inconsistencies" in foreign policy, of selling the American tax-payer down the river to grant aid abroad, and of harbouring such a hankering after "police-state" methods that they cannot make voluntary methods of food conservation work.

Mr Taft's hat has landed in the ring at a moment when the cheering seems to be all on Mr Truman's side. The latest Gallup poll registers a strong Democratic come-back, with 56 per cent of those questioned saying they would vote Democratic today and only 44 per cent plumping for the Republicans. In October, 1946, the Democrats showed only 47 per cent support, the lowest point in sixteen years, the Republicans 53 per cent. Yet this striking change since last autumn is itself a warning against giving too much importance to such early soundings. The knowledge that public opinion at the moment is unfavourable is likely to encourage the Republicans to create an issue where they may shine and so to embitter their campaign that bipartisanship in foreign policy becomes too expensive a luxury.

Shorter Notes

The Commodity Credit Corporation is now buying tobacco stock on offer at the present "parity" support level of 40c per lb., and is expected to spend up to \$25 million between now and January. The present crop is 1.3 billion lb., and sales now total about 850 million lb. Unconfirmed reports suggest that the CCC may be prepared to store this tobacco until British buying is restored. A year ago tobacco prices were fully one-third higher than the present support level.

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Before an appreciative audience of Dutch business men, Mr E. Schnellbacher, of the Intelligence branch of the Commerce Department, declared last week-end that to restore the "dollar deficit" among nations abroad the United States would not cut down exports from \$16 billion to \$7 billion, but would "raise imports to \$16 billion." This pace of expansion, said Mr Schnellbacher, "promised many new markets for Holland." So far there has been no reaction from Washington, but if Mr Schnellbacher is correct in his interpretation of US policy, apoplexy seems likely to become an occupational disease among Congressmen of both parties.

THE BUSINESS WORLD

Dollar Arithmetic

THE debate on the Address, and in particular the speeches of Sir Stafford Cripps and Mr Dalton, brought to light a wide array of new facts and figures bearing on the dollar gap in Britain's balance of payments. The Chancellor helped to explain the past, with particular reference to the manner in which the dollars drawn from the US line of credit have been used. The Minister for Economic Affairs was mainly concerned with the future, with the plans made to narrow the gap, the likely size of the dollar deficit that will still be running at the end of next year, and the estimated size of the reserve of gold and dollars that will then remain available.

The Chancellor's account of the "dollar events" in the period July 15, 1946, to August 23, 1947, concerned itself solely with the analysis of US dollar expenditure. By excluding the Canadian dollar loan from his calculations the Chancellor veiled part of the problem under discussion. No serious distortion of the picture can, however, arise from this decision, because the dollars drawn from the Canadian credit have in effect been used almost entirely to meet the United Kingdom's Canadian dollar deficit. Indeed, they have not been adequate to meet that deficit, and the Canadian Government have, since the early months of this year, required half of the net payments by Britain to Canada to be made in US dollars.

In accounting for the use of the US dollars drawn from the line of credit the Chancellor gave the following main heads of expenditure:—

	\$ mn.
Direct UK purchases from US	gross 1,800
Less dollar earnings	450
	net 1,350
Direct UK purchases in rest of Western Hemisphere	960
UK subscription to International Bank	35
	2,345
Total direct UK dollar expenditure	620
Other sterling area purchases in Western Hemisphere	150
All sterling area dollar purchases outside Western Hemisphere (mainly Europe)	3,115

The total of \$3,115 million falls short by \$235 million of the amount of \$3,350 million actually drawn from the line of credit. This difference was explained by the Chancellor as being the amount drawn before, but spent after, August 20th. It would have improved the factual presentation if the Chancellor could have subjected this figure to the same classification as he gave to the amounts actually spent before August 20th. There is a strong suspicion that by far the greater part of this \$235 million was in fact drawn from the loan in order to meet convertibility demands lodged, mainly by countries outside the sterling area, on or about August 20th. If this be so, the figure of \$150 million shown in the above table as that part of the loan spent outside the Western Hemisphere, mainly in Europe, may well have to be doubled. To that extent, therefore, the cost of convertibility is under-stated in the table above. Reservations on this point do not, however, seriously affect the main outlines of the picture presented by the Chancellor. Even if the whole of the \$235 million is added to the cost of convertibility, the fact remains that 70 per cent of the dollars drawn on the credit were used for direct purchases by Britain in the Western Hemisphere.

The other 30 per cent is equivalent to \$1,000 million, or £250

million. This is the maximum figure at which the "gap" or "leakage" can be put. Some of that £250 million represented duly sanctioned and planned expenditure by sterling area countries, a burden which the authorities were evidently prepared to assume. Hence the criticism of the technical advice given to the Chancellor relates to a residual "leakage" of dollars whose magnitude hardly justifies these strictures which the Chancellor, in his speech, diverted wholly to himself with a pointed gallantry which must surely have been meant primarily for other Ministerial ears.

There can be no quibbling about Britain's direct expenditure of \$2,345 million. There may be some criticism of the figure of \$150 million spent by all sterling area countries outside the Western Hemisphere, mainly in Europe. A substantial part of the \$235 million spent after August 20th may have to be added to this item. It is in this particular segment of dollar expenditure that the final spurt in drawings from the US line of credit must in large part be placed. The Chancellor pointed out that practically the whole of the dollar drain under this heading was concentrated in the last six weeks of convertibility. During the second half of 1946 Great Britain actually acquired \$40 million from these countries outside the Western Hemisphere. In the first half of 1947 they made a net withdrawal—but only of \$35 million. Yet between July 1st and August 31st they drew \$150 million, a movement in which conversions of sterling on Belgian account are known to have played a preponderant part.

In trying to exonerate the countries outside the Western Hemisphere from serious blame in the convertibility drain on sterling, the Chancellor pointed out that during the period from the middle of 1946 to the suspension of convertibility the total sterling balances of all these countries, in Europe and elsewhere, increased by about £70 million. This revelation, however, is not as reassuring as might at first sight appear. It is known that some of the countries in question, notably France, increased their sterling balances, partly as a result of sales of sterling securities, the proceeds of which have not been regarded as convertible sterling. It is probable that a more detailed analysis of the movements in these sterling balances would reveal that one or two countries have in effect drawn their balances down appreciably in order to convert them into dollars.

The dollar expenditure of sterling area countries other than Britain—namely, \$620 million—must be viewed in conjunction with the Chancellor's somewhat more detailed exposition on the running down of sterling balances held by these countries between July 1, 1946, and August 31, 1947. The total reduction for this group of countries was £230 million, of which India accounted for £135 million, Egypt and the Sudan for £40 million, Ceylon £25 million and Australia £25 million. It should immediately be added that as regards Australia the decrease was almost wholly attributable to the generous gift of £20 million to the British Government. There were no substantial capital items, such as repayment of sterling obligations, to account for the running down of sterling area countries' sterling balances. It may therefore be assumed that the figure of £210 million (allowing for the Australian gift) measures the extent to which these balances were run down as a result of drafts on the sterling area dollar pool and by "unrequited" exports to them by other sterling area countries. Since the net

drawings from the pool amounted to \$620 million, or £155 million, exports to these countries, financed out of accumulated sterling balances, would appear to have been in the neighbourhood of £55 million over this period.

It is on this figure of sterling area drafts on British resources and reserves, whether through "unrequited" exports or net drawings on the dollar pool, that the main criticism of past policy must fall. The authorised releases of sterling balances which made the net drawings on the sterling area dollar pool possible, and the extent to which the running down of these balances was allowed in payment for sterling area exports to countries like India and Egypt, must in retrospect appear over-generous and certainly excessive when related to all the other strains to which Britain's balance of payments and the central dollar and gold reserve were being subjected. But the motives which prompted the decisions about these releases were matters of high policy rather than of technique, and the blame for them must be apportioned in appropriately high quarters.

The Chancellor gave some detailed figures to illustrate the fact that the running down of sterling balances was no criterion of the drafts made by the country concerned on the sterling area dollar pool. In the case of Ceylon the reduction of £25 million in sterling balances between July, 1946, and the end of August, 1947, was accompanied by a net payment into the dollar pool. Only £40 million out of India's sterling draft of £135 million could, "even on the most pessimistic reading of the position," be attributed to drawings on the dollar pool. In Egypt's case, only £10 million out of the £40 million reduction in sterling balances could be similarly explained. In explaining these figures, the Chancellor pointed out how difficult it was to distinguish between dollars earned by the conversion of currently earned and of accumulated sterling. This distinction, however, is surely equivocal. In so far as India, for example, used her current sterling receipts for conversion into dollars, she undoubtedly diminished the extent to which she had to dip into accumulated balances in order to obtain dollars; but to that extent she ran down her balances in order to pay for imports from the rest of the sterling area. In other words, to the extent to which India abstained from drawing on sterling balances to finance her dollar deficit she increased her "unrequited imports" from the United Kingdom and other sterling area countries. The Chancellor's contention, therefore, that India and Egypt between them drew on the sterling area dollar pool by using their accumulating sterling balances to the tune of only £50 million is not particularly impressive or relevant. Moreover, that figure of £50 million, or \$200 million, is not easily reconcilable with the much firmer figure of \$620 million, which is the amount by which the sterling area countries other than the United Kingdom drew on the dollar pool.

Another complication in analysing details of sterling area

expenditure of dollars is introduced by the fact that during the period in which the sterling area countries drew the \$620 million net from the reserves, they handed over to these reserves rather more than \$400 million of gold. The bulk of this—namely, \$350 million—came from South Africa. For purposes of his calculations the Chancellor did not include this contribution in the net drawings on the loan. The greater part of the gold in question was presumably added to the metallic reserve, which, as was earlier announced, rose in 1946 by over £60 million to a figure of £642 million, from which there has been an appreciable decline. By keeping the arithmetic of the dollars obtained by sales of gold separate from those obtained from the line of credit many uncertainties are raised. The complete picture of the dollar expenditure cannot be presented without taking into account changes in the gold reserve; and on that there is no up-to-date information. But it must be admitted that to have credited the proceeds of the \$400 million gold sales to the sterling area transactions with the dollar pool—a procedure which would have reduced to a mere \$220 million the net drafts on dollars by sterling area countries—would certainly have made the present confusion worse confounded.

So much for the past. What of the present, and of the prospects for 1948? On current and future events it was Sir Stafford Cripps rather than Mr Dalton who offered the greater information. The Chancellor, however, announced in his speech that the drain on our gold and dollar resources, which averaged \$150 million a week in the four weeks to August 23rd and touched its climax on \$237 million in the last of those weeks, has been running "in recent weeks" at about \$70 million a week.

On present plans the dollar deficit of the sterling area as a whole will still be running at the rate of \$20 million a week or £250 million a year by the end of 1948. It was Sir Stafford Cripps who detailed the various measures by which this reduction is to be achieved. He estimated that, if no further steps were now to be taken, the dollar deficit of the sterling area for 1948 would be at the rate of £475 million. The British contribution covering the difference of £225 million between this figure and the £250 million at which it is expected the deficit will still be running at the end of 1948 includes the following items; increased exports to dollar countries, £45 million; reduction in raw materials imports, £25 million; saving on overseas Government expenditure, £10 million; reduction in manufactured imports from the United States, £10 million; supplemental reduction in raw materials programmes (mainly steel and timber), £25 million; tobacco, £10 million. The cuts in imports on this list amount to £80 million. They are rather optimistically rounded off by Sir Stafford by the addition of "bits and pieces" to a total of "rather over £100 million." Adding to this the £45 million from increased dollar exports,

and the £66 million cuts in dollar foods, a total of £211 million is reached—£14 million short of the necessary figure, a meagre measure of what is evidently expected of the other members of the sterling area.

If all these plans are realised, Sir Stafford Cripps estimated that there would be left at the end of 1948 gold and dollar reserves in the region of £270 million. This figure Sir Stafford Cripps described in a paroxysm of understatement as "a minimum, when it has to serve as reserve for the whole sterling area." The effective minimum reserve, if the machinery of sterling payments is not to break down, is surely well above this figure. Whether the Government and its advisers wish it or not, sterling is still the currency of a large part of the world and London is still banker to the sterling area. Those functions cannot be performed on a reserve of £270 million, especially if, at the same time, the dollar deficit of the sterling

Should Electricity Be Taxed?

LAST Thursday week, Sir Stafford Cripps painted a grey picture of Britain's economic difficulties in which he blended fact, exhortation and policy in honest and realistic terms. Yet on one question at least Sir Stafford seems to have been too impressionistic to be convincing. When he was dealing with the programme for electric generating plant, he declared that, apart from some trimming here and there, the programme was to be maintained with its present priority. He coupled this disclosure with yet another appeal to domestic consumers to exercise the very greatest restraint and care "even to the extent of occasional discomfort." The decision to go forward with the full electricity generating programme suggests that the planners have not looked very closely at the factors behind the present inordinate demand for electricity. Instead they appear to have concluded that only by satisfying the domestic consumer's demand can industry be preserved from cuts in supplies. The result is a programme of unprecedented capital expenditure, so that the maximum load which consumers would like to inflict upon the generating system can be satisfied.

Last month the Central Electricity Board announced a five-year plan for the expansion of generating capacity which contemplates the provision of nearly 10 million kilowatts of capacity (the installed capacity at the end of 1946 was 11.3 million kw.), including 31 new power stations, at an estimated cost approaching £450 million. In July, the Ministry of Works gave priority for building and civil engineering work valued at £75 million on power stations to be undertaken during the next two years, while site work is proceeding on 63 projects capable of housing plant with a capacity of more than 5,500,000 kw.—a figure which is little short of the Central Electricity Board's programme of 5,900,000 kw. to be completed by 1950. The latest statement from the Electricity Commission of loans sanctioned for electricity purposes discloses that the total for six months to the end of September amounted to £54.2 million compared with total sanctions for the year to March, 1947, of £44 million. These are first instalments and meanwhile the output of electricity generating plant will have to be built up to a rate which will satisfy the needs of the development programme. The capacity of large steam generators produced in 1946 was 810,000 kw., of which 275,000 kw. was exported; for the first half of 1947 output was equivalent to 520,000 kw., of which 240,000 kw. was sold overseas.

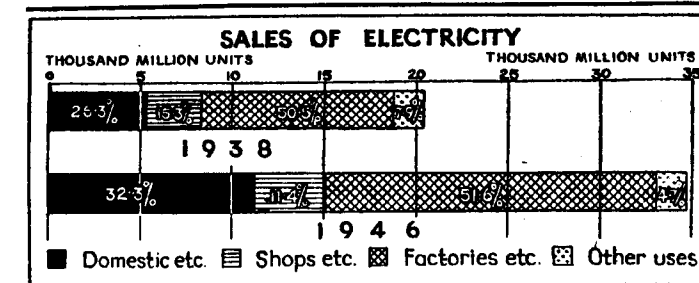
These figures give some hint of the burden which the country with Government support, is assuming in the electricity programme. On the present facts of the situation a simple case can be made for the programme. Any competent statistician could extend into the future the trend-line of demand on generating capacity (making due allowance for plant which is rapidly be-

area is still running at a rate of £250 million, a rate which will swallow that reserve whole in just over twelve months.

These two figures are, therefore, too bad to be true. Either they imply that the Government is still banking on Marshall aid or else they foreshadow still more cuts in imports and more diversion of production to hard currency export markets. Sir Stafford Cripps expects the global balance of payments of the United Kingdom to be in equilibrium by the end of 1948. If within that equilibrium there is a continuing dollar drain equivalent to £250 million a year, either Britain will be making "unrequited" exports on that scale—which is inconceivable—or the dollar deficit will not in fact be a deficit, but will be covered by surpluses with countries which as a result of Marshall aid will, in effect, be paying in dollars for their imports from sterling area countries. That is the big gamble on which the plans for balancing Britain's payments appear to be based.

coming obsolescent) and the result would not differ materially from figures which the CEB and the Government are using as the basis for their plans. The question which never seems to be asked, however, is whether the recent trend of demand—and in particular of domestic demand—is a reasonable basis on which to calculate future requirements for electric plant. Yet there is every indication that the domestic consumer is using too much electricity because it is too cheap; what follows in this article is an analysis of the character of domestic demand under present conditions and of the cost of satisfying it.

During the war the demand for electricity was greatly expanded, owing to the growth of industrial activity and also to the shortage and increasing cost of house coal. The coal factor, coupled with increased personal incomes and virtually stable prices for electricity, has intensified the growth of the domestic load. The consequences are strikingly shown in the chart. Sales



of electricity to domestic consumers rose between 1938 and 1946 by 109 per cent, compared with increases of 75 per cent in industrial consumption and of 70 per cent in all cases. Moreover the share of domestic consumption expanded from 26.3 per cent in 1938 to 32.3 per cent in 1946, whereas industrial consumption remained virtually unchanged at little more than half of the total in each of the two years.

Unfortunately no official figures are published of the average price per unit paid by domestic consumers. An attempt has, therefore, been made in the following table to give an estimate of the revenue per unit sold for domestic purposes, largely on the basis of consumption figures for 1937-38. This information is somewhat old, but it is thought that the estimate for revenue from domestic supplies should not be too wide of the mark.

Year	REVENUE PER UNIT SOLD		
	Domestic, etc.	Factories, etc.	All Supplies
1938-39	1.5d. est.	0.655d.	1.04d.
1945-46	1.4d. est.	0.87d.	1.13d.
Variation %	-7	+33	+8½

The figures suggest that, over the war period, domestic consumers paid on the average 7 per cent less per unit, whereas



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factory consumers paid one-third more than they did in 1938-39. It seems probable that in 1946-47 this fall in revenue per unit from domestic consumers and the rising average for industrial consumers has continued. For the domestic consumer, the operation of two-part and similar tariffs has continued to reduce the average cost per unit as his consumption grows. Moreover, he is still protected by a war-time Government decision that domestic tariffs should be more or less "frozen" by the Electricity Commission. The main increase in the prime costs of electricity generation—arising largely from coal—has been shouldered almost entirely by industrial consumers who take supplies under agreements incorporating a "coal clause." By an additional irony, the typical coal clause was not designed to cope with the great advance in coal prices that has occurred and has even led in some cases to a larger increase in the price of electricity to industrial consumers than is justified.

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Between 1938 and 1946, the average cost of power station coal rose from 20s. 3d. to 45s. 3d. per ton and it is now approaching 50s. During the same period, the calorific value of the coal deteriorated by about 4 per cent. In 1938 the coal consumed per unit sold was 1.63 lb., and it cost 0.18d. per unit; in 1946 the coal consumed per unit had increased to 1.67 lb. but the cost per unit had reached 0.40d., and the recent increase has further raised this figure to approximately 0.43d.

Here is a sharp contrast with the figures in the table on page 731. While total revenue per unit sold rose over the war years by less than one-tenth of a penny this was less than half of the increase in the cost of coal—to say nothing of increases in wages and materials. Higher costs of coal have been largely masked from the domestic consumer because the generating plant has been more intensively used. The grid system operated on a load factor of about 36 per cent in 1938 but in 1945, when load shedding had not reached serious proportions, it was working at 46 per cent and in 1946 at 47 per cent. The last figure, however, is based on the demand which was actually met by the grid system and this was short of the estimated potential load by nearly 1,000,000 kw. Even so, if the load which was shed is taken into account, the load factor would still be as high as 43 per cent. For the current year the corresponding figures might easily be as high as 50 per cent, and 42 per cent after allowing for load shedding. Whatever the figures may be it is clear that there has been a substantial improvement in the load factor on the grid system as a whole since 1938.

But this is not the whole story. Last winter nearly 2,000,000 kw. of peak load were shed and when allowance is made for plant which is over-age, the total present deficiency of generating plant, compared with the peak load, can be put at 3,000,000 kw. or more. To instal capacity of this magnitude would cost at today's prices £150 million. The total capitalisation of the entire electricity supply system in 1943 was no higher than £746 million and total compensation to be paid to the industry under nationalisation will be no more than £550 million. But for the war, some part of the capacity which is now required would already have been provided, and it would now represent an effective charge upon the industry's revenue. Instead the present revenue of the industry, which is satisfactory enough in itself, is based on an artificially inflated load factor (47 per cent instead of 43 per cent in 1946) and is only achieved at the cost of cuts in industrial power supplies.

The electricity cuts and the huge programme of capital expenditure which is contemplated for the industry converge in a point of major public interest. The seasonal peak of electricity demand must somehow be reduced; and at the same time, the development programme ought to be kept to the minimum which is compatible with sound long-term development. The matter is the more urgent because the spreading of factory loads (which in any case has other disadvantages) has not been con-

spicuously successful. The first need is to fix attention on domestic, shop and office consumption, for the latter groups, though described as commercial consumers, have turned to electric space-heating no less than the first. The arguments about domestic consumption which follow, therefore, apply correspondingly to other non-industrial groups.

Most domestic consumers are now supplied under two-part tariffs which comprise a quarterly fixed charge and a charge per unit consumed (sometimes stepped according to quantity) or variable block tariffs in which there are two or three quarterly blocks of units at descending prices. The principle underlying such tariffs is sound, because it matches the structure of the industry's costs; the latter contain a high proportion of fixed charges which do not vary with the amount of electricity consumed per consumer. But even before the war there was an occasional tendency to fix the unit charge (or the tariff for the last block) below the marginal cost of supply, on the ground that this would encourage consumers to take more current for cooking and water-heating purposes, which would tend to fall, at least in part, at off-peak periods. In effect, however, a disproportionately large load for space heating has been built up, especially since the war, owing to the scarcity and dearth of coal and the undue cheapness of electricity. At present prices of house coal, assuming an efficiency of 20 per cent for open grates, it positively pays the consumer to use electric fires so long as the unit charge is not higher than about 0.62d—which is certainly the case for millions of consumers. It happens that the coal-using efficiency of electric fires itself is of the order of 20 per cent, so that no higher rate of coal consumption is involved by burning electric fires. But in present circumstances, to use heat via the electric generating system instead of burning coal direct on the grate means that factories are liable to be shut down and that large additions of plant are required to avoid the shedding of load. More serious still, an appreciable number of supply undertakings still maintain tariff charges which are lower than the present cost of coal of 0.43d. per unit.

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Clearly this is a fantastic situation. It could be remedied, in part at any rate, by an increase in charges per unit consumed by domestic and commercial consumers. But the accounts of the supply industry are, broadly speaking, balanced and the surplus of revenue would result from an increase in charges to domestic consumers could not very readily be left in the hands of the industry. Nor would a compensating reduction in the industrial tariffs for electricity seem to be justified under present conditions. In principle it seems desirable to build up funds in anticipation of the extra charges that will be involved by the additions to generating plant—even if, as may be hoped, these are somewhat scaled down. A flat rate levy on all domestic and commercial charges would certainly go a long way to meet the case. If it were made in the form of a purchase tax and the proceeds specifically earmarked for capital expenditure so much the better. Doubtless, it would be necessary to allow each consumer a basic minimum reckoned per head or per square foot of his premises, and also a minimum quantity for electric cooking. But there is certainly no justification at all for selling electricity so cheaply that the consumer escapes the extra cost of coal of ½d. per unit simply because the industry has so greatly improved its load factor as a result of lack of replacement and normal expansion of plant, and is forced to shed the load during the winter. This is sheer capital consumption. No argument has yet been advanced that a purchase tax on electricity is administratively unworkable; there is every reason, in present inflationary circumstances, that the electricity consumer should pay at least a fair price for his current, and should also make a sizeable contribution towards the replacement and expansion of plant which, but for the war, would already be reflected in his electricity bill.

Business Notes

Red Herrings for Patriots

Although an emergency Budget is to be introduced in a few weeks' time, Mr Dalton is still convinced that his financial policy is in complete harmony with the Government's wider economic policy. Indeed, in last week's debate, he was "very proud of any part he has had" in bringing about the relatively full employment which now exists. But even if a financial policy as lax as his had been desirable, is it really to be supposed that, in a phase of such acute and all-round shortages, the Chancellor would be entitled to any share in the credit for the high level of employment? As usual, he "answers" his critics by first misrepresenting their criticisms or by "replying" to matters which had never been raised. For once, even Lord Hinchinbrooke knew better than the Chancellor by implying—which is certainly the fact—that it is for the level of "misemployment" that financial policy may now take the credit. And Mr Butcher, too, came near the hard core of truth when he upset Mr Dalton's lyrical contrast between full employment today and bleak unemployment before the war by remarking that in those days we had more than one ounce of bacon each week. It is a commentary upon the growing disfigurement of the normally self-possessed Chancellor that he thereupon mixed metaphors as well as logic by calling this—a red herring.

Ever since the extravagances of the cheaper money drive produced their inevitable reaction in the market—so that the authorities themselves no longer dare to use the sheer weight of their resources to push prices to the levels Mr Dalton would like to see—the best he has been able to do has been to rely upon spasmodic appeals to what he regards as patriotism. The speculators, as recent experience in the market has shown, are no longer the whole-hearted collaborators which he found them to be in the phase of shameless bludgeoning last year. So the campaign, lacking both ammunition and lusty mercenaries, is lifted to the high moral plane of a national crusade.

Mr Dalton now tries to identify the level of gilt-edged with "the national credit," implying that the interest yield basis in this closed capital market is a measure of Britain's determination to meet her obligations abroad and of the readiness of the British people to buckle to and restore equilibrium by their own exertions. Obviously there is great virtue in genuine voluntary saving, and the Chancellor is not merely entitled but has a positive duty to appeal for the maximum response. But that does not mean he is entitled to expect people, on grounds of patriotism, to lend to the Government at any particular rate of interest which he chooses to name. The British people could discharge their whole patriotic duty simply by abstaining from spending. And if, having done so, they turned their backs upon gilt-edged and upon Savings Certificates, the Chancellor's borrowings would cost him only the ½ to ¾ per cent which he pays to the banks or—in the most extreme case—simply what it costs to print new notes. In such circumstances, given only the required self-discipline, the national credit would stand incomparably higher than it does today, though the level of gilt-edged might be lower. Yet the economic journalists who point out these home truths are, in Mr Dalton's judgment, "bad citizens," and the eminent dons who agree with them are "misinformed." Their crime lies in demanding a financial policy which will help to reduce the misemployment against which Sir Stafford Cripps and the whole apparatus of planning are so laboriously and rather unhelpfully striving.

* * *

Can Exports be Directed?

The "planning" of exports has reached a perplexing stage. Sir Stafford Cripps last week, and Mr Harold Wilson this week, both emphasised the difficulties of even making a statement about the direction of exports—though that is a mere preliminary—setting up the elaborate system of new controls which direction appears to require. So far, the only recommendation which has come from the Government is the self-evident proposition that exporters should concentrate on the dollar markets. But Sir Stafford suggested ten days ago that "when our bilateral arrangements are further advanced, we hope to get a much more accurate idea as to what exactly we can sell and where." This may have a negative value in preventing the shipment of an undue amount of so-called "unrequited exports" but surely it will be of very limited use for the expansion of exports to dollar markets, since it is of the essence of bilateralism that trade should be switched to non-dollar channels.

Successful bilateralism—as recent trade discussions have abundantly shown—does involve the creation of administrative controls sufficiently strong to ensure that the required British exports are shipped at the right time and in the right quantities to the other party to the agreement. Mr Wilson appears to contemplate some form of control in this sense, "when certain of the bilateral negotiations have made further progress," for he has stated that countries with which no agreement exists "will occupy a much lower priority in terms of British exports." It is difficult to interpret these words in the ordinary terms of export business and of a production process which takes time and the co-operation of large numbers of suppliers and manufacturers at each stage. Can these matters in fact be effectively controlled at all? Is it seriously supposed that the allocation of raw materials to firms "in accordance with their past export performance"—with allowance for the beginners at the export game and the supporters who do not export directly themselves—can be made to work, at least without an immense Governmental apparatus? How much less promising would be an attempt to add a further layer of discrimination to the controls in order to favour exporters to hard currency countries?

If the Regional Export Committees, whose functions Mr Wilson described on Wednesday, succeed in solving these problems, they will have to show superhuman insight, flexibility and speed. Yet, six weeks after the export targets were originally announced, discussions are still proceeding with certain industries in order to obtain agreement on them. It is, indeed, a heavy task to get through discussions with so many industries and sections of industry. The task of securing the performance of the promises which have been given by industry will be even more arduous, if the Government attempts it.

* * *

What Form of Aid?

With the US Congress about to begin its consideration of the European recovery programme, ideas as to the manner in which aid should be provided are beginning to clarify. Immediate assistance provided independently of Congressional appropriations is being given by freeing looted gold and also by anticipatory purchases of European currencies by the US Army authorities. Both these will provide free dollars. There is, however, a danger that the large-scale assistance which may be provided with Congressional sanction will be far from free. There have even been suggestions that it may be provided not by financial grants but by allocation of specific tonnages of commodities. Where dollars enter into the recovery programme they are all too likely to take the form of rigidly tied loans. It is of course inevitable that a great deal of the goods required under a Marshall aid scheme must come from the United States. To that extent the assistance will in fact, if not in word, be in "tied" form. It also seems equally inevitable that the United States should exercise a close and direct scrutiny over the manner in which the dollars it makes available are spent. But it will be unfortunate if the whole of the aid appropriation is so earmarked and if nothing is left in the way of free dollars that might be used in order to re-establish some form of inter-European currency convertibility and so save from paralysis the pattern of multilateral trade within Europe.

Reports from Washington also suggest that if the European recovery programme goes through, the administration will insist on making the recipient governments in Europe segregate the sums which they would normally pay for supplies from the United States. This, it is argued, would have a deflationary effect by compelling these governments to levy taxes for an equivalent amount. The funds so accumulated in local currencies would then be available for expenditure on capital projects and other objects sanctioned by the United States and the government concerned. The arguments that support a scheme of this kind are strong. Payment in local currencies would undoubtedly make European recovery programme far more acceptable to Congress than it would be if it were a question of outright gifts. If the recipient countries paid in local currencies for goods received from the United States this temptation to use the proceeds of sales of these goods in their budget accounts would be removed, and they would be less able to postpone the financial reforms which, in nearly all cases, are an urgent condition of their economic rehabilitation.

Australian Bank Bill Details

The text is at last available in London of the Australian Banking Nationalisation Bill, the general principles of which were fully discussed in a leading article last week. On certain vital matters, the provisions prove to be extraordinarily meagre. The only safeguards against abuse of the monopolistic banking system which the Government envisages, and the only new regulations for the conduct of the Commonwealth Bank, are contained in a single brief section (Section 11) incorporating the injunctions to the bank quoted last week—to provide adequate banking facilities, to do so without discrimination, to observe normal bank practices and especially to maintain proper secrecy. Nine lengthy sections take great pains to protect the interests of employees of the banks to be absorbed. This is a very proper objective, but the care which the Government has lavished upon it stands in glaring contrast to the single-sentence clause which is supposed to protect the rights of customers: Section 58 provides—

Nothing in this Act shall require a State or person, being a customer of a private bank, the business of which in Australia has been taken over by the Commonwealth Bank under this Act, to continue as a customer of the Commonwealth Bank.

Those in Australia who feel most heatedly about the whole scheme will certainly regard this as adding insult to injury. The consumer who thinks himself victimised by the monopoly is graciously permitted to refrain from consumption. Or is it to be supposed that an Australian resident would be permitted to place his account abroad, and to conduct his whole business in Australia through some far-fetched agency arrangement made by his bankers with the single bank within Australia? If so, the London-registered Australian banks might yet do a roaring trade within the Commonwealth!

Among the general provisions there is ample evidence of the motives behind the plan and of the Government's fear both that it might be upset on constitutional grounds and that there might be obstruction from within the banks. On the issue of motive, the language in which the objects clause is clothed bears striking resemblance to Mr Chifley's own words in his dissentient memorandum to the Commission of 1936: the first object is to expand the Commonwealth Bank "as a publicly-owned bank conducted in the interests of the people of Australia and not for private profit." On the legal issue, there is an extraordinary clause which provides that, if any part of the new Act proves to be unconstitutional, the remainder shall operate to the limits which the Constitution permits, and shall do so even if the results of that operation are or appear to be different from those apparently intended by the Parliament when it passed the Bill. Penalties are prescribed (fines of £1,000 per day for a director or employee) for any obstruction from the banks.

Methods of Acquisition

The Bill sheds no light at all upon the vital question of the principles by which compensation is to be determined. The only requirements are those set out among the objects, that the acquisition is to be "on just terms" and also in two virtually identical sections (15 and 25), relating to compulsory acquisition, that "fair and reasonable compensation" shall be paid. The provisions governing the method of acquisition show that most of the cabled reports were confused or misleading. The two methods, as already known, are acquisition of shares or of businesses. It is evident from Section 13 that the former is exclusively a process of compulsory acquisition and may not be applied except to banks formed within Australia the majority in number of whose shares are, or in law are deemed to be, "situated" within Australia, and then only to such shares. The only other provision for share acquisition is Section 12 which permits but does not oblige the Commonwealth Bank (with Treasurer's approval) to buy shares in local or London-formed Australian banks at prices not less than those ruling on August 15th last. The intention here is presumably merely to validate the Government's action in giving support to the market to allay public fears. On a lay interpretation of the Bill it does not seem that this minimum price has necessarily any legal force in relation to compensation payable where acquisition takes place by compulsion under the principal Section 13, cited above.

The alternative procedure, acquisition of businesses, is in principle applicable to any of the categories of banks affected, but is the only method which can be applied to banks formed in the United Kingdom or elsewhere outside Australia. This process may be either voluntary or compulsory. It should be noted that banks are not given any legal right to take the initiative in negotiating a voluntary arrangement, but the tax conces-

sions (the quantitative effects of which are still obscure) granted where such arrangements are made show plainly what the attitude of the authorities will be. Strictly, however, the procedure is for the Treasurer (under Section 22) to invite a particular bank to make within a specified period an agreement with the Commonwealth Bank for the taking over of the business. The Treasurer may extend the time limit, but no voluntary agreement may be reached after its expiry and the assets and liabilities concerned become automatically vested in the Commonwealth Bank on the following day.

Where that happens, if the bank cannot agree with the Commonwealth Bank the amount of compensation, it may lodge with it its own claim, to which the Commonwealth Bank must respond by saying what it is prepared to pay. This offer will be deemed to be accepted unless the bank within two months requires the Commonwealth Bank to refer the case to the Federal Court of Claims, which will consist of one chief judge and at least two other judges nominated by the Governor-General. There will be no appeal from the Court's findings: the Bill says so comprehensively in five distinct sub-sections, the essence of two of which is that its decision "shall not be challenged, appealed against, reviewed, quashed or called in question in any Court upon any account whatever" or be subject to "prohibition, mandamus or injunction." More neatly, the banks will have "had it."

* * *

New Union Questions

The final bursting of the New Union Goldfields' bubble has not taken the mining share markets completely by surprise, but considerable alarm has been caused by the amount of capital involved and by the trend of events leading up to its disclosure. It has been revealed, after a quite unjustifiable delay, that New Union had borrowed some £5,000,000, repayable on demand, from its associated companies in excess of its legal borrowing powers and that its present available resources are totally inadequate to meet probable calls (the unaudited balance sheet at June 30, 1947, shows cash at £177,500 and shares in other companies then valued at £4,420,684 but now having a market value of approximately £2,400,000). Anglo Transvaal Consolidated who were appointed (at a high fee) to be managers of New Union as from October 8th in place of the old board, whose chairman was Mr N. S. Erleigh, have successfully applied to the South African Supreme Court for the appointment of judicial managers, in order to legalise the deferment of claims for the repayment of these inter-company loans and to safeguard the position of other creditors and shareholders. Mr J. Milne, who managed early last month to form the Free State group out of various remnants of New Union, has subsequently decided to apply to the court to have representatives of the creditors and large shareholders appointed as additional judicial managers.

This week's disclosure of the financial predicament of the New Union group comes nearly three weeks after Anglo-Transvaal assumed control; as recently as October 15th they announced that the dividend declared on September 2nd and payable on November 7th would be met. But the auditors of the New Union accounts had, as early as July, made it known to the company that underlying difficulties, albeit in embryo, were evident from the books. To whom did they pass this information? Was it considered by the board of New Union at the time? Has it any connection with the strong differences of opinion which for a long time were known to exist between Mr Milne and Mr Erleigh? To say the least, it is astonishing that these early doubts were not regarded as being sufficiently serious to prevent an announcement of an increased dividend and a forecast of higher profits. But the directors have more to answer for, because later in September, as it now transpires, the auditors made their démarche by refusing to certify the accounts, and even then the board failed to make a frank statement of the position. Questioned by the press about that time Mr Erleigh said he was too busy to talk; in the light of later information, this is a masterpiece of understatement.

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Obviously the fullest inquiry will have to be made into these and other matters—including the turnover in the shares of the group. Owing to the complication of nominee holdings and London and South African registers, it is impossible to establish whether the principals in the case have retained or sold their interests during the last eighteen months, and how far Anglo-Transvaal may have purchased shares from them. Both New Union and Rooderand shares have been dealt in on the London



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B. T. THAKUR, General Manager.

Stock Exchange under the old Appendix 34E; slightly more than 40 per cent of the shares of these two companies are now held on the London register.

The last of this questionable affair has certainly not been heard, and it may have serious implications for the South African mining industry. If confidence in the Orange Free State gold-field, now well furnished with capital for the primary stages of its development, is to be preserved, the financial operations which led to the cracking of the New Union edifice must be probed and made public, for though the group had its eggs in a hundred or more other baskets, its origins lie in the yet unmined leases in the Orange Free State. It would be grave indeed if mining enterprise in this region, whose promising future has been described by General Smuts and Sir Ernest Oppenheimer among others, should be retarded by the questionable financial methods of one of the least important mining groups.

* * *

Report on Light Clothing

The Report of the Working Party to investigate the light clothing industry takes much space to define precisely what the light clothing industry is and to distinguish it from the heavy clothing industry, which has already undergone ordeal by Working Party. Light clothing includes all women's clothing (apart from tailor-made outerwear, millinery and rainwear), infants' wear, and men's underwear when it happens to be made by firms specialising on women's clothes. Much might have been gained in clarity, time and paper if the two sections of the clothing industry had been subjected to a single investigation. The light clothing industry is small; of the total of 53,400 factory workers in 1942, nearly one-third were working in London, and probably more than half of the firms in the industry employ less than 50 workers.

Within the limits of a specific assignment to study this sub-industry, the Working Party has produced a useful report, though it is marred by traces of superficiality and rotundity. All the familiar recommendations appear—it is surprising, indeed, that the standardised formulae are held to apply so uniformly to such a diverse range of industries. They include uniform costing, more generous taxation allowances, better maintenance of equipment, improved design and greater attention to training. A Development Council is proposed on which both the heavy and light clothing industries should be separately represented by a Directorate, each of which would presumably press its own claims for labour, materials and machinery. The functions of the Council, however, would need to be made a good deal more precise than is suggested by the following extract from the Report:—

The most important function which should be performed by such an organisation is that of planning—in its widest sense. It is, in our opinion, essential that the Light Clothing Industry should, in future, be able to base its activities on over-all planning which would cover the supply of sufficient and suitable materials to ensure an abundance of light clothing to meet public demand, and promote arrangements for co-ordinating production and marketing, whilst preserving the individuality of the producers and promoting their efficiency.

Some of the industry's problems have received rather scant treatment—for example, its machinery requirements and its export programme. Moreover—and this seems an unfortunate omission—there is no statistical analysis of the fall in the industry's productivity compared with 1939. This fall is indeed implied in the Report, and such statistical material as is already available suggests, on a rough-and-ready basis, that output per man-hour in the industry has fallen by at least 12½ per cent since 1938.

* * *

The Problem of Price Control

One of the most interesting sections of the Report is the discussion of the working of the price control scheme for utility clothing. Under this scheme, garment-makers must not exceed the ceiling prices fixed for each line, or, alternatively, they must accept a price equivalent to their cost of production plus a fixed percentage of profit, if that is lower. Presumably the ceiling prices allow a good deal of slack, for it has been found that this system provides a positive incentive to firms to raise their costs by hoarding labour or by adding unnecessary frills to garments solely with the idea of increasing their return of profit. Moreover, since the wholesaler and retailer in turn add a fixed "mark-up" to the price which they pay for garments, traders are disinclined to take cheap garments when they can get identical ones at a higher price.

But it is doubtful if the Working Party's solution of this problem—which is to set up a system of standard prices for specific articles which would be below maximum utility prices for their class—would be effective. It would be a scheme, so to say, of utility within utility; it would involve distinctive marks and the allocation of material specifically for the manufacture of cheaper goods. It could put an end to the waste inherent in the cost-plus system only at the expense of a great multiplication of maximum prices at different levels, coupled with the necessary controls to keep the new price structure intact. If the gaps in the utility system are now so wide that the manufacturers can make inordinate profits, surely the answer is to reduce the general level of the utility price ceilings, to reduce the essential ranges of utility clothing to the minimum, and to put an end to the "cost-plus" system. These steps might have more practical results than the Report's odd declaration that "it should be the objective of Government policy to ensure that the public should be able to buy the goods which the public produces."

* * *

Stock Exchange Commissions

The Stock Exchange Council proposes, subject to confirmation on November 24th, to amend Rule 197 by raising the amount of consideration money which is to bear full commission from £2,500 to £5,000. This is the first move to change brokers' charges since immediately after the 1914-18 war, when the minimum figure above which half commission might be chargeable was raised from £1,000 to £2,500. Other commissions have not been altered since 1912. The Council has allowed full time to test the reaction of opinion to the proposal before it becomes operative. To judge from the City's comments, both for and against, it has acted wisely.

The case for an increase in commission rests on the narrowing gap between the higher costs which stockbroking firms, like all other businesses, have had to face following the rise in prices since 1939. All are agreed that costs have risen, but so far it has been assumed that the increased turnover of recent years, which is due in no small part to the Government's cheap money policy, has enabled the brokers to make handsome profits in spite of their higher expenses. The lull in business in recent months has no doubt prompted the thought that the time has come for brokers to safeguard themselves. Certainly the high level of taxation in the last few years has limited their capacity to make provision for a lean period, and precedents for the Council's proposal can be found in the recent action of the New York Stock Exchange in raising commissions by 20 per cent and in the increase made in London after the first world war. It is maintained, also, that the change will affect only the larger investor and that the small man will not suffer. But £2,500 is not a large order, even in this democratic age, and the effective rise in the scale of commissions which the Council suggests does contrast a little oddly with its own postwar efforts to popularise and cheapen the facilities which the Stock Exchange has to offer to the public.

A rise in charges can hardly be justified until it has been clearly shown that every possibility of making further economies has been exhausted. As it is, the proposed increase will add its small contribution to the inflationary rise in costs, and it will be a further deterrent, coupled with the recent doubling of the Stamp Duty, to the readiness of the average investor to deal freely. It would be easy to exaggerate the importance of the new proposal on Stock Exchange business, but it would be no less dangerous to forget the fact that any additional shrinking of turnover would react to the disadvantage of the Stock Exchange as a whole.

* * *

Note Circulation Landmark

Wednesday of last week ought surely to be a red letter day in the calendar of postwar inflation, and it is surprising that Mr Dalton does not seem to have noticed the fact. Among all the various indices of domestic finance, only one—the note circulation—has lately been showing a genuinely reassuring trend. This week, apparently for the first time since the whole phase of war-time currency expansion began, the active circulation of Bank of England notes has actually dropped below its level at the corresponding date of the previous year. Although the rate of expansion of the circulation slackened appreciably after the end of the war, it was not until quite recently that any signs emerged that the trend might at last be turning downwards. From 1939 to 1946, each successive Christmas peak was higher than its predecessor,

and until the current year each August holiday peak was higher than the preceding Christmas peak. In 1946, it is true, the expansion in the first seven months of the year amounted to only £11 million, in contrast with £75 million in 1945. But this year, the summer's peak circulation of £1,422 million was £6,000,000 below the record level reached last Christmas.

The reassuring contrast was rather unexpected, but even more surprising is the rapid rate at which the notes have been returning since the holiday season ended—£28 million came back in August, £17 million in September and £16 million last month, a total reflux of £61 million. In the corresponding period of last year the reflux was only £29 million. In consequence, the total circulation, at £1,361 million, is just £1,000,000 below its level at this time last year. Moreover, of this year's improvement in the trend compared with that of 1946, more than two-thirds has occurred within the past three months. Is this still another sign that "natural" forces—from the stock market collapse at one extreme to the exhaustion of war service gratuities and industrial dislocation at the other—are at last dictating caution? The National Savings figures hardly align with these trends, but is it possible that the prevalent "dis-saving" reflects financial pressure rather than over-eagerness to spend?

* * *

Filling a Financial Gap

Twelve months ago the chairman of the smaller of the two new finance companies, the Industrial and Commercial Finance Corporation, Ltd., suggested rather cautiously that experience had proved the existence of a gap in financial facilities and the Corporation's ability to fill part of it. If one judges simply from the results now shown by the accounts to end-September last, covering the company's first complete year of trading, this opinion actually seems to have been excessively cautious. In the past year the net amount of proposals approved by the company has risen from £4,048,000 to £10,501,000. Necessarily, only a part of the finance sanctioned has yet been taken up, but the proportion is very much larger than it was twelve months ago, the net amount of advances actually drawn and investments made being £5,716,000 compared with £1,239,000 twelve months ago. But, if this noteworthy expansion proves the existence of a "gap," it is far from clear whether it is the kind of gap which most people had in mind when the company was formed. Even in the initial period, approved finance to the really small man—for amounts between £5,000 and £10,000—accounted for only a little more than a quarter of the total number of cases and for only one-twentieth by value. Now, however, in the past year, the proportion by number has dropped to less than one-twelfth and by value it is actually less than one per cent. At the other extreme, the proportions for transactions above £100,000 (this category is no longer described as between £100,000 and £200,000) have risen from 7 to 22 per cent by number and from 28 per cent to 56½ per cent by value. Almost four-fifths of the total operations have taken the form of transactions above £50,000. The Board states that this decline in the smaller advances is "a statistical fact and does not denote any change of policy"; but it does seem to prove that credit-worthy small borrowers have been coming much less readily to the Corporation in the past year than they did at the outset.

The difficulties of the postwar transition phase are plainly to be seen in the Corporation's profit and loss account. It made a modest net profit of £23,965, but it has been thought advisable to provide £140,000 against bad and doubtful debts and investments. There is no suggestion that this experience was particularly attributable to the economic crisis, but the chairman states that during the transition period the Corporation thought it right "to take a certain risk in facilitating the transition" and that some of the ventures which it has financed have not been successful. That, it is said, explains the bulk of the amount reserved; the bulk of the outstandings are regarded as "good or very good." In this context it is reassuring to have Lord Piercy's opinion that no large proportion of the Corporation's customers is likely to be "injuriously affected" by the increasing concentration of the national effort upon essential production. The industrial spread of the company's interests has, however, widened perceptibly; the mechanical and electrical engineering groups, which last year accounted for 31.8 per cent of the whole, now absorb 27.6 per cent.

* * *

Undermanned Industries

It is too early yet to form any idea of the effect of the Control of Engagement Order on the distribution of manpower, or to estimate the prospects for large-scale releases of labour for the undermanned industries through the cuts in the capital investment programme—though scepticism is probably justified on both counts. Sir Stafford Cripps, at his press conference on Wednesday, reaffirmed the Government's intention to proceed by voluntary methods and to avoid using compulsion. He did, however, admit that if the existing methods should not prove sufficient, further and more drastic measures might have to be introduced.

The urgency of the problem is emphasised in the figures which the Minister for Economic Affairs gave on the labour position in the undermanned industries. The main "problem industries" are agriculture, coal, tinplate, and textiles. Faced with the loss of prisoner of war labour, agriculture will need at least 60,000 recruits by next summer. Coal mining, with 715,000 men, will fall far short of the target of 730,000 by the end of the year, for, in spite of the high rate of recruitment of 1,700 a week, wastage of departing Bevin boys and old miners has been running high. Employment in tinplate, iron founding and the steel sheet section has been stationary since December, 1946. The textile trades need in all about 100,000 workers, and the most serious and disturbing feature is the failure of cotton spinning and weaving to show an improvement in manpower. Labour in wool and worsted has increased by only 3,000 since March. Since the success of the export drive depends in large measure on textiles, and since they can only reach their export targets if they have sufficient labour, the problem of labour in the cotton industry becomes one of overriding importance.

Urgent discussions on wages policy are now proceeding with the TUC, but it is unlikely that they will lead to any major change of attitude. It is tragic, and typical of the Government's timid handling of the labour problem that it has taken more than two years to grasp this nettle. Whether at this late stage of the process of inflation special incentives would make much difference must be doubted; it seems inevitable that the other

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alternative, more direction, will have to be adopted—in spite of Sir Stafford's declaration on Wednesday that the Government will not resort to it.

Recruitment for the Mines

Sir Stafford Cripps's statement on Wednesday that the whole production programme might be "in jeopardy" because deep-mined coal output is running at a level which is insufficient to maintain winter supplies has once more emphasised the need to step up production by overtime and increased recruitment. Six months ago, there seemed to be every likelihood that the target proclaimed in the "Economic Survey" for a labour force of 730,000 in the coal mining would be reached by the end of this year. But during the summer net recruitment took a decided turn for the worse and in recent weeks, numbers on colliery books have actually declined.

A possibility of a better trend in recruitment in the near future is suggested—though as yet only tentatively—in the latest coal production figures. Between the second and third week in October, numbers on colliery books declined from 715,300 to 715,200. On the other hand, face workers increased from 289,900 to 290,100. In a comment on these figures, Sir Stafford Cripps has attributed the current high rate of wastage partly to "Bevin boys" who have completed their period of service in the mines and partly to the high rate of retirement among older miners. This wastage is in fact masking a high level of recruitment, and it is likely to continue until the spring. It is to be hoped that this forecast proves reasonably accurate. Meanwhile the up-grading of workers at the coal face from this year's recruits is already bringing increased mining labour to work on direct production.

Probably this increase in work at the face was already clear when Mr Gaitskell announced the production requirements for the winter period at an average, including holidays, of 3,750,000 tons a week. Even with this prospect of improvement in labour, the average will not be easy to sustain. Meanwhile, the coal stocks of 15.7 million tons at October 18th—compared with the budgeted 15 million tons for October 31st—were something of an antidote to the disappointing production figures of 3,900,000 tons announced for last week compared with the 4,000,000 tons for the previous week. Next week's figures should, of course, show the benefit of the longer working week.

Gold Dealings in New York

New regulations covering the export of foreign gold from the United States have this week been issued by the US Treasury. The previous regulations permitted the re-export of gold previously imported from other countries, subject to licences. These

were readily given. A considerable market in foreign gold had developed in New York and a substantial proportion of the gold reaching the free markets in the Middle and Far East was exported from the United States. Much of it was metal of South American origin, refined in the United States and exported at prices well above the official \$35 per ounce. The position of this market in foreign gold in the United States was called into question by the request from the International Monetary Fund to all its members to suppress international dealings in gold at prices in excess of the official quotations. It was to meet this request that the US Treasury was led to amend its regulations dealing with the re-export of gold. In their amended form the regulations, which come into effect on November 24th, will only allow the export of "semi-processed" gold for use abroad. Previously most of the gold re-exported from the United States was in the form of refined bars. As from November 24th the export of foreign gold in bar form will only be allowed if the gold is intended to be processed abroad and then returned to the United States.

In their amended form the regulations are unlikely to place serious obstacles to the traffic in free gold which has flourished in the New York market. The "semi-processed" gold that may still be exported generally takes the form of sheet gold, rolled in one- or two-millimetre sheets for industrial purposes. But there is no standard sheet thickness and there is no reason why "semi-processed" gold should not take the form of quarter-inch sheet which could then be cut up in 10 or 20 ounce strips that would provide an acceptable substitute for the convenient 10 and 20 ounce bars in which much of the international traffic in free gold has taken place. A more serious threat to the traffic in free gold is the trend towards stricter import regulations by the countries in which the principal free markets have been located. The latest development of this kind is the embargo on gold imports announced this week by the Government of Siam. Sales of foreign gold are still being arranged from New York to the Far East and this week's price has ranged around \$42.50 per ounce. Most of the metal is ultimately destined for China, but finds its way there through the Philippines.

Hard Money in Italy

The one country in Europe where the "hard money" school has taken charge of credit policy is Italy. Faced with an inflationary situation, with an economy littered with a great many uneconomic industrial plants—the now "dead branches" that had grown up during the Fascist era of autarchy—and with a mounting wave of speculative activity, the Finance Minister, Signor Einaudi, decided to put into operation the long forgotten weapons of credit restriction. This was done by compelling all banks to restrict their credits to industry and to all clients suspected of using bank facilities to finance speculative positions, whether in materials or securities. The effects have been dramatic and flattering to what

were deemed to be outmoded instruments of economic control. The stock exchange speculative bubble of the summer months has been effectively pricked. The white elephants in the industrial menagerie are being starved out. The process is causing some temporary unemployment, but there is no lack of alternative work and what is being tested now—with some friction and discontent—is the mobility of labour. Prices of commodities, and particularly of foodstuffs, have been falling. At its new devalued level, fixed last August, the lire is looking stronger every day. In the black market for foreign currencies, rates have been moving steadily in favour of Italy. The Swiss franc which touched 230 lire last May has come down to 150 lire (official rate 83 lire); the dollar has fallen from 800 lire to 600 lire (official rate 350 lire); and most impressive and significant of all, the pound sterling has fallen to a discount on the official rate, namely to 1,350 lire as against the official quotation of 1,400 lire. The Chancellor of the Exchequer may draw some instructive deductions from this experience and these figures.

Montevideo Tramways Sale

Uruguay may yet be the first South American republic since the war to make a sterling capital payment for the acquisition of a British-owned public utility. The Anglo-Argentine sterling talks, which are linked with the completion of the railways purchase scheme, have again been delayed, this time by a visit of the leading Argentine personages to Bolivia, while the San Paulo payment, of which strong hopes were entertained in the City last week, is still being debated by the Brazilian Congress. But in Uruguay, the Senate has now approved the agreement made last February for the purchase of the tramway of the Sociedad Comercial de Montevideo, whose capital is owned by the Atlas, Electric and General Trust. The agreement has now to be formally approved by the Chamber of Deputies, but since the matter has already been discussed and the purchase sanctioned there, the completion of the purchase is not likely to be long delayed.

The sum involved totals £2,248,000, calculated at the rate of 6½ pesos to the £; it consists of 11,700,000 pesos for the tramway and physical assets pertaining to it and 2,800,000 pesos for

items such as stores, which have been mainly acquired since the original agreement was reached on February 14th this year. Payment will be made to the Atlas, Electric and General Trust out of Uruguay's sterling balances, which have recently been estimated at £17 million. The sum to be received is considerably less than the book value placed on the investment by the trust, and in the latest balance sheet £1,500,000 has been applied out of capital reserves to write down this valuation. The tramway has not been able for many years to earn sufficient revenue to meet depreciation or interest on the prior charges of the Sociedad Comercial de Montevideo, and the trust has received nothing on its investment since 1930. This suggests that, although the amount of capital originally put into the undertaking greatly exceeds the purchase price, Atlas, Electric and General will now be able to apply at least part of what has long been an unprofitable investment to more remunerative purposes. The ordinary capital of the trust has not received a dividend since 1933, when 1 per cent was paid. Part of the purchase money might perhaps be applied to the redemption of £750,000 5 per cent debentures which are at present outstanding, but there is still the heavy cost of dividends on £3,000,000 of 7 per cent cumulative preference capital. The equity capital of the trust stands a better chance of receiving a payment than for many years past, but hopes should not be exaggerated.

Shorter Notes

The London rubber market has been quiet over the past week, but the tone has remained steady. The average spot price for the week ending October 28th was 11½d. per lb. compared with 11½d. in the previous seven days.

The United States Department of Agriculture has announced that it will support the American tobacco market to compensate for the cessation of British purchases of flue-cured tobacco. The price will be maintained at 90 per cent parity as laid down by law. The tobacco will be packed as for British shipment in case British purchases are resumed at a later date.

SECURITY PRICES AND YIELDS

A fuller list containing 370 securities appears weekly in the *Records and Statistics Supplement*. Notes on the following company reports also appear in the Supplement: Debenhams; Wall Paper Manufacturers; Standard Motor; Harrison's and Crosfield; Australian Pastoral; United Dairies; Baldwins (Holdings).

Prices, Jan. 1-Oct. 29, 1947		Name of Security	Price, Oct. 22, 1947	Price, Oct. 29, 1947	Net Yield, Oct. 29, 1947 (n)	Gross Yield, Oct. 29, 1947	Prices, Jan. 1-Oct. 29, 1947		Last Two Dividends	Name of Security	Price, Oct. 22, 1947	Price, Oct. 29, 1947	Yield, Oct. 29, 1947
High	Low						High	Low						(a)	(b)	(c)
British Funds													
103½	100½	Conversion 3½% March 1, 1948-53	101½	101½	t s. d.	t s. d.	113½	99½	%	Other Securities			t s. d.
103½	100½	War Bonds 2½% August 1, 1949-51	101½	101½	0 8 6	1 2 2	105½	89	(d)	Australia 3½% 1965-69	105½	105½	2 19 24
102½	98½	Exchequer Bonds 1½% Feb. 15, 1950	100½	100½	0 13 4	1 10 11	102	100½	(d)	Birmingham 2½% 1966-71	95	95	2 15 0
105½	98½	War Bonds 2½% March 1, 1951-53	100½	100½	1 2 5	2 13 6	142½	113½	40 c	Argentine 3½%	101½	101	3 10 14
105½	97½	War Bonds 2½% March 1, 1952-54	100½	100½	1 6 2	2 9 7	232½	118½	10 a	Anglo-American Corp. 10s.	132½	133½	3 13 10
108½	101½	War Loan 3½% (after Dec. 1, 1952)	104½	104½	1 6 7	2 17 0	80½	56½	50 c	Anglo-Franco Oil £1	168½	162½	3 15 0
106	97½	War Bonds 2½% Aug. 15, 1954-56	99½	100½	1 7 1	2 12 4½	42½	25½	40 c	Assoc. Port. Cem. Ord. Stk. £1	60/-	60/-	5 0 0
106	99½	Funding 2½% June 15, 1952-57	101½	102½	1 7 1	2 12 9	45½	17½	7 b 7	Austin Motor 'A' Ord. Stk. 5s.	77½	78½	4 16 4
108½	99½	National Def. 3½% July 15, 1954-58	102½	102½	1 7 8	2 15 17	115½	80½	120 b	Barclays Bank Ord. £1	186½	186½	4 6 6
109½	99½	War Loan 3½% Oct. 15, 1955-59	102½	102½	1 8 4	2 15 17	58½	40½	9½	Bass Ratchiff Ord. £1	32½	32½	4 6 6
108½	97½	Savings Bonds 3½% Aug. 15, 1955-65	102½	102½	1 10 1	2 17 17	29½	22½	8 c	British Oxygen Ord. £1	42½	42½	3 11 6
105½	95½	Funding 2½% April 15, 1956-61	102½	102½	1 9 8	2 12 5½	81½	57½	12 c	Courtaulds Ord. £1	25½	25½	4 7 7
109½	98½	Funding 3½% April 15, 1959-69	102½	102½	1 10 1	2 16 9	53½	40½	7 b 3	Dorman Long Ord. £1	68½	68½	4 7 8
122½	109½	Savings Bonds 3½% May 1, 1960-90	102½	102½	1 1 4	2 14 10	49½	39½	7 b	Dunlop Rubber Ord. £1	45½	45½	4 8 11
110½	97½	Savings Bonds 3½% Sept. 1, 1960-70	101½	102½	1 10 9	2 17 8½	57½	45½	5 c	Imp. Chem. Ind. Ord. Stk. £1	48½	46½	4 6 6
104½	92½	Victory Bonds 2½% May 1, 1964-67	96½	97½	1 11 1	2 14 0	74½	48½	10 c	Lanes. Cotton Ord. Stk. £1	50½	50½	5 2 6
123½	109½	Savings Bonds 4½% Sept. 1, 1920-76	114½	115½	1 4 0	2 18 19	84½	73½	(a)	Lever & Unilever Ord. £1	50½	50½	5 2 6
111½	96½	Savings Bonds 3½% Aug. 15, 1965-75	102½	102½	1 11 0	2 17 11½	36½	32½	4 b	London Brick Ord. Stk. £1	51½	48½	5 19 0
117½	106½	Consols 4½% (after Feb. 1, 1957)	110½	110½	1 2 2	2 17 11	68½	47½	5 a	L.M.S. 4½% 1st Pref. Stk. £1	77½	77½	5 4 7
115½	102½	Conversion 3½% (after Apr. 1, 1961)	106½	106½	1 7 8	2 18 3	39	29½	169-58	N. Easton Elec. Ord. Stk. £1	33½	33½	4 3 7
100½	80½	Treas. Stk. 2½% (after Apr. 1, 1975)	108½	108½	1 11 1	2 16 8	63½	44½	12½	P. Chinn 'N' Ord. Stk. 10s.	54½	54½	4 11 9
110½	95½	Redemp. Stk. 3½% (after Apr. 5, 1966)	100½	101	1 11 11	2 18 11½	108½	77½	12½	Prudential 'A' £1	33	34	2 3 0
117½	97½	Consols 2½% (after Oct. 1, 1985-96)	103½	103½	1 9 11	2 16 17	147½	108½	12½	Stewarts & Lloyds Def. £1	80½	80½	4 19 24
99	80	Consols 2½%	88½	88½	1 11 1	2 16 7½	96½	68½	12½	'Shell' Transp. Ord. Stk. £1	118½	116½	4 6 0
									3½	Tube Invest. Ord. Stk. £1	50½	50½	4 6 0
									15 a	Turner & Newall Ord. Stk. £1	71½	71½	5 4 6
										Woolworth (F. W.) Ord. 5s.	82½	82½	4 5 4

Redemption yields on stocks optionally or finally redeemable within the next five years are worked out on the assumption that they will be repaid at the earliest date. Redemption yields on other dated stocks assume that stocks paying over 3 per cent will be redeemed at the earliest date (these are marked 'e'), and those paying 3 per cent or less will be repaid at the latest date (marked 'f'). (n) Net yields are calculated after allowing for tax at 9s. in the £. (f) Flat yield. * Assumed average life 17 years 6 months.

(a) Interim. (b) Final. (c) Whole year. (d) Int. paid half-yearly. (e) To earliest redemption date. (f) Also a capital bonus of 2½ per cent free of income tax. (g) Year worked out on 15 per cent basis. (h) Fifteen months to March 31, 1947 (yield basis 7½ per cent).

(a) Interim. (b) Final. (c) Whole year. (d) Int. paid half-yearly. (e) To earliest redemption date. (f) Also a capital bonus of 2½ per cent free of income tax. Yield worked on 15 per cent basis. (g) Fifteen months to March 31, 1947 (yield basis 7-6 per cent). (h) To latest redemption date. + Free of tax.

Abridged Particulars.

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1,250,000 in 1,250,000 5 per cent. Cumulative Second Preference Shares of £1 each	1,000,000
750,000 in 1,500,000 Ordinary Shares of 10s. each	750,000
£2,750,000	£2,276,680

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The prospectus shows, inter alia, that:—

- The purpose of the present issue and the issue of 186,714 Ordinary Shares to Ordinary shareholders is to repay the outstanding £217,142 4½ per cent. First Mortgage Debenture Stock and the 250,000 7½ per cent. Cumulative Participating Preference Shares of £1 each of British Quarrying Company Limited, a wholly-owned subsidiary of the company, to repay an outstanding 5 per cent. Debenture for £50,000 of St. Keverne & Associated Quarries Limited, a wholly-owned subsidiary of the company, to finance the development and mechanisation of existing quarries, and the development and equipment of a Wharf and Depot, approximately 3½ acres in extent, on the Thames at Greenwich, and, subject to repayment of Bank overdrafts and loans, to provide additional working capital.
- Profits of the group of Companies for the accounting periods ending within the calendar years 1937 to 1946 inclusive, on the basis set out in the full prospectus, were as follows:—
Financial Year ended within Calendar Year

£	1942	1943	1944	1945	1946
£	178,556	154,699	150,083	156,229	197,798
£	117,631	184,880	179,793		
- *Include an accounting period of 19 months for Amalgamated Roadstone Corporation Limited and its Subsidiaries.
Recovery is now well under way, and the Directors are satisfied that the net trading profits for the now completed financial year will exceed £200,000, after meeting interest charges of over £30,000 on Debentures and Bank Loans which will be repaid out of the proceeds of the present issues, leaving, after Profit Tax and dividend on the British Quarrying Company Limited Preference Shares (which are now to be repaid) and the existing Preference Shares of the Company, £133,042 available for Ordinary Dividend, carry-forward, and reserves.
The dividend on the Second Preference Shares now being issued would be covered on the basis of the estimated profits shown above more than 3½ times and the balance would amount to more than 17% on the Ordinary Share capital as now increased to £750,000.
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CAWOOD WHARTON AND COMPANY, LIMITED

SATISFACTORY RESULTS

DIVIDEND OF 125 PER CENT.

MR. E. W. TOWLER'S REVIEW

The twenty-fifth ordinary general meeting of Cawood Wharton and Company, Limited, was held, on the 29th ultimo, at the Great Northern Hotel, Leeds, Mr Eric W. Towler, the chairman, presiding.

The secretary (Mr Edward Binks) read the notice convening the meeting and the report of the auditors.

The following is the chairman's statement circulated with the report and accounts:—

This is my first statement to you since the company was converted to a public company in April of this year, and as the accounts under review are for the year ended March 31, 1947, it might be appropriate at the outset to refer to the changes in the capital structure which have taken place since that date.

In April of this year the authorised capital was increased by the creation of 200,000 Four and a-Half per cent. "B" Cumulative Preference shares of £1 each, 20,000 of these shares were absorbed by the conversion of the 20,000 Seven per cent. Redeemable Cumulative Preference shares of £1 each, 152,000 were offered to the public at par (which it is gratifying to note were heavily oversubscribed, the issue attracting applications amounting to £1,457,800), leaving a balance of 28,000 unissued shares. At the same time a placing of 10,000 Ordinary shares of £1 each was arranged; on June 25, 1947, the Four and a-Half per cent. "B" Cumulative Preference shares and the 24,650 issued Ordinary shares of £1 each were converted to stock, the Preference stock being transferable in units of £1, the Ordinary stock in units of 1s.

You will see on the following pages that we show the balance-sheet and profit and loss account of the parent company, followed by a consolidated balance-sheet and profit and loss account of Cawood Wharton and Company, Limited, and its subsidiary companies. All the subsidiary companies are wholly owned and their trading results have, therefore, been included in the parent company's profit and loss account.

PROFITS AND DIVIDENDS

The profit of the group is £84,324, from which has been deducted £28,108, reserved for depreciation and amortisation, and directors' fees £830, leaving a profit, before taxation, of £55,386. £24,879 has been reserved for taxation, to include income-tax and N.D.C. on the profits for the year ended March 31st, 1947, and profits tax in respect of the proposed dividends, and the balance together with the amount of £16,425, brought forward from the previous year's accounts, leaves £46,932 available for appropriation. Dividends on Preference shares absorb £2,170; £1,500 is transferred to Preference share redemption reserve account (this will not be required in the future) and it is proposed to pay a dividend of 125 per cent., less income-tax, on the Ordinary shares, which will absorb £16,947, leaving a balance to carry forward to next year of £26,315.

The group profits of £55,386 (after depreciation and amortisation of £28,108, which in the opinion of the directors is a generous reserve) are in excess of the average for the five years to March 31, 1946, referred to in the prospectus. These results can be regarded as satisfactory, particularly in view of the abnormal weather experienced in February and March last. The amount proposed to be distributed to the Ordinary stockholders as dividend on the issued capital

represents only a modest return on the much greater figure of capital actually employed within the group.

CONSOLIDATED BALANCE SHEET

The issued capital of £72,650 is of course before the changes in the capital structure to which I have referred earlier. The reserve for Preference share redemption is no longer required as the Redeemable Preference shares have meantime been converted. The amount of £16,500 standing to the credit of this account, which has been reserved out of profits, has therefore been added to the general reserves of £22,773 (being appropriations over a period from profit and loss account) making a total of £39,273. Capital reserves at £40,305 represent profits on sales of plant and equipment, profits on surrender of the debenture sinking fund policy, and profits on repayments of debentures in subsidiary companies.

Plant and equipment has increased during the year from £165,749 to £205,157 in pursuance of the company's policy of modernisation and mechanisation, and includes additions, less sales, during the year of £64,108; the plant and equipment continues to be well maintained. Trade investments at cost, at £5,454, are lower by the sale of shares in associated companies during the year—today's value being in excess of the amount at which they are shown. The excess of current liabilities over current assets of £10,296 does not take into account the proceeds of the Preference share issue which was made subsequent to the date of this balance-sheet.

FUTURE PROSPECTS

While we are dependent upon our suppliers to a large extent for deliveries, the Board is continuing to pursue a progressive policy of expenditure on capital equipment, designed to increase the productive capacity, and towards a still greater degree of mechanisation.

The results for the current year, already so far advanced, show material improvement over the corresponding period of the year under review, and it can reasonably be expected that the group profits for the year ending March next should exceed those of the previous year; the North-Western group of quarries is now making a satisfactory contribution to the profits.

The general economic situation makes it impossible to forecast very far into the future; who can tell whether we shall be permitted to make our contribution towards the housing problem—to export British coals—or indeed on what scale we shall be permitted to continue to engage in any one of the activities we presently pursue? Our interests are, however, so widely diversified, our organisation so flexible and efficient, that I feel confident we should be able to meet the problems that most surely lie ahead.

The greatest credit and thanks are due to our management, staff, foremen and workpeople for their loyal and efficient services, under conditions which during the year under review were particularly difficult and exacting.

The report and accounts were adopted; the proposed dividends were approved; the retiring directors, Mr W. M. B. Burnyeat and Mr Roland Thompson, were re-elected, and the auditors, Messrs Knox Burbidge Henderson and Company, were reappointed.

FERRANTI, LIMITED

OUTPUT DOUBLED

The forty-second ordinary general meeting of Ferranti, Limited, was held on the 23rd ultimo, at Kern House, London, W.C., Mr. V. Z. de Ferranti, M.C., M.I.E.E., chairman and managing director, presiding.

The following is an extract from his statement circulated with the report and accounts for the year to June 30, 1947:—

The profit for the year, after providing for taxation, depreciation and directors' fees, is £105,293, as against £77,007 a year ago. The figures are not really comparable, as our accounts last year mainly reflected the financial results of the transitional period after taking credit for £225,000 estimated taxation relief. This year's results include the final settlement of most of our war-time contracts.

The total net assets of Ferranti, Limited, amount to £1,636,742, which is represented on the other side of the balance-sheet by the issued capital of £800,000, and the reserves and surplus of £836,742, including the transfer of £60,000 to general reserve account recommended by the directors, and the excess profits tax post-war refund suspense account. The latter account remains at the same figure as last year, £219,235. It is, of course, subject to adjustment on final assessment of our liability in respect of excess profits tax for the whole of the chargeable accounting periods.

LARGER NET PROFIT

The consolidated statement of profit and loss shows a combined net profit for the year of £134,537 as compared with £98,170 for the year ended June 30, 1946. The consolidated balance sheet shows net current assets of £1,158,684 as compared with £878,489 a year ago, and an increase of £38,773 in fixed assets after depreciation. The considerable increase in the subsidiary companies' stocks and debtors is occasioned by the marked expansion in their activities in the North American continent, and reflects their need of further working capital, which has been provided up to date by their bankers.

The total net assets shown on the consolidated balance-sheet amount to £1,804,128 compared with £1,704,295 a year ago, which is represented by the issued capital of Ferranti, Limited, of £800,000 and by reserves and surplus of £1,004,128.

ALL DEPARTMENTS BUSY

During the year the output of our commercial departments has been doubled. All departments have contributed to this increase, both those producing transformers, electricity house-service meters and instruments for the electricity supply industry, and those producing radio, television, domestic electric appliances and clocks for the general public. One-third of this output has been exported. Of our unexecuted orders for the electricity supply industry, 48 per cent. are for the overseas market. The total volume of our export orders shows an increase of two and three-quarter times over that of the last year before the war.

There has been more rearrangement of our manufacturing facilities, and in particular the giving up of a requisitioned factory in which we made valves and cathode ray tubes. The expedition with which this department was moved to our Moston factory reflects high credit upon all concerned. Development work on radar navigational aids and certain applications of electronic devices to industry have been concentrated in the Edinburgh factory.

We are now faced with further rearrangements as the result of the concentration on heavy plant at the expense of electrical appliances for the public. Considerable capital expenditure will be involved to deal with the increasing demand for heavy plant. We are building a new transformer factory and also a new foundry. The Canadian company has increased its output by 40 per cent. over the previous year.

The report was unanimously adopted.

TRINIDAD PETROLEUM DEVELOPMENT COMPANY, LIMITED

TRINIDAD OIL AND DOLLARS

MR KENNETH MOORE'S REVIEW

The annual ordinary general meeting of the Trinidad Petroleum Development Company, Limited, was held, on the 23rd ultimo, at River Plate House, Finsbury Circus, London, E.C., Mr Kenneth A. E. Moore, F.C.A. (the chairman), presiding.

The secretary (Mr J. Mytton) read the notice convening the meeting and the report of the auditors.

The chairman said: Gentlemen, in times like the present we must count ourselves fortunate to be engaged as a company in work of vital importance not only to Trinidad but to this country and to the sterling area generally, for oil is in insistent demand all over the world and likely to be, and as it can be shipped and sold for the currency of any country, it is in itself the equivalent of foreign exchange. In fact the oil which we produce is sold under our existing contract in terms of United States dollars and by reference to Gulf Coast export prices, which are, in effect, world prices.

Moreover, it is not only in the financial sense that Trinidad oil is of value. Trinidad occupies a strategic position of ever growing importance in an unsettled world of which that great oil-producing area, the Middle East, is a potential storm centre.

EFFECT OF COAL SHORTAGE

For all these reasons it is unfortunate that the pace at which we and others can develop in Trinidad, thousands of miles away, is adversely affected by the disappointing pace of coal production at home. When I addressed you a year ago I explained that the shortage of coal was delaying the production of British steel and engineering equipment which we urgently needed. It is now clear that inadequate output of coal has had a much more serious secondary effect.

Largely because sterling will no longer buy coal (there being none available for export) sterling has become an unpopular currency. The consequent "flight from sterling" has resulted in the premature exhaustion of the American Loan; this in turn has precipitated the so-called dollar crisis both here and in Western Europe, whose recovery has been retarded for want, among other things, of British coal.

I mention this sequence not as a matter of politics, but of economics and because it has repercussions on our superficially remote operations in Trinidad. We are having increasing difficulty in obtaining adequate supplies of British steel and engineering equipment and increasing difficulty in getting permits for dollars for American equipment to make good the shortage. I trust that the authorities will appreciate that dollars used to increase oil production in Trinidad will bring—like bread cast upon the waters—a rich return.

THE YEAR'S RESULTS

As you will have seen from the directors' report, we have had a satisfactory year as regards drilling experience and production. The rise in Gulf Coast prices following the lifting of wartime price controls in the United States last summer has substantially increased our financial receipts, and in spite of mounting costs the balance available for reserves and dividends is larger this year. At the same time it has been possible to compute our liabilities for taxation more accurately than in recent years.

Out of the available profits we have ploughed in £200,000 by way of transfer to reserve for future taxation and contingencies, and having done this we feel able to recom-

mend a modest increase in the final ordinary dividend, making the total for the year up to 16½ per cent., free of tax, leaving £140,569 to be carried forward on profit and loss account.

From the balance sheet you will see that the total capital employed is of the order of £1,900,000, consisting of the share capital £1,200,000 and some £700,000 of accumulated reserves and undistributed profits. In round terms this figure of £1,900,000 is represented as to £1,500,000 by fixed assets in the shape of our properties and all the development work, buildings, plant and equipment which go to make an oilfield, and as to £400,000 by net current assets, representing the excess of cash, tax reserve certificates, etc., over current liabilities.

The increase of £217,000 apparent in the balance sheet under the head of plant, buildings, etc., is largely accounted for by the cost of the new electrical generating plant, while the increase of £52,000 under sundry creditors reflects a provision for the retrospective increase in Trinidad Government royalties at present under negotiation between the oil companies and the Government. The Governments of Trinidad and the United Kingdom continue, I need hardly say, to take the lion's share of our revenue, while our shareholders take part of what remains and the whole of the risks.

One can quite understand that the risks are sometimes forgotten, because only the successful oil companies survive, but it is a matter of history that Trinidad, like other oil countries, has been the graveyard of many companies and many millions of capital lost in the search for oil. The few that survive deserve and sometimes reap a rich reward, but in the earning of it they make an immensely greater contribution to the community at large.

OIL RESERVES

You may have noticed recently in the newspapers references to what have been interpreted as gloomy statements about oil reserves in Trinidad. I can only speak for our own company of course, but our experience has been that as each year goes by and we increase our accumulated knowledge of our field our confidence in the reserve position has been strengthened, in spite of the absence of any spectacular discoveries.

This is again the case in regard to the past year, during which a gravimetric survey has been carried out over the whole of our land areas. This has yielded extremely interesting results, which, however, have yet to be tested by actual drilling.

TRINIDAD PRODUCTION COSTS

It is, in our case at any rate, not the reserve position which worries us, but the ever mounting costs of production coupled with the knowledge that for geological reasons the drilling involved in oil production in Trinidad is relatively greater, and therefore more expensive, per unit of production than in most important oil producing countries.

In Trinidad we have to keep on drilling well after well to find and tap the more or less disconnected pools of oil. In other more favoured countries the deposits of oil are in such extensive and continuous formations that, once located, they only need comparatively few wells to secure immense and sustained production, and additional wells are normally only required to increase the rate of flow from the same source.

It therefore behoves all who have the long-term interests of Trinidad at heart to bear in mind that if production costs, particularly those for wages and royalties, get unduly inflated in times of high world oil prices, Trinidad oil may well have difficulty in competing in world markets if and when prices fall.

FUTURE DEVELOPMENT

Mr Tweed and I have both been out to Trinidad this year. You may rest assured that the company's affairs out there are well managed and in excellent shape. It is clear that years of development work lie ahead of us. Our present production operations are confined to about one-third of the mainland area over which we hold oil rights and the gravimetric survey to which I have already referred, together with a geological survey carried out recently in what we call the Moruga area—an area of several thousand acres about 30 miles east of our main operations—lead us to think that a major effort is called for in that hitherto undeveloped part of our territory.

Then there is the question of the marine areas. One of the exploratory wells now being drilled—that at Erin near the seashore—is intended to go down to 10,000 ft. and will, we hope, give us useful information in this connection. As you can imagine, the technical difficulties and expense of drilling down nearly two miles are very great, and it requires, in addition to human skill and ingenuity, a formidable array of highly specialised engineering and drilling equipment and large quantities of steel for drill pipe and casing.

The pace at which we can proceed with all this work of development depends upon our ability to get delivery of machinery and steel, and I have already indicated the difficulties in that connection.

TRIBUTE TO STAFF AND WORKERS

I am sure you will wish to be associated with the directors in expressing thanks to all who work for the company for their contribution to the success of our operations during the past year. I desire to place on record also our particular gratitude to our staff and many loyal workers in Trinidad for having maintained production during the disorders early this year in face of very difficult circumstances.

In this connection, you will be glad to know that the increasing prosperity of our enterprise enables us to pursue an enlightened policy in regard to the medical and welfare services available to our staff and workmen and their families. These have been substantially improved in recent years and we have now embarked on a scheme for a model village at Santa Flora at which, in the first instance, 54 workmen's houses of various types are to be erected, and if the company continues to prosper we look forward to sustained progress along these lines.

The chairman, in reply to a question, said that the oil which they produced was sold under contract by reference to its analytical content. Gulf Coast export prices were quoted under various heads and the company sold on what was known as the gasoline, gas-oil and fuel-oil content. In other words, they were paid accurate market prices for the exact things which they produced and sold.

The report and accounts were unanimously adopted and the recommended payment of a final dividend on the ordinary stock of 12½ per cent., tax free, making 16½ per cent., tax free, for the year was approved.

The retiring director, Mr Kenneth A. E. Moore, F.C.A., was re-elected; and the auditors, Messrs Joselyne Miles Page and Co., were reappointed.

The proceedings terminated with a vote of thanks to the chairman, directors and staff in Trinidad and at home, which was carried by acclamation.

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The Parliament Bill

THE text of the Government's Parliament Bill is now out and it is seen to be a very simple measure, with only one clause of importance. This contents itself with substituting "two sessions" and "one year" for the "three sessions" and "two years" which, in the Act of 1911, regulate the period of delay that the Lords can impose on the Commons. The Government might have been better advised to keep the Bill strictly to this one clause, since the only other non-formal clause brings in the very objectionable principle of retroactive legislation—and does so for little or no gain. The clause says that any Bill which has already passed the Commons twice when this amending Bill becomes law shall be presented forthwith for the royal assent. But, unless the Cabinet change their minds and bring in their steel Bill this session after all, it is most unlikely that there will be any Bill in this position when the amendment takes effect, which will presumably be at Christmas, 1949, at the latest. The retroactive clause can be taken as another illustration of the present Government's curious obstinacy in putting the worst possible face on their actions.

It is obviously the Government's hope that the controversy can be confined to the narrow issue they have chosen. This is unlikely to commend their action in any greater measure to public opinion. It is the timing and the circumstances of the proposal that have kindled objections far more than its substance. To tamper with the constitution merely in order to forestall a possible opposition of the Upper House to a Bill which must be highly controversial is hardly an indication of much confidence either in the virtue of the legislation to be proposed or in the solidity of the British parliamentary tradition. Nor can it be argued that the behaviour of the Lords has in any way resembled the deliberate obstructionism that led to previous constitutional crises. There has been, to use the phraseology of 1910, no "filling of the cup," nor has a Socialist Government been reduced to "ploughing the sands" by the rejection, or by the serious amendment, of a single measure.

Nor is it at all likely that the Government will succeed in confining the controversy to the narrow issue of one year against two, of two sessions against three. The Second Chamber issue was dormant, but now that it has been aroused, it is likely to be aroused in its entirety. If the eventual effect is to create, by the action of this Parliament and the next, an Upper Chamber that imposes a far more intractable obstacle to hasty legislation than the present House of Lords—a contingency that cannot be excluded—then the Labour Party will have only itself to blame.

Second Chambers are almost universal in democratic constitutions. And if there was a case for a Second Chamber in Britain a generation ago, it is certainly stronger today. In the past generation the House of Commons, regarded simply as a machine for turning out legislation, has unquestionably deteriorated. Bills are hastily drafted and they are rushed through in rapid succession by a procedure that allows wholly inadequate time for discussion and reflection. There has hardly been an important Bill of the present Parliament which, in the state in which it left the Commons, did not require improvement, and has not received it at the

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hands of the Lords. The House of Lords has been improving as the Commons has deteriorated. If its political importance has fallen, its legislative skill has risen to a premium. There is no case at all for abolishing the House of Lords—as, indeed, the Government concede by not raising the issue. But if there is to be a House of Lords, then its function can hardly be better defined than in the terms agreed between the parties in the Bryce Conference at the end of the first war—namely “the interposition of so much delay (and no more) in the passing of a Bill into law as may be needed to enable the opinion of the nation to be adequately expressed upon it”—a delay which was considered to be especially needed in respect of Bills which affect the fundamentals of the constitution or introduce new principles of legislation. Indeed, as was recognised in this connection by Mr Lees Smith, who could hardly be classified as a right-wing constitutional theorist, a section of a party which is no larger than an insistent minority may often succeed in eventually forcing its proposals on to the statute book and so in imposing its views upon an entire nation. Or as Dicey pointed out:

Party government leads to the strange but acknowledged result that a not unfairly elected legislature may misrepresent the permanent will of the electors. The party machine may be made the instrument for foisting upon the people of England changes which revolutionary radicals or enthusiasts know to be reforms, but which the majority of the electorate, if they understood what was being done, might condemn as revolution or confiscation.

It is precisely the recognition of this fact that appears to have prompted the present Parliament Bill. In spite of the attempts made by various Government spokesmen to minimise its purpose as a mere clipping of the wings, there can be no doubt that the real effect of this tinkering with the escapement of the constitutional watch is deliberately designed to prevent the interposition of such delay as would enable public opinion to be adequately expressed upon the nationalisation of the iron and steel industry. Delay may, of course, be most damaging to a party in office, and is always infuriating to men in a hurry. But the Lords not only have been most chary of using their powers of delay—the Parliament Act has not been invoked for over thirty years—it is of the essence of things that the present House always will be chary. It will always be frightened of the cry of “The Peers versus the People.” It will not challenge the majority of the House of Commons unless it is clear beyond a peradventure that the majority of the Commons no longer represents the people. And when a Government gets into that position, surely its partisan measures ought to be held up for the decision of the electorate.

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A Second Chamber which can, in effective practice, impose delay only when a majority of the electors want delay ought to be in an impregnable position. And in fact the Labour Party's real complaint against the House of Lords is not that it exercises its powers too much but that it exercises them too little—that though it might hold up the progress of a Labour Government that had become unpopular, it would never do the same thing to a Conservative Government that had outstayed its welcome. This is a fully justified complaint. Even if the powers of the Lords were exactly what they ought to be (as, by a set of historical accidents, they almost are), it would still be wrong that they should not be used against all governments impartially. But, if that is so, then the remedy is not to tinker with the powers of delay possessed by the House of Lords, but to alter its composition.

Alteration of the composition of the House of Lords has been on the agenda ever since the preamble to the Parliament Act of 1911 put it there. The hereditary principle, in these days, is absurd. Nevertheless examination of the alternatives proposed, and of the constitutional practices of other nations both within

and without the British Commonwealth, would not suggest that there are any ready-made solutions to the problem of the composition of a Second Chamber that would command general agreement—and it is worth emphasising that it would be very rash for any party government to attempt to impose a solution without first trying to secure general agreement, as Asquith did repeatedly in 1909-11. Direct election, whatever its theoretical attractions, tends to produce a body that is merely a duplicate, and often a rival, of the lower House. Indirect election, either by the members of the lower chamber or by local authorities, tends to place too much power in the hands of the party managers, and was for this reason abandoned in the United States. Nomination by the Crown of a certain number of Lords of Parliament, who would hold their seats for life, would entail the smallest departure from present practice, and could be made to contribute a chamber of varied and valuable accomplishments not very different in character from the effective portion of the present House, though more equal in party strength. It ought not to be impossible, given agreement among the parties, to ensure that the initial nominations of Lords of Parliament properly reflected the strength of the parties, and thereafter each party could fill up the vacancies that occurred during its term of office.

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But any attempts to reform the composition of the House of Lords come up against one objection. Part of the utility of the present House of Lords as a revising chamber arises precisely out of the fact that the method of selecting its members is ridiculous. If the members of the Second Chamber became any more sure of themselves, they might take to rejecting Bills because they themselves did not like them instead of rejecting them because they were sure the electorate did not like them—which is the only reason that would embolden them to action now. Reform of the composition of the Lords is the only reform for which a case can be made out—but perhaps the prudent politician ought to conclude now, as on every previous occasion in the last thirty years when the matter has come up, that an adequate case cannot be made out even for that. If that were so, the best thing would be to leave the House of Lords as it is and to concentrate on getting more members of the Labour Party into it, which would be facilitated by the institution of life peerages, and possibly by giving Ministers the right to speak, but not to vote, in both houses.

That does not mean that the attempt to reform the House of Lords should be postponed indefinitely, but it does mean that it should be undertaken only as a response to some powerful demand on the part of the public, and that when it is undertaken it should not be smuggled in by the back door piecemeal in order to ensure the enactment of highly controversial measures the difficulties of which have already given rise to sharp differences of opinion in the Cabinet itself. At this time of acute anxiety, when the Government should be making every effort to recreate the unity of national spirit characteristic of the war years, it is surely something worse than folly to introduce a highly controversial issue upon which it has received not even the vestige of a mandate from the electorate. When the pressing problem of the moment is how to restore the faltering national economy to a condition where the British people will be able to buy enough food to keep them alive and enough raw materials to keep them at work, political luxuries like the reform of the Lords must for the moment take a low place in the list of priorities. And if there were any section of the Government or its supporters who imagined that, in these days as of old, the slogan of “Peers versus People” could be relied upon to make the people forget all the complaints they might otherwise have against a Government of the Left, the results of last week's municipal elections ought to have made them change their minds.

Who is for de Gaulle?

IF General de Gaulle were to come to power in France, there can be little doubt that the first reaction among most people in Great Britain would be one of alarm and anxiety. Strong regimes of the Right are rightly suspect among democrats. Yet there is, with each week that passes, less and less room for doubt that the General's accession to power by constitutional means (the qualification is important) is the solution of the French crisis that ought to be the most welcome—or the least unwelcome—to France's neighbours. It is time this was said, for there has been too much humming and hawing about the General, and about his foibles and his followers. Much has been argued and asserted about the beating that his party gave the Communists and the progressive Catholics in the municipal elections a fortnight ago; but the question of what is the best solution to the French moral and economic crisis has not been put, in this country, in the form that all foreign political questions should be put, at one stage or another: what is the British interest in the matter?

With the question in such a form the simple answers suggest themselves. It is a matter of eliminating the alternatives. Is it a British interest that France should be ruled by M. Thorez and M. Duclos, with an internal policy of social revolution and a foreign policy of hostility to America? Clearly the answer is No. Is it then a British interest that the government of France should be continued by coalition, with the present Socialists and men of the centre, propped up between the militants of Right and Left and trying with inadequate powers to stop inflation, save the franc and prepare the way for participation in a Marshall Plan? All instinct answers Yes; the middle way is generally to be preferred, and the majority of men and women in France are showing their usual preference for it; some who voted for General de Gaulle only a fortnight ago have got nervous since. But in France today the continuance of the middle way means a continuance of the ineffective, spineless Government that the Fourth Republic, like the Third, has hitherto exhibited. Another winter's nerveless wrestling with food shortages, selfish farmers, discontented workers and housewives, dishonest taxpayers and well-drilled trade unions might so sharpen the public mood that a constitutional solution might be impossible, and either Right or Left would be led to take measures of the kind which provoke civil war. If there must be a new start in France, the sooner it comes the better. To delay it too long might make bloodshed inevitable. In that case, if coalition government by discredited representatives of the prewar party system is likely to prove dangerous as well as futile, the third question presents itself. Is it a British interest that France should have a government that would provide

leadership, overcome disunity and concentrate the national energies on restoring health and strength to the French state? The answer is clearly Yes—provided that the process can go forward without seriously curtailing the Frenchman's rights and liberties, and without a foreign policy on Russia and Germany so inflexible and so narrow that it threatens the Dunkirk pact. Both conditions could be met if General de Gaulle were to come to power soon rather than late, by vote of Parliament rather than by the authority of a *coup d'état*, pledged to amend the constitution by constitutional means rather than to overthrow it by force.

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It is unfortunate that the French Communists, for different and tactical reasons, may also prefer the promotion of General de Gaulle to the confirmation of M. Ramadier. They see danger for themselves in the General's present tactics; which are to bide his time, to watch the hunger and confusion spread, and to await the surge of demand for order and authority which would carry him to power with unmistakable popular support. They would like to make him fight now on ground chosen by them: over wages, over food, above all over the issue between east and west, between American aid and dollar dependence on the one hand, and Russian aid and independence of America on the other. The Communists have put their calculations quite openly in their weekly paper *Action*:

If the General were obliged, here and now, to enter the lists on parliamentary ground which is unfavourable to him? If he were put against the wall? If he were compelled at an unfavourable hour to enter the battle on ground which he has not chosen?

This is a reckless challenge to the leader of the Fighting French. Taken with M. Thorez's public confession of changed views to his central committee last week, it means a declaration of war, a threat of “direct action” outside Parliament. M. Thorez, who has now departed with his wife for Moscow, there to celebrate the thirtieth anniversary of the October Revolution, has thrown overboard the policy of collaboration with other parties of the Left which he maintained during the resistance and after the Liberation against his party's extremists, MM Fajon and Marty. Before he left, his Central Committee pledged themselves to follow the Bolshevik precedent of 1917, when “the struggle was waged simultaneously and victoriously against counter-revolutionary Kornilov as well as against Kerensky.” In other words, the government of M. Ramadier or his successor will be fought as ruthlessly as the Gaullist Rally. The tradition of the *Front Populaire* is dead and buried; Mr Zhdanov read the funeral service over it at Warsaw in July.

The portents, therefore, are that the Communists can and

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will make coalition government unworkable. Their future action is likely to be concentrated in the trade unions and in the "committees for the defence of the Republic" which they are setting up, presumably as embryo Soviets, in factories and villages all over France. They will be able to mobilise much inarticulate resentment and open discontent about wages, the cost of living, the bad distribution of food, and the social inequalities which the black market brings into such startling relief. Every hesitation of American Congressmen to press on with aid to Europe, every hint that strings may be tied to loans and to the Marshall plan will be used to feed the inflammatory slogan that France's independence is threatened by American capitalism. And, should the Foreign Ministers' conference at the end of this month fail, British and American efforts to get on with the rehabilitation of western Germany will be represented as a betrayal of France's security.

This is a powerful array of weapons and one can only wonder how M. Ramadier can fight back effectively. The majority of twenty granted to his present Government last week was nothing but a postponement of the verdict on ten months' desperate grappling with crisis after crisis. M. Ramadier is already looking for an heir and finding only a familiar trio of aspirants: M. Blum on the Left, M. Herriot in the centre, and M. Paul Reynaud on the Right. If the overriding need is for a Cabinet that can command national unity and enforce new and unpopular plans to cut expenditure and extract more taxes, where is the personality who can divert emotions as well as convince minds? Not, surely, either in the Socialist or the Progressive Catholic or the Republican ranks.

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Admittedly, the Left section of the Socialists has become more conciliatory towards M. Ramadier since the municipal elections. Conceivably there may still arise what Frenchmen are calling a "third force," strong enough to reject the choice between Right and Left, between west and east, which the Communists and some of the General's supporters are trying to force on the French people. The appearance of such a strengthened coalition would be in the French tradition; but its prospects are weakened by two factors: the desertion to General de Gaulle of a great body of progressive Catholic voters of the middle class, and the unsatisfied longing of the people for that renovation and break with the Third Republic which found expression in the Resistance. To those who feel this way the soil in which the Fourth Republic was planted is still sour; and every peasant knows what the cure should be.

What happens in France will be anxiously watched by a

Europe in which the first stirrings of a revival of the Right can be heard. If that revival gathers momentum, it will be due as much to the Zhdanov doctrine as to the Truman doctrine. Whatever may have been thought of it in this country, Mr Zhdanov's speech and the manifesto which accompanied the formation of the Cominform have been taken seriously on the Continent. It is virtually a declaration of political warfare against the moderate Socialists and centre parties of the principal western nations. Its first aim is the frustration of the Marshall Plan: "as far as the USSR is concerned"—so runs the Zhdanov declaration—"it will make every effort to prevent the plan being realised." That, it seems, is now also M. Thorez's first objective; and the persistent reports that Russia has wheat to offer France may point to the tactics that are to be followed. France looks like becoming the centre of the European arena in which the battle of the Marshall Plan is to be fought. If that happens, France's neighbours cannot take a strictly disinterested view of the contestants.

At the moment the initiative lies with the French Communists. Something of significance for them will assuredly come out of the Moscow celebrations which M. Thorez is attending. If it is to be a signal for direct action, to be fought on the wages question—which comes up on December 1—then one must expect deadlock between Government and trade unions. If it is to be moderating advice, a warning against forcing General de Gaulle into action of a kind which might ruin the French Communist Party, then there are some prospects of a "third power" government getting through the winter. In the first case, the politicians in the centre will be driven to make common cause with the General. In the second case, he will be able to choose his time—and his method—for taking office. But in either case a great responsibility rests on the General. He is not a Fascist and should beware of acting like one. He has always stood for a stronger constitution, but there is no reason why it should be authoritarian. He believes in leadership, and leadership is what France needs, but he should school himself to working with elected politicians, and with politicians elected by parties other than his own.

Unfortunately, it looks as if the choice will not be left to the General, as if his hand will be forced. If it is, there should be no doubt about where the responsibility lies and nothing done, either in this country or in America, to make his task more difficult. It is a common interest of all three nations that the Marshall plan shall be adopted and that it shall succeed. One condition of success is that there should be order, confidence and firm, popular government in France.

The New Poor Law

FROM one point of view, the National Assistance Bill can be regarded as the logical completion of the new system of social security of which last year's National Insurance Act provided the main framework. Social security was never intended to be achieved by insurance alone. It was never, that is, contemplated that insurance benefits would in every case be adequate to provide the minimum income necessary to prevent poverty. That minimum was to be secured by the supplementation of insurance benefits by assistance, and in some cases, which did not qualify for insurance benefit at all, assistance payments would alone provide the whole of the minimum income.

This mixture of insurance plus assistance is indeed the basis of the present system of social security. The difference between the present system and what will come into force next July is, first, that insurance benefits will be much higher than they are at present and will cover far more classes of people—

almost the whole population over the age of 16 will be eligible to qualify for insurance. Thus the scope remaining for assistance will be narrowed. The second difference is that at present assistance payments are made through two different agencies—the Assistance Board, which provides payments for the unemployed, old age pensioners and widow pensioners with dependent children; and the public assistance committees of local authorities, which are responsible for all other classes.

For a uniform system of social security to be achieved, it was therefore necessary for all assistance payments to be centralised, so that whatever the cause of a person's need, he would be assisted on the same basis as his neighbour. Part II of the National Assistance Bill, therefore, rounds off the social security system by transferring all assistance payments, and all other special payments (such as those made to blind persons) to the Assistance Board, which is to be known in future as the National Assistance Board.

But a far deeper purpose lies behind the transformation of public assistance into national assistance than a mere tidying-up process. Part I of the Bill, consisting of one clause, formally declares the death of the existing poor law, and for many people the symbolic passing of this three hundred and fifty year-old piece of social legislation will be the most important feature of the present Bill. For the poor law is unpopular—much less so than it used to be, yet unpopular enough for a widespread reluctance to receive assistance under it to have grown up among the population at large. The tradition that it is a crime to be poor has long since departed from the administration of the poor law—with a few exceptions perhaps—but the stigma which this tradition had imparted to the poor law remains to this day.

Yet, with all its faults, can this country afford not to have a poor law—by whatever name it is called? Its supreme virtue was its simplicity; not indeed that the poor law code itself was simple, with its complicated provisions regarding removal and settlement, the right of recovery and so on, but the obligation that now rests on local authorities could hardly have been made clearer or more unequivocal. They have to relieve the poor. No matter whether the need for relief arises in the middle of the night, whether it is a temporary need, whether it is for money, for food, for medical services or for accommodation—the duty of the poor law officers is clear. They have to provide relief first, and ask questions later. How important this overriding obligation is can be seen by reference to the National Assistance Bill. Notwithstanding the death sentence on the poor law, it has been found necessary to incorporate in the Bill the poor law's outstanding virtue. Thus among all the clauses and sub-sections dealing with the powers and duties of the Board regarding a person's application for assistance, there will be found such phrases as the following:—

Nothing in the two last foregoing sections . . . shall prevent the Board's making an assistance grant in an urgent case, and in the making of a grant by virtue of this subsection the Board shall not be bound by any regulations . . . which appear to them inappropriate in the circumstances of the case.

Or again,

in giving assistance in accordance with this section to meet sudden and urgent need the Board may dispense with inquiry into resources or other circumstances and with compliance with any regulations of the Board.

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"Sudden and urgent need"—there are no office hours under the poor law, and, like its officers, the Assistance Board will have to maintain a 24-hour service. But perhaps the full force of the obligation to provide for "sudden and urgent need" can be seen when Part III of the Bill is examined. Outdoor relief, or domiciliary relief, is only part of the relief given under the poor law. Equally important is the provision of shelter to the destitute in an institution. Much has been written recently about conditions in the workhouses today, of the hotch-potch of humanity found in them, the bareness and bleakness of the surroundings, the old-fashioned rules governing them; and much indignation and pity have been aroused at the thought of old people having to end their lives in them and of young children having to start theirs. To do them justice, however, it was never intended by the poor law commissioners of a hundred years ago, when the workhouses were first established, that the aged poor, who today make up by far the greater part of their inmates, should solely be relieved by workhouse accommodation. It was always intended that the prime function of the workhouse was the relief of the able-bodied poor, and that eventually special provision should be made for the old and infirm.

Under the new Bill this intention will at last be achieved. The tendency among progressive local authorities in recent years to take old people out of their mixed institutions and place them

in special hostels is made obligatory on all. The classification of a workhouse's inmates is thus carried a stage further. But once again it is recognised that need and destitution know no official demarcation lines. As with outdoor relief, the supreme virtue of workhouse relief is that it has to be given to anyone who is found destitute and without shelter, no matter where his ordinary place of residence may be and no matter what the cause of his destitution. Whole families may be brought to a public assistance institution, and frequently are, at any hour of the night, and they cannot be refused shelter. A hospital may refuse a bed to a sick or dying person but the public assistance institution turns no one away.

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This statutory roof is so valuable, so essential a part of any system of social security, that, as with the overriding obligation to give outdoor relief, it has been incorporated into the new Bill. Local authorities have, therefore, to provide

temporary accommodation for persons who are in urgent need thereof, being need arising in circumstances which could not reasonably have been foreseen . . .

The big difference, however, between the overriding obligation to give relief in Part II of the Bill and that in Part III is that in the first case it is made the responsibility of the Assistance Board and in the second that of the local authorities. This reliance on local authorities, even were it undesirable, which it is not, is inevitable, for the Assistance Board has no statutory roof and could not undertake the management of the local authorities' institutions for many years to come. But will the taint of the workhouse be removed by the new legislation? One cause for the taint will be removed. People to whom shelter is given will be required to pay for it according to their means, and since nearly everyone, in particular every old person, will be assured of a minimum insurance benefit of 26s. a week, a minimum charge of 21s. a week will be made for accommodation, leaving the beneficiary five shillings for pocket money. (This charge of 21s. will not nearly pay the cost of his keep, which is nearer £2 or more in large institutions and will be higher in the smaller hostels that are contemplated.) The abolition of the workhouse disqualification for old age pension will go a long way towards removing the stigma of charity.

Nevertheless, the old mixed institution will remain—is, in fact, bound to remain, if the statutory roof is to be maintained, for classification and segregation cannot be carried out at three o'clock in the morning. Thus, even if it could be assumed that old people's hostels will be proceeded with at once—which is unlikely under present conditions—there will remain the old building containing a motley collection of the destitute. Moreover, it is also provided in the Bill that if a person is found unsuitable for the type of accommodation provided for him, he, or she, may be transferred elsewhere. The "difficult" workhouse inmate, who will not fit easily into hostel life, is thus recognised. But is there to be special accommodation provided for all the "difficult" cases?—if so, who will staff it?—or will they be returned to the big, mixed institution? A further point is that although the local authorities are responsible for establishing and running all the accommodation to be provided under Part III, the Assistance Board may, under Clause 24, make use of it, and require a local authority to provide accommodation for persons whom the Board consider to be in urgent need of it. Nor can they be required to leave it except with the Board's consent. Thus, the local authority, which will have to exercise disciplinary functions on behalf of the Board, will get all the kicks.

It is not intended in this article to prove that the National Assistance Bill is a bad Bill. On the contrary, it is a good Bill. A great deal of imagination has gone into the framing of it. The welfare of the unfortunate sections of humanity—the blind, the deaf and dumb, and the otherwise disabled—

is to be provided for. And although the local authorities lose their function of giving outdoor relief, their functions in respect of accommodation and welfare generally are enormously widened. But let it not be assumed too readily that the poor law is being abolished, except in name. Very wisely, those responsible for the Bill have realised that its essential principle is indispensable. The danger, however, remains that, with the retention of that principle, some of the stigma of the poor law will be retained also. When old age pensioners, widows and sick people find that they have to go to the same building to receive supplementation for their benefits, enter by the same door, and have the same inquiry into their needs, as the work-shy, the vagrants, the down-and-outs, and other ragtag and bobtail of the poor law, will the same cry of "stigma"

Criminal Justice

THE text of the Government's Criminal Justice Bill has now been published and it is in consequence possible to see the scope of the amendments to the criminal law that are likely to be made before the session is over. In the main, the Bill, which bears a close resemblance to Lord Templewood's prewar Bill, is concerned with administration, and most of its proposals are likely to prove non-controversial. But the Bill is a composite affair and it does involve certain changes in what may be called the principles of criminal justice as well as in the machinery which the state has for the prevention and punishment of crime.

The Bill proposes that the punishments of "penal servitude" and "imprisonment with hard labour" shall be abolished. Instead, there will in future be only one category of imprisonment, so far as sentences are concerned. The existing statutory prison divisions are also to be formally abolished. Thus every offender sentenced to imprisonment will start on the same footing. This does not mean that there will be no classification of prisoners. On the contrary, the Home Secretary may make rules for the classification of prisoners and any rules that he does make shall provide for special treatment of special classes of prisoner, including those in prison for sedition, seditious conspiracy or seditious libel, or because they have failed to pay a money fine. The intention is to give statutory sanction to what is already, in large measure, an administrative *fait accompli*, that is, classification according to the character of the offender and not according to the character of his offence. This is a great step forward in the modernisation of the penal system. So, too, in the opinion of most people, is the clause which would abolish the sentence of whipping. The Bill makes no proposal to abolish capital punishment, but it is believed to be the Government's intention to leave this, if it is raised (as it certainly will be), to a free vote.

These alterations in punishments are interesting and important. But the real importance of the Bill lies in the progress it makes towards converting the criminal law into a rational machine for both punishing and reforming the offender, two objects not easy to merge into the one system. Perhaps the clearest way of looking at the resulting picture is to consider the offenders by age groups.

The first main change is with the young. Capital punishment is not in future to be imposed on anyone under the age of 18. If the offender is under 17 he may not be sentenced to prison by a magistrates' court, nor by any court if he is under 15. Imprisonment for any offender under 21 is to be a last resort; it can only be imposed if the court considers "that no other method of dealing with him is appropriate." Instead, it is intended that all offenders under 21 shall be sent to a "detention centre," which is to be a new creation. Also the powers of

be raised as is raised now about the poor law? And, in these circumstances, will it be a national advantage or disadvantage that an unpopular service is centralised in a department under a Minister responsible to Parliament on whom all the force of parliamentary pressure can be brought to bear? Again, will it be to the advantage or disadvantage of the recipients of assistance that responsibility for them may be banded between the Assistance Board, the local authorities, and the various health authorities? It will be many years before it can be said for certain that the high aims of the National Assistance Bill are fulfilled and that for the needy the multitude of commandments which it proposes have any virtue not inherent in the simple commandment of the poor law—"Thou shalt relieve the poor."

supervision over a person under 21 are to be extended to cover him after release. Borstal training is revised, to some extent. The upper age limit at which anyone can be sent there is restored to 21—the increase to 23 not having proved successful. But it will be permissible in future to impose a Borstal sentence in more cases than previously. Under the present law the offender must be shown to have criminal habits, tendencies or associations. Under the Bill he can be sent to Borstal if the court thinks it expedient that he should be.

The probation system will be considerably extended and improved. So far as the court is concerned, the main change proposed gives the court power to require anyone placed on probation to submit to medical treatment for a period not exceeding twelve months. But a wider change is in the considerable improvement proposed in the organisation of probation officers and their work. Their numbers will be increased; more women will be brought into the service; and the work of the probation committees of magistrates will be overhauled and improved. In short, every encouragement will be provided to keep the first offender out of prison and to help him to find his way back to an acceptance of his social responsibilities.

If probation fails, and if the offender is over 21, the proposals in the Bill make very little change in his subsequent criminal history unless and until he becomes a persistent offender. In that case more can be done for—or, at least, about—him. At the moment, a sentence of preventive detention on a persistent offender can only be passed in addition to a sentence of penal servitude and then for periods of not less than five nor more than ten years; and it is consequently not often used. Two new types of sentence are contemplated by the Bill. After two previous convictions for serious offences, an offender may be sentenced to corrective training for not less than two nor more than four years. An offender who is over 30, who has three previous sentences against him, of which two were sentences of imprisonment, Borstal training or corrective training, can be sentenced to preventive detention for not less than five nor more than fourteen years.

Powers to deal with mental cases are greatly increased. Courts may obtain medical reports without remanding a man in custody. Powers to make reception orders for insane offenders are widened and the whole supervision of criminal lunatics is transferred from the criminal authorities to the Board of Control, reserving, however, to the Home Secretary the power of discharge.

There are many other points covered by the Bill. The power to impose fines instead of prison sentences is extended to include all serious offences. The powers of the High Court to grant bail are increased. Finger-prints can be taken before trial in magistrates courts (which may induce magistrates to grant bail

more freely). Some forms of written evidence may be used in magistrates' courts in traffic offences. Loss of state pension rights on imprisonment for more than one year will no longer be automatic. All three points are of importance.

But the state of criminal law still remains a matter of men, not of machinery. The state may provide remand and detention for those who, even if offenders, are not yet criminals. It can give magistrates wider powers to put offenders on probation. It can abolish hard labour. But the problem still remains one of personalities: the personalities of the offender, the magistrate, the probation officer, the head and staff of the centres, the prison governor and his warders. Their outlook cannot be changed by Act of Parliament.

On the question of magistrates, there is little that need be said here until the work of the Royal Commission on that subject is completed. Probation officers need little comment for another reason, the general agreement over the very high quality of their work and on the standards of human sympathy and understanding that the profession as a whole has reached. It is

NOTES OF THE WEEK

Local Elections—Portent or Warning?

The municipal election results came as a severe shock to the Government, and second thoughts about them can have been no more consoling than the first. The size of the poll—in many areas sixty to seventy per cent as against a normal poll of thirty to forty—the effect of the middle-class vote in such suburban areas as Wembley and Wood Green, and the swing in the industrial areas in Lancashire and the North are causing some hard thinking. Even the Conservatives have been taken by surprise and are now cock-a-hoop.

The swing is almost certainly mainly the work of that disregarded "submerged tenth"—the middle class, middle-of-the-way section of the electorate, whose feelings and voting influence have been so studiously ignored by the Government. The marginal voters—marginal in the two senses of being doubtful about their political affiliations and dubious about voting at all—have been driven to the polls by a long succession of political and personal irritations. The risks run by the Government in ignoring them have frequently been pointed out in these pages. Perhaps the Government will now adjust their tactics. If so, the shock will be salutary and may save them from an unwise reliance on a long run of by-election successes.

A comparison of the parties' successes in the municipal elections this year and at the last contest is particularly interesting. Owing to the moratorium in elections during the war some of these seats were last contested in 1945—probably rather more than half—and the rest have not been contested since before the war. The first column below is therefore a mixture of prewar and postwar results.

	Results When Last Contested		Results in 1947	
	Seats Won	Percentage	Seats Won	Percentage
Conservative.....	648	19.5	1,273	38.3
Labour.....	1,483	44.7	831	25.0
Liberal.....	141	4.2	140	4.2
Communist.....	9	0.3	...	...
Independent.....	1,041	31.3	1,078	32.5
	3,322	100.0	3,322	100.0

While the position of the Liberals and Independents remained almost unchanged, the swing from left to right between the Conservative and Labour seats is very marked.

It is dangerous to argue too much from local election results. A reaction against the Government in power is inevitable and elections have a much weaker sense of responsibility than at general elections; there is a natural desire to give way to spleen without fear of dire consequences. But for all this the Government should take warning that if they hope to win the next Parliamentary election they will have to take the feelings of the country—particularly those of the middle-class voters—much more to heart than they have been willing to do hitherto.

to be hoped that the new remand and detention centres will attract the same kind of men and women into their service. The prisons themselves are a more difficult problem; certainly one that is not yet solved and which this Bill cannot solve.

Perhaps the greatest disappointment in an otherwise excellent and overdue Bill is to be found in the Government's acceptance—necessary perhaps, but no less deplorable—of the delay which lack of suitable premises imposes upon even the start of many of these reforms. The explanatory memorandum published with the Bill contains the following sentence: "the building of these institutions cannot be undertaken until the need for other building of higher priority on the national building programme has been met." The total of offenders is rising. In 1939 there were 78,463 convictions for indictable offences; in 1945 115,974. Ten years ago the proportion per 100,000 of population was 157.8. In 1945 it was 223. It is to be hoped that when the Bill is debated the question of what priority should be given to this kind of building will be thrashed out. It should not be set on one side without full examination.

Good News from the Mines

The last few days have produced a record output of encouraging news about coal. British miners last week produced over four million tons, their best performance since May. The Ruhr miners averaged 246,587 tons a day for October, far and away the highest and most even performance since the war. The Saar miners have got within 9 per cent of their prewar output, and in Poland 43 million tons were mined in the first nine months of the year.

Such news has important implications. The average daily output of the Ruhr and Saar mines last month, added together, made a total of 284,687 tons, thus bringing into action for the first time the sliding scale for allocation to export which was conceded to M. Bidault in April. This scale provides that when output in Western Germany exceeds 280,000 tons a day, 21 per cent shall be allocated to the European Coal Organisation for distribution to its members. Thereby the French should see an increase in those imports from Germany so ardently demanded by all parties. The fact should not go unnoticed in France, where it is customary to regard British handling of the Ruhr miners as incompetent. Nor should it pass unnoticed in this country, as an example of what incentives in the shape of extra food and consumer goods can achieve in a short time.

The fact that British miners have again passed the four million ton mark will certainly not pass unnoticed in Europe, where there is growing impatience at the price that has to be paid for American coal: \$21 a ton in France, \$22 in Italy, \$23 in Sweden, against cheaper and better British coal, if it were available. In at least five European countries the impression is growing that it will be available soon. Count Sforza has been told Italy may get some; Sweden and Denmark believe they will; and Eire appears to have got a promise of coal—as well as agricultural machinery—in exchange for the offer of more food. France, too, certainly expects to be near the head of the formidable queue which is now waiting for Mr Gaitskell to raise the shutters. Fortunately or unfortunately for the Minister, there has been a notice on the shutters for the last two months saying that some six million tons of British coal will be available next year; for that is the figure to which the British delegation at the Paris economic conference was allowed to pledge itself—six million tons in 1948 and 29 million tons in 1951.

It seems fairly clear that unless British production can be kept steadily above an average of 3½ million tons a week throughout the winter, there will be nothing to export in the spring. Unless, of course, the household and non-essential industrial consumer is to be drawn into the export drive by accepting smaller rations. The problem remains of finding incentives to produce and, above all, incentives to take up mining. Count Sforza has made his contribution by suggesting, not only that Sardinian miners should take a hand in Britain, but that British miners should take a holiday in Italy. Mr Bevin's hands must be itching to hold the cards which higher British output throughout the winter would give him.

Inflation and the Franc

At long last the French Government has come to grips with inflation and decided to reverse its policy of printing more notes to cover its expenses. At a four-hour Cabinet meeting on Wednesday it was decided to raise the price of coal from 1,350 francs a ton to 2,160 francs (90s.) and to permit dependent industrial prices to rise accordingly. A new series of products will now be added to the great "free sector," and it is generally assumed that a devaluation of the franc will be required to save France's export trade.

The only alternative to this momentous decision was to appeal to the National Assembly for a revival of the suppressed coal subsidies, which were allowing French coal to be sold to consumers at a loss to the state of about 900 francs a ton.

The decision is part of a concerted effort to balance the budget by 1948. Consequently the Communists, who are making every effort to force inflation on and the Government out, are its principal opponents. They are now trying to persuade the public that the increase in prices is part of the French authorities' effort to reduce the standard of living and to make French workers more pliable to American domination.

For the rest, there is unanimous agreement on the importance of the new decision, but some hesitation about the psychological effect. While orthodox economists are welcoming the return to wisdom others forecast that the conversion has come too late to save the franc. The crux of the matter is whether the Government has the will and power to prevent a simultaneous jump in food prices. In theory there is no reason why they should rise: last summer food prices were at a level of 1,367 (1938=100), while industrial prices had only reached the figure of 813. On the contrary, the absorption by industry of a greater proportion of the money in circulation should be left to have its effect on food prices. In fact, however, the decisive factors are far more psychological than economic, and everything will depend on whether the food producers can be given confidence in the future. The authorities plan to extend their control over basic food products at every stage between the farmer and the consumer, while freeing non-basic food commodities from all control whatsoever. The idea here is to concentrate administrative effort; but the danger, as before, will be that the producer may be encouraged to produce non-controlled, i.e. non-essential, foods.

In any case, if food prices do slip out of control, it seems almost certain that the franc will collapse. The Government is pledged to adjust the wage level to the increased cost of living by December 1st. If at that moment food prices are swerving upward, the workers will very naturally take the opportunity, while everything is in the melting pot, of driving a hard bargain. But by that time a few thousand francs more or less may no longer be worth arguing about.

* * *

Irish Trade and Politics

The trade negotiations between Britain and Eire, which brought Mr de Valera back to London this week, have ended in a general but loose agreement to expedite trade between the two countries. A joint committee of officials is to be set up which will work out details from time to time. Meanwhile, there can be no doubt that the first instalment of the agreement, behind its vague phraseology, gives the Irish Ministers much of what they wanted. They have, it is true, accepted the need for Eire to economise drastically in its use of dollars on the condition that supplies from sterling sources are greatly augmented. Definite, though small, quantities of coal, agricultural machinery and fertilisers have been earmarked for delivery by Britain next year, and the prices offered for Irish farm produce have been considerably increased. The latter concession is said to be necessary to prevent the diversion of Irish livestock to the Continent. This may be so. But the great bulk of Irish exports a ways have been, and still are, sent to this country, and there is no doubt that in the long run their quantity must be greatly increased, not diminished, if Eire is to redress its adverse balance of payments and raise internal prosperity. In these circumstances it is a pity that Britain has not asked Eire to take more positive steps to increase exports of farm produce to Britain—for instance, by imposing much more stringent domestic rationing, a step which the Irish Ministers seemed at one time prepared to take.

In any event, the successful outcome of the trade talks should assist Mr de Valera's party, the Fianna Fail, in the general election which is to be held in Eire in the New Year. Some boost for his party is badly needed. It has suffered a serious reverse in the recent by-elections, two of which were won by the new

Republican Party, whose policy is more romantically nationalist even than Mr de Valera himself. It is now thought unlikely that Fianna Fail, who have been continuously in power for fifteen years, will again get a clear majority. To date, Mr de Valera has succeeded in avoiding serious enemies on his left, but a Coalition Government of the Republican Party and Labour now becomes a real possibility. Such a combination would be less likely to follow a rational trade and economic policy than Fianna Fail, and Britain may find itself, after the many years of mutual hostility, in the strange position of wishing success to Mr de Valera—a twist of events which is not without its good points as well as its irony.

* * *

Dishonourable Members

Comment on what has come to be known as the Allighan case is not only superfluous. It is also unseemly, for the House of Commons itself, sitting in a judicial capacity, has passed judgment and pronounced sentence, and Mr Allighan, Labour MP for Gravesend, ceases to be a member of Parliament. But since the case will be cited as a precedent in future histories of Parliament—its constitution, procedure and powers—it is worth placing on the record exactly what the House of Commons decided in his case and how it differed from that of Mr Evelyn Walkden, Labour MP for Doncaster.

The Government asked the House to approve four motions in regard to Mr Allighan. The first was that he was guilty of gross contempt of the House because of an article which he had written and which appeared in the *World's Press News*, making unfounded charges against the conduct of members of Parliament. This article had been referred to the Committee of Privileges, and the second charge against Mr Allighan was that he was guilty of grave contempt of the House in misleading the Committee when giving evidence before it. Both these motions were carried by the House *nem con*. The third motion, however, was more complicated and led to considerable argument. The House was asked to approve that, in corruptly accepting payment for the disclosure of information about matters relating to future proceedings of Parliament, Mr Allighan was guilty of dishonourable conduct and deserved to be severely punished. It was this charge alone that also applied to Mr Walkden.

It will be noted that in framing this motion the Government explicitly did not endorse the majority view of the Committee of Privileges—that the disclosure for payment of confidential information relating to a party meeting might in some circumstances be a breach of privilege. In this motion there was, therefore, no question of contempt or breach of privilege, and some members consequently argued that the motion should not be carried. Felony automatically vacates a seat. Misdemeanour is a ground for expulsion. Contempt and breach of privilege are offences against recognised laws of parliamentary conduct and are punishable. But is dishonourable conduct? The majority view, taken after a free vote, was that it is and that in proceeding on this charge against both Mr Allighan and Mr Walkden the House was adopting the same attitude towards a member as any profession exercises with regard to professional misconduct by any of its members.

The fourth motion related to the punishment to be imposed. The Government's proposal that Mr Allighan should be suspended for six months was defeated by 175 votes to 75, and an amendment substituted that he should be expelled. The punishment for Mr Walkden's smaller offence—dishonourable conduct—was, however, limited to a severe reprimand.

* * *

Whose Chores in Palestine?

Mr Bevin, soon after taking office, was incautious enough to stake his reputation on solving the Palestine problem. America's spokesmen seem bent on ensuring that they shall have no reputations to lose. The performance of the major World Power in the Palestine Committee of the United Nations is depressing for those who want to see leadership at the top and a world well run. America's steady evasion of the question how partition is to be enforced, joined to partisan insistence on a plan requiring enforcement, culminated last Friday at a closed meeting of the Committee in modified proposals, afterwards revealed by Mr Herschel Johnson at a press conference.

These were that the transition period in the partition plan of the Special Committee should be shortened from two years to 8 months, so as to enable the British to speed up their withdrawal and, while withdrawing, to carry out the partition scheme. This

would then become effective on July 1st next year. This casual fashion of dismissing partition as a minor chore, to be done by the housekeeper on the way out of the house, is nothing better than frivolous. It is not made more realistic by the additional proposal that, instead of the international gendarmerie originally suggested by America, a three-man commission of the United Nations should go to Palestine to advise the British during this period. What could be done by such a commission without responsibility? It could only exacerbate tension and stiffen the obstinacy of the parties whom the British were trying to reconcile. It is not good advice which has been wanting in Palestine.

The British Government will have no difficulty in pointing out the flaws in these proposals. But it is to be hoped that in so doing they will not, as some British comment has already done, stress the time which it will take, as a mere matter of logistics, to get the British forces out. The forces can still be in Palestine and yet be not responsible for internal security there. So long as they are there, they will look after their own security in their chosen areas of concentration, but there is no reason why that should hold up the transfer of responsibility to Palestinian forces. The Soviet delegate's improvement on the American proposals, which would terminate the Mandate before 1948, and leave the Security Council in charge for a transitional period of one year, would introduce the veto into an issue which is already intractable enough. But, however impracticable, it does suggest further good cause why Britain should not plead administrative difficulties as a reason for delay.

The fact must now be faced that the United Nations may very well end their discussions of Palestine by recommending a partition scheme, which they will, however, simply leave the British to enforce. This would be the most unhelpful contribution they could possibly make, since it would deprive the Mandatory Power of all the advantage to be gained in negotiations with Jews and Arabs influenced by the prospect of its own impending withdrawal. Instead of being able to move step by step towards the transfer of power, with complete freedom to make any adjustments which might at any stage offer hope of agreement, it would have its every move measured against a rigid scheme. Any departure from the scheme in the interests of co-operation would be criticised as being in conflict with the will of the United Nations. The temptation would be strong for the aggrieved party to try to enforce what the United Nations had failed to enforce, thus starting the bloodshed which there might still be a hope of avoiding.

* * *

Programme of Withdrawal

Partition is in danger of becoming a slogan. The Zionists are for it and the Arabs against it, and nobody stops to consider what it is. If it means division of Palestine into two sovereign states, then the United Nations majority scheme is not a scheme of partition at all. Its Arab "state" would have no economic basis of existence, while the territorial interlocking and the provision of economic union of the two states, if adhered to, would effectively dispose of sovereignty. The advantage that a practical programme of British withdrawal has over all plans and solutions is that it is empirical. At every stage there is always the choice, for either party, between co-operation or acquiescence and non-co-operation or rejection. And at every stage this choice has certain practical consequences which, as they accumulate towards the date of withdrawal, will ultimately make the difference between a partitioned and a unitary Palestine. They will also make the difference between order and disorder.

Whatever the United Nations may recommend, if they fail to provide an alternative non-Palestinian authority to which power may be handed over, Britain will have to work out its own programme of withdrawal. This will be a major operation which, as the Indian precedent suggests, should best be carried out on the spot by a special mission or a single commissioner of high standing. Unless evacuation were to be a surrender to chaos, it would be necessary—again as in India—to set up some provisional Government representing both sides, in which some special voting procedure would have to be devised to circumvent communal deadlocks—perhaps by adding a proportion of British official members. This authority would be transitional, and its existence would in no way imply that the future Palestine was to be governed by a binational authority in Jerusalem. If the Arabs chose the Mufti, it would be necessary to allow him back into Palestine. Distasteful though this might be for those who remember his past, it would be better than having him make mischief in Cairo or Damascus. The responsibility for deciding how—or whether—Palestine should be divided, and of facing the

consequences of a failure to decide, could then be squarely placed on this body.

A programme of this kind should not be too rigid. The essence of it is that nothing is imposed—unless by the Arabs or Jews themselves. If all fails, and Arab or Jewish force is finally used, then it should not be through any prejudgment by the British of the basic communal issues.

* * *

Flaws in the Arab League

If proof be needed of the inability of Arabs to sink their internal quarrels in order to present a united front over Palestine, it is amply to be had in the decision of the Syrian Government to pick a quarrel with the Jebel Druse at this moment. The Druse sect occupies a strategic position of the utmost importance and value on the Palestinian border. Its hard core—containing its chief religious leaders and its chief warrior and political figure-heads of the Atrache family—lives in the Jebel, or mountain citadel, which commands the upland plateau on which the Syrian, Palestinian and Transjordanian frontiers meet. Here the Druses number perhaps 67,000. Farther west, Druse settlements, containing nearly as many inhabitants again, stretch along the frontier slopes of Mount Hermon and into the southern Lebanon. Druse fighting qualities are proverbial. They were a match for the French Army in a rebellion of 1925; they are the toughest strain in Syria. They are self-reliant and insular. They possess, at the moment, excellent small arms equipment and even anti-tank guns, which they secured during the confusion that accompanied the French departure in 1945. Their value would be great in any attack on Palestine. Their nuisance value would be equally great in the event of operations in the area they inhabit by armies with which they are not friendly.

The Druses have never readily acknowledged the Damascus Government. In particular, the Atraches cherish a permanent disdain for town-bred politicians. Nevertheless, they have lately borne with them, and took part willingly enough in the Syrian elections of last July. In these, to the chagrin of Damascus, the Atraches beat by a two-thirds majority the less feudal and more amenable party sponsored by the Central Government.

The Damascus Government, undeterred, it seems, by any thoughts about the need for security and solidarity on the Palestinian border, chose the last week of October as the moment to announce the annulment of the Druse elections and the holding of a fresh poll. The Atrache Party retaliated by cutting all telephone lines with Damascus, by digging trenches across the main road into their territory, and by threatening to fight any force sent to organise a new vote. The Atrache Party declares that, if this is Damascus policy, nothing will induce the Druses to fight alongside the Syrian Army for the present.

A motive more ill-judged and more parochial than that which prompted the Syrian Government to act in this way could hardly be imagined. Only a week earlier it was closeted in the Lebanon with its Arab League colleagues promising military action or a united front. What future has the Arab League if the home policy of its individual members, let alone the jealousies between its member states, disrupts every plan to which it lays its hand?

* * *

The Commons and Labour Control

Criticisms of the Control of Engagement Order, debated in the House of Commons on Monday at the instance of some of the Government's own back-benchers, carry more weight when they are directed, not so much against the so-called "totalitarian tendencies" of the Government, as against the limited effectiveness of the Order as a means of redistributing manpower and the lack of policy which has led to its introduction. In the first place, it was clearly foolish to abandon prematurely an Order which at its lowest provided a useful register of workers and at its highest would have enabled the Government to guide workers into essential trades. But having dropped the Control of Engagement Order and proclaimed the horrors of peacetime direction of labour, the Government put nothing in its place. Had it been prepared to follow the policy of incentives, which was actually agreed at the Margate Labour Party conference, and had it exerted its influence to speed up what Mr Isaacs referred to in the debate as the "too slow play of economic forces," the essential industries might not now be so starved of labour, and the need for the present measures would never have arisen.

Little of concrete value emerged from the debate—though the reduction in the Government's usual majority was interesting—

for it was largely concerned with the future dangers of direction as an instrument of peacetime policy. There was, however, the now familiar reiteration of the Government's desire to avoid using compulsion and to rely on voluntary methods. It was also interesting to learn that the powers of direction have not in fact yet been applied although the Order has been in force for a month, and the figures given of recruitment to the textile industries were encouraging. The average weekly intake has increased from 892 before the Order to 2,894 after its introduction, without any use of direction. It is, of course, too early to form any estimate about the effects of the Order in industry generally. It is, however, certain that the Ministry of Labour will meet with very much less smooth sailing when it comes to deal with the workers from the "non essential" industries and occupations—the pools, gambling houses, night clubs and other activities which generically are said to belong to the spivs. The main obstacle will undoubtedly arise over trade union membership, which provides an easy loophole for evasion. Mr Isaacs's reply on this point was far from elucidating.

Narrow Squeak on Basic

Mr Boyd-Carpenter nearly pulled it off. His plea for the basic petrol ration must have caught the Government whips unaware, or at least only partially aware, of the strength of opposition on their own as well as the Conservative benches; even so, its near-success in these days of steamroller majorities must have cheered him considerably. None of the points he made, apart perhaps from his championship of the motor cyclist, were actually new to the controversy. The discrimination which flattens by a 100 per cent prohibition one form, and one form only, of the individual's chosen expenditure; the question-begging use of the expression "pleasure motoring" (or, as Mr Gaitskell has elegantly put it, "gadding about"), the refusal to consult either the motoring associations or the Petroleum Board; the incredible shilly-shallying evidenced in successive Government announcements; these are matters which can bear repeated emphasis.

Nevertheless the Government's decision to remain firm is difficult in principle to oppose, whatever criticism may be brought against their obvious ineptitude in handling the whole question. Even if the dollars actually saved fall far short of the estimate of thirty-six million dollars produced by Mr Gaitskell, a dollar saved is a dollar saved, and in these days that at least is something. Moreover, as Mr Gaitskell took the occasion to point out, dollar saving is not by any means the whole issue. Petrol imported from non-dollar sources has still to be paid for, and any reduction in imports is bound to save some foreign currency, and to assist in the battle of the balance of payments. Moreover any saving that we fail to make by the petrol cut will ultimately mean an increase in food cuts. No answer was, however, returned to Mr Boyd-Carpenter's eminently reasonable request for information on the directives issued to local petroleum offices about the grounds on which supplementary rations are to be granted. Ominous evidences of inconsistency are not lacking. Church-going for instance (and social calls on the way) constitutes a ground for granting petrol; shopping (under certain unspecified distances) does not. A detailed statement would not merely save car-owners a lot of uncertainty, disappointment and actual loss—an advantage for which the Government presumably does not care a Shinwell—but would also ease the work of the frenzied and nearly-submerged regional petroleum officers, and, by giving them a little time to consider, enable them to avoid some of the anomalies which are accumulating to their discredit. Altogether, the Government has laid up for itself a quite astonishing fund of ill-will.

Kashmir Crisis

The Indian troops sent by air to Kashmir have so far succeeded in holding the approaches to Srinagar and its airfield against the invading Pathan tribesmen and their Kashmiri rebel allies. Meanwhile relations between the Pakistan and Indian Governments remain tense; the Pakistan proposals, which require withdrawal of the Indian troops from Kashmir, immobilisation of the Kashmir State troops and suspension of Sheikh Abdullah's Kashmir Government, have been rejected by New Delhi.

It is agreed between the two Dominions that the destiny of Kashmir should be decided by its people by a referendum held under neutral auspices. Mr Nehru has not tried to take his stand on the legality of the Maharaja's notice of accession as

putting the matter beyond dispute, for the right of autocrats to dispose of their subjects in this way is repudiated on principle by Congress, even though it was formally accepted in the partition agreement. After what has happened in Kashmir, however, it will not be easy to ascertain the people's will. Simply on the ratio of Moslems to non-Moslems—nearly 80 per cent—the State might be expected to adhere to Pakistan. But the movement for constitutional reform in the State—the "National Conference" led by Sheikh Abdullah—has been built up with Moslems, Hindus and Sikhs in its ranks; it is strong in the towns and is opposed to the Moslem League, which has influence mainly among the hillmen and poorer peasants.

Sheikh Abdullah has now been charged by the Maharaja—who cautiously remains in the Hindu stronghold of Jammu—with forming a Government in Srinagar and power has thus been transferred to hands which are no longer exclusively Hindu. Sheikh Abdullah has avoided taking a definite line on the choice between India and Pakistan; he says it is for the people to decide. He is doubtless conscious of the fact that Kashmir can carry on a sort of political auction and invite bids from both sides. The Pakistan leaders dislike him, as they dislike all "traitor" Moslems, and maintain that no referendum should be held without a widening of the present restricted franchise in Kashmir, for the hold of the Moslem League is strongest on classes now outside the electoral list. But in spite of the difficulties, a plebiscite seems to afford the best hope of a peaceful solution of the issue.

Last Thoughts on Burma

Mr Henderson's reply to Mr Churchill's rather inflammatory criticisms of the Government's policy in Burma did little to dispel more level-headed anxiety about two things: the future of British commercial and financial interests in Burma and the limits to be set to the tactic of meeting political difficulties by setting a date by which British Ministers turn their backs on them. The economic prospects are reviewed in an article elsewhere in this issue (p. 763). They cannot be lightly passed over, for British investments and a debt of £30 million are involved.

On the political question it is necessary to qualify praise for the friendliness with which the Burmese leaders begin the new era by a reminder that threats were used to hasten the British decision to withdraw. It is arguable whether or not the Burmese might have accepted, at one stage, Dominion status; but there is no doubt that the elections to the present Constituent Assembly were held under threat from Aung San's private army. Their results were, in fact, as much a foregone conclusion as one or two recent elections in Eastern Europe. For the future, experience should bring wisdom and tolerance to the new Government, but the totalitarian tendencies are there.

Mr Churchill would have been on stronger ground had he said less in recrimination about the past and more about the possibility of similar difficulties arising in other parts of the Empire, for example in Malaya. It is not difficult to raise terrorist groups in Asiatic countries, and recent British policy in Burma might well seem to some agitators an invitation to more ambitious activity. "A date for withdrawal" makes a very useful slogan for the other side.

Dane Meets Dane

The resignation this week of the Danish Prime Minister, Mr Knud Kristensen, is a public-spirited act which should afford a way out of the political deadlock which the elections to the Lower House on October 28th failed to solve. For it was Mr Kristensen's policy on South Schleswig which caused his government's fall and brought on the elections. Yet, in so far as the votes of his party, the Agrarians (*Venstre*), have increased by 96,000 to 575,000 and its seats from 38 to 49, this policy has met with wider popular support than was expected.

The results belied Social Democrat hopes. Gaining 834,000 votes compared with 672,000 in the elections two years ago, and 57 seats against 48, they failed to obtain a working majority. Of the other parties, only the League of Justice, with its single tax programme, advanced its position and now holds 6 seats compared with 3 previously. The extreme parties of both right and left suffered considerable losses. The Communist vote fell from 255,000 to 141,000 and its representation at 9 seats dropped by half. Corresponding figures for the Conservatives are 264,000 votes compared with 374,000 and 17 seats instead of 26. The Danish Unity party, which holds the most extreme views on South Schleswig, lost all its 4 seats; while the Radicals, whose

votes fell only from 167,000 to 144,000, still have sufficient strength with 10 seats to hold the balance in this Parliament as in the last.

The basic differences between the main parties were thus merely clarified by the elections, and the parties confirmed in their adherence to them. All desire a coalition, since none could share in the Government without it. But each desires it on its own terms. And those terms cancel one another out—or did so until Mr Kristensen resigned. It is the Radicals who, having forced the election in the first place, have now deprived the Agrarians of their chances of a further term of office. For this would be impossible without the backing of the Radicals, who will not support Mr Kristensen. They are now likely to support the Social Democrats. But whether the new Danish Government is entirely Social Democrat or, as is widely recommended, a broad coalition under their leadership with Mr Kristensen excluded remains to be seen.

Unravelling the Red Tape

It is a well-known and lamentable fact that exhortations and incentives offered to manufacturers to concentrate on export markets have very largely failed of their full effect not—as yet—because the seller's market is over, not because profits are too low, but simply because, harassing as are the formalities of home commerce, those involved in the simplest export transaction are a great deal worse. Exporters, indeed, have to hack their way through even more red tape than do importers; the actual expense and loss of time involved are often more than any business man can be reasonably expected to face. Particularly where the exports concerned are of a speciality or fashion type—the dollar earners *par excellence*—the controls in their existing form, and particularly the system of allocations, constitute a very real obstacle to progress and penalty on initiative.

The proposed working party on forms and procedure generally, announced last week by Mr Harold Wilson, will be particularly welcome to the export trade, as will the measure of decentralisation involved in the setting up of regional export committees. But it is not only the exporter who needs disentangling. A spokesman for the fishing industry has lately announced—pre-

sumably with a certain amount of hyperbole—that the fishermen can deliver either forms or fish, but not both, and the Government must choose; the complaint of the farmer is perennial; while the hopes both of these and of other producers have been raised by the signal success of the departmental attack on forms for builders, which (as reported in evidence to the Select Committee on Estimates) reduced the number of documents to be filled in in the course of a twelvemonth by some 70 per cent. Even if equally spectacular improvements cannot be achieved everywhere, every little helps. Any unravelling that may be accomplished will be especially welcome to the small firm, which is now getting a disastrously raw deal in almost every respect. It is easier to negotiate with big combines or with associations on which the small man has little say; the big firm is a tidier and more dignified economic entity; its leaders are established big men whose interests and opinions are likely to be treated with respect. The small man cannot afford to employ a specialist in form-filling and in contact work; he gets "concentrated," put at the end of the queue for allocations, and generally overlooked. This is short-sighted, even in crisis. At any given moment any given small firm may be unimportant; so is any given sapling in a forest of full-grown trees. But today's sapling may be tomorrow's timber. Not the least disadvantage of the over-controlled, red-tape-enwrapped economy of today is the way in which it discriminates against its own dynamic elements.

Continuity in Housing

The watchword of the revised housing programme is "continuity." No sudden changes are to be made, and existing buildings and contracts are to go on. This attitude is visible throughout the circular sent to local authorities by the Minister of Health at the end of last week.

The arrangements . . . are intended to promote speedy completion and occupation of houses and to mark the Government's sense of the need for continuity. . . . Most local authorities have enough work in hand to keep them busy for the next year at least.

Such phrases crush any lingering hopes that performance might be more ruthless than promise. With their local electors

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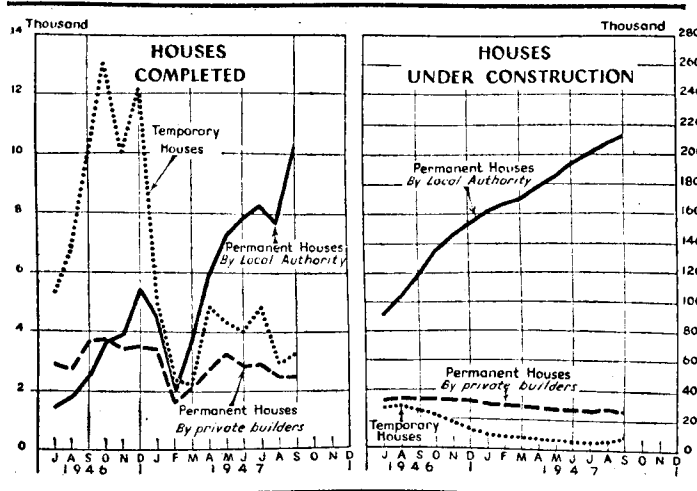
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By F. A. MERCER

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in mind it is obvious that few local authorities will do more than the minimum scaling down of their plans. The Ministry, it is true, suggest a number of ways of concentrating work in order to accelerate the numbers of houses to be completed, but their suggestions are matters of ordinary routine, which any sensible local authority should have thought of already. Even for future contracts there are to be no drastic changes, and the restrictions in timber imports in 1948 are not expected to affect the number of houses built in 1948, since the timber for these is already available. Mr Bevan's victory appears to be more complete than ever.



There were at the end of September 71,000 houses already roofed, and of these 31,000 had been plastered. This situation is reflected in the marked upward turn in the numbers of houses completed during that month. Until then, July was the month with the highest number of houses completed by local authorities—8,333. In September local authorities completed 10,337.* This is an improvement, though still out of step with the continued rise of houses under construction. Full figures are given in the *Records and Statistics Supplement*.

War Damage

On Monday the War Damage Commission pays out some £100 million, this being its first substantial issue of what are known as value payments. The recipients are those whose premises have been completely destroyed by enemy action and they receive the prewar value of their premises plus an increment of 45 per cent. They do not, however, comprise the total of those whose premises were similarly lost in this war. The claimants to another £70 million are not included in this disbursement simply because they have so far failed to agree among themselves how the money in each case shall be shared between the owners of the various interests in each piece of land. Further, those whose destroyed buildings were houses of 1914 construction, or later, are entitled to a cost-of-works payment; that is, they are entitled to have their house rebuilt and to be indemnified by the Commission against the cost of so doing. There were 40,000 in this category and in the cases of 32,200 of them the Commission has already approved the plan, specification and price for the new house.

It is still impossible to calculate the total cost of the war in material damage to property in Great Britain and Northern Ireland. Cost-of-works payments made and value payments notified total nearly £600 million. The receipts from property owners' war damage contributions totalled £200 million, so already the State stands to find £400 million. The extent of the remaining liability, mainly cost-of-works repairs, depends very much on when the work can be done. In July Mr Glenvil Hall gave £60 million as an estimate of the remaining liability. It is not likely to be less.

Next week's payment is a Government decision. Last year the Chancellor promised that value payments would be made in 1947. No one can say that a payment in November is an excessively early discharge of that promise. Nor can anyone seriously claim that the promise should not have been given. The claimants have suffered loss of capital and income since

*Cmd. 7242, 7243.

the damage was done, in many cases seven years ago, and it is unfair to single out any one class of property owner even for such a mild penalty as the compulsory saving of his capital by Government decision. Yet the fact remains that this £100 million payment, except in so far as it is used to repay bank loans, can at this moment have nothing but an inflationary effect. It is impossible for the majority of the recipients at present to spend it on building. It is not particularly desirable that all of them should. Yet their purchasing power is increased by the amount of the total disbursement and not all of them may immediately reinvest it in government securities. In one way the payment is a test of the National Savings Campaign. It is difficult to imagine any set of people to whom the arguments for saving should today have a stronger inherent appeal. The result in the savings figures for the next fortnight or so will be interesting, whichever way it goes.

Shorter Notes

On Monday representatives of thirteen governments begin work in Brussels on a study of how a customs union for Europe might be formed. Norway and Sweden still take towards this idea the very cautious view that they took during the Paris economic conference two months ago, and will send only observers; but it is a gain that the Swiss will take part and that the British Dominions will be represented by observers. This first meeting is expected to last about a week and to result in the formation of expert committees to plan and develop the study. They would do well if they finished their work in three years. Meanwhile, much has been done in London to work out various ways in which Britain, as a European and a Commonwealth Power, could take part in customs unions. The problems that have arisen are numerous and complex; and it is already clear that, however desirable customs unions may be as long-term objectives, the effort to achieve them can have little relevance to the present economic difficulties of this and other countries.

The worse the economic plight of this country the greater the pressure which will come from those wishing to emigrate to less austere parts of the world. This pressure was much in evidence during the debate on emigration in the House of Lords on Wednesday. Increasing pressure is also coming from the Dominions, whose difficulties in meeting the demands for skilled craftsmen and technicians are as acute as in this country. The Government still adhere to the principle of free movement, and rightly, but they must be privately thankful that shipping shortages make it impossible to turn principle into more than a trickle of practice.

In a chart on page 714 of *The Economist* last week, the fats ration was shown as dropping from 7 ounces a week to 6 ounces in 1946. This is incorrect. In March, 1946, the ration of cooking fats was reduced from 2 ounces a week to 1 ounce, bringing the total fats ration down to 7 ounces, at which amount it has since remained.

The appeal of Mr Higgins, landlord of the Cock Hotel, Epping, who was convicted at Essex Quarter Sessions last summer of failing to supply a traveller with refreshment, has been allowed by the Court of Criminal Appeal. In a reserved judgment, the Appeal Court held that the directions on law given to the jury during the course of the trial were not sufficiently accurate to allow the jury's verdict to stand. Accordingly the conviction was quashed.

The Economist's Annual Banking Number

will form part of next week's issue of

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THE ECONOMIST, 22, RYDER STREET, LONDON, S.W.1.

Letters to the Editor

Local Financial Reform

SIR,—In your comments on the valuation provisions of the new Local Government Bill, which seems on the whole to be a very competent piece of workmanship, are you not a little over-suspicious?

It has surely to be recognised that in these days of almost universal rent restriction and widespread subsidisation, the rent of a house has altogether ceased to be a generally applicable measure of the value of the services which a house is capable of rendering to its occupier. If it is this value which we desire to tax (and on this fundamental principle the Bill evidently intends to make no break with tradition), we must, for large classes of houses, be prepared to rely upon indirect, rather than direct, evidence. That is what, in fact, has been happening; but because there have been no firm rules in the matter, there has been no clear guidance as to the type of evidence which should be decisive in each particular case. This has been one of the main causes of inequalities and arbitrary assessments. Now the Bill is seeking to prescribe such rules; by distinguishing different classes of houses, and laying down the type of evidence which should be decisive for each class, it should surely make for objectivity and for fairness, provided that the types of evidence to be preferred for the various classes are broadly consistent with one another.

Save on one point, it looks to us as if the rules which have been proposed do have this sort of broad consistency. To base the valuation on values at a single particular date will make for consistency, though it is unfortunate (of course it is obviously inevitable) that the base date has to be so remote in time as 1938 will have become by the time the first revaluation under the new scheme is completed in 1952. In any case, it is to be hoped that the authorities do not envisage the 1938 basis as a permanency. It will be just as important to revise the valuation base date from time to time as it is to revise the basis of the cost-of-living index.

The one point where the scheme does involve some element of discrimination is with respect to the provisions about site values. The valuation of council houses is to be based upon 1938 construction cost and 1938 site values, while that of other "small" post-1919 houses is to be based on 1938 construction costs and current site values. In practice, one would guess that this provision will be most important in its bearing on the valuation of such houses as may be put up by the private builder in the future (perhaps the near future). One can well understand that the estimation of 1938 site values for the council houses now being erected has been judged to be a practical proposition, while the estimation of 1938 site values for houses to be erected by the private builder ("you can't tell where he might put them") has been thought to be less possible. Yet since the current site values are likely to be systematically higher than 1938 values—it should be noted that direction is given to ignore development charges under the Town and Country Planning Act—this does seem to involve some real discrimination. Would it be impossible to write down the site values of non-council houses by a percentage based upon the general rise in site values in the locality, and thus put all "small" houses on what would be substantially the same footing?—Yours faithfully,

J. R. HICKS
151 Woodstock Road, Oxford

URSULA K. HICKS

Should Electricity be Taxed?

SIR,—Surely the main point that emerges from the article is the unreal basis on which depreciation of plant is measured—a fault that is by no means confined to electricity companies.

If depreciation was based upon replacement cost instead of the out-of-date and wholly artificial basis of past cost, current production costs would be faithfully reflected in the price per unit.

This point is particularly important to companies whose total assets consist of a very high percentage of fixed capital in relation to floating capital. Perhaps, this is most marked in the case of statutory companies like electricity, gas, water and railways, etc., where the companies concerned do not possess the same freedom of action to build up reserves out of revenue, as companies incorporated under the Companies Act, 1929.—Yours faithfully,

R. W. MOON

University College, Oxford

End of Act Two

SIR,—Mr Timms is an Oxford man, and (to judge from his letter) a socialist. It is of little importance to me (and, I suspect, to many of your readers) whether or not a vote in the Cambridge Union, hostile to the Labour Government, has any political significance for the country. I can hardly quarrel with anyone who asserts that it has none. I (unlike Mr Timms) adhere to no political party, and would have gladly seen the vote go either way. But I cannot remain unmoved by the strictures which Mr Timms implies against the integrity, sagacity, and general intelligence of those who attend debates at the Cambridge Union.

Mr Timms says "doubtless you would have preferred the Oxford figures if they had been available in time." He then goes on to give what seem to me some very cogent reasons why you should not have preferred the Oxford figures. I cannot quarrel with Mr Timms's analysis of the Oxford debates; what I find very hard to swallow is the implication that his analysis applies also to the Cambridge Union.

So far as my own observations go, I should say that there is a large number of intelligent members of the Cambridge Union who are not misled by oratorical virtuosity, but who vote on the merits of the case as presented by the speakers and as they understand it from their own sources of information. A man who is good "entertainment value" (to use Mr Timms's expression) certainly gives great enjoyment. But if his task is to get as many votes as possible, he makes that task harder, since his sincerity may well become suspect. It may be, as Mr Timms seems to think, that we are all very gullible, and mistake rhetoric for sincerity. But since the majority of members at the moment are both scholars and ex-service men, it seems likely that they, as an audience, are far less gullible than most political audiences in this country. Mr Timms would perhaps be surprised to know how well they receive a moderate and reasoned speech. And if they do not all sit through the debate to the bitter end; well, many of them have work to do, and many of the speakers from the floor are beginners.

Perhaps this very lack of gullibility disqualifies the Cambridge Union as a political barometer. But this was not Mr Timms's argument. Many others hold that what thinking people think today is thought by the unthinking tomorrow.—Yours faithfully,

R. C. M. YOUNG, President,

Cambridge

Cambridge Union Society

From The Economist of 1847

November 6, 1847

Majorities can be in error, and minorities can be right. In fact, improvements in Government, as well as in mechanics, begin with individuals. They are at first the conception of a single mind. In 1819 the great majority of our community was opposed to parliamentary reform, and duly sanctioned—by the authority of King, Lords, and Commons—that little massacre at Manchester, which in due season led to the Act of 1832. Swollen with pride, confident in their strength—there being no power on earth capable of offering resistance to a great majority—the more numerous are majorities the more likely are they to conclude, with Mr Carlyle, that might is right, and that what it resolves has the sanction of divine authority. We need not, however, quote numerous examples from history to prove that minorities are very often right, and majorities wrong. The former are not justified in submitting to, nor the latter in enforcing, an erroneous decree. To assume, therefore, that the Diet in Switzerland is right, because it has the majority on its side, is to beg the question. Practical politicians, however, know that the government of political societies is not carried on either in obedience to the will of the majority, or on any such abstract principles as those we have been discussing. Laws, whoever may be the law-givers, are always made in conformity to the pre-existing usages of society, and to its present habits, which are rather felt and acted on than studied and consulted. No laws can be enforced, or will be obeyed, which do not conform to this principle, and it is a *prima facie* condemnation of the men at present at the head of the government in Switzerland, that their measures, taken in a spirit of hostility to large bodies of their countrymen, are resolutely opposed.

SIR,—The Cambridge Union's refusal of confidence to a Labour Government which you adduce in support of your contention that "the young people" have turned against the Government is surely hardly as significant as the prominence you give it would suggest.

The Union Debating Society here at Cardiff expressed their confidence in the Government by a vote of 211 to 123, a considerable increase in support for the Government over last year, when the vote was 164 (for), 117 against.

It may be that Mr Ness Edwards was a more persuasive advocate than Mr Strachey; but the point is that if the figures were taken for all College Unions, Cambridge might well be found to represent only a minority view. It seems unwise to ignore the Provincial Universities; but it is quite inexcusable to ignore the great mass of "young people" who never go to a University at all.—Yours faithfully,

NIHAL CANEKERATNE,

Hon. Secretary, Union Debating Society, University College of South Wales and Monmouthshire

Cardiff

Political Plague

SIR,—The letters criticising your article have been written under the assumption that assimilation is an "ideal." Refugee Worker seems to think it both "comfortable" and realistic, yet fails to give any evidence that at any time or period it has been successful. As for the specific case of England need he be reminded that there still exists a flourishing "Sephardic" Jewish community who began to settle here some 300 years ago, at the time of Cromwell.

Further I do not understand what Refugee Worker means by

"racial anti-Semitism." Racism is only one factor in the complex problem of anti-Semitism, which is excellently analysed in an essay by Professor Morris Ginsberg in the book "Reason and Unreason in Society," recently reviewed in *The Economist*. Anti-Semitism has always existed where Jews have at any time lived. Thus some 300 years after the expulsion of Jews from England, the "Merchant of Venice" was written, a period during which, officially at any rate, Jews were not living in this country. Nevertheless Shakespeare, who had great insight into the Jewish character, was forced to pander to the public prejudice by painting the commonly understood picture of a Jew.

Mr Julian Badcock seems to think if only Jews would intermarry, this whole problem, which is such an irritant to world conscience, might solve itself. It is, of course, fantastic to expect a nation to commit national suicide; nobody would make such a suggestion except in the case of Jewry, for in all other cases it is well understood that no nation will voluntarily agree to its own dissolution, however peaceful the transition period might be. The whole trend of your article and correspondence shows that most Gentiles and many Jews do not yet realise that they are a nation like any other. Zionism may only have become a political force recently, but its potentiality has always existed in Jewish tradition, ever since the enforced exodus from Palestine. When a Jewish State exists, the national problem of Jewry will be solved; then the world will continue to eat the fruits of Jewish culture, fruits which would die should assimilation succeed. Moreover the individual Jew outside Palestine will look upon his nation as the Irish American looks upon his at the present time.—Yours faithfully,

W. KOENIGSBERGER

70 Brondesbury Park, N.W.2

Books and Publications

Capital versus Consumption

"Are These Hardships Necessary?" By Roy Harrod. Rupert Hart Davis. 175 pages. 5s.

THE answer, Mr Harrod most powerfully believes, is No. Present troubles, and the worse things to come, are the result of a single gross but eminently remediable error; that of embarking on a programme of capital construction for which neither home savings nor foreign loans provided adequate backing. The surplus of investment over saving and the deficit on foreign trade account are two sides of the same coin; disappointing as it may be to axe the capital programme—every one of whose items may be, separately, desirable—both common honesty and self-interest demand that the axe be applied forthwith and with more than Crippsian severity. This explosive essay in economic polemics was written last August in a ten-day burst of sustained and fluent indignation, and combines the best qualities of an election manifesto and a primer of economic horse-sense. (There is a chapter, almost parenthetical, on the Price Mechanism, which states the case for free choice versus allocation with a neatness, force and realism in places unsurpassed since—one is almost tempted to say—Adam Smith.)

With much of the argument it is impossible to disagree; there is no over-colouring in the picture of our present discontents or

in the analysis of their cause. But Mr Harrod's remedies suffer from a certain lack of discrimination, not to mention over-optimism. Productivity may indeed, in the vital short run, be far more rapidly increased by "filling the pipe-lines," and so doing away with bottlenecks and with the wasteful controls which they make necessary, than by more impressive schemes of re-equipment and expansion. Starving a horse to buy a new set of harness is poor economy. But Mr Harrod never investigates the possibility that a substantial part of that deplorable surplus of capital expenditure over savings may represent not new harness but, so to speak, horseshoe nails—investment required not merely to increase productivity but to prevent its actual collapse. There are limits to make-do-and-mend, and if the things which can no longer be made-done-and-mended with are essential parts of the productive system, then any hardships entailed by their replacement are emphatically necessary. Savings and investment must indeed meet; but Mr Harrod offers no proof for his proposition that investment should come the whole way down while nothing is done to bring savings up.

Closely linked with this main argument is a plea for a liberal trade policy and the quickest possible return to convertibility, coupled with a resounding attack on Dr Dalton and the dollar muddle of last summer. (His ensuing statistical brawl with the Chancellor leaves his basic position intact, though certain out-

posts have had to be given up.) His arguments here are convincing enough on certain assumptions as to the mobility of resources within Britain and as to the terms of trade. Both, however, are open to question. Classical remedies apply where classical conditions obtain; fluids behave differently from solids. To which Mr Harrod would doubtless reply that what this country needs is, precisely, a thaw. How true—but the meteorological indications are not hopeful.

Longlegs and Shortlegs

"Grandfather Longlegs." The Life and Gallant Death of Major H. P. Seagrim, G.C., D.S.O., M.B.E., by Ian Morrison. Faber and Faber. 12s. 6d.

AMONG the Karens of the eastern border hills of Burma three years ago the Japanese were "Shortlegs" and the British were "Longlegs." The title of "Grandfather" suggests advanced age, but its bearer was only thirty-five when he was executed by a Japanese firing squad at Kemmendine cemetery near Rangoon in September, 1944. He was Major Seagrim who stayed behind in the Karen country after the Japanese overran Burma and organised a guerrilla resistance against the conquerors which was among the most remarkable episodes of the war in the Far East and challenges comparison with the record of Lawrence of Arabia.

The resistance of the Karens to the Japanese invaders and their steady loyalty to Britain during the war were in striking contrast to the oscillations of the Burmese and are politically explicable by the history of the Karens as a people formerly oppressed by the Burmese and given security and protection by British rule in Burma. The Karens are primarily a hill people, though many of them have settled in recent times in the lowland delta of the Irrawaddy. What distinguishes them most from the Burmese in appearance, according to the author of this book, "is the expression of the face, open, honest, lacking all guile." To offset these qualities he admits that they lack initiative and are "often extremely stupid." They are clannish, exclusive and reserved. But they are capable of unshakable devotion to a man who has won their confidence, and this is just what Seagrim did. Though history and politics inclined the Karens to the British side, the resistance described in this book would not have been possible but for the special personal contact which Seagrim had with the Karen people.

Seagrim was the ideal guerrilla commander for this primitive folk. He went bare-foot in the jungle and ate all the things which the hillmen ate, "even rats and frogs and snakes." He passed through the Japanese lines carrying neither rifle nor revolver, but only a couple of grenades. He never gave the Karens drill, but taught them always the arts of infiltration and ambush. His supply of modern arms was very small, and the Karens often inflicted casualties with their crossbows, which were effective up to seventy yards. Seagrim perished in the midst of the struggle and never lived to see its climax—"Operation Character." But his heroic fight was all the more remarkable in the circumstances of the period which followed the first heroic onrush of the Japanese through the Far East, and it is interesting to learn on the evidence of an officer who knew him that he had determined to stay behind if the British evacuated Burma "as a matter of principle"; also that he held that the British were suffering from a general lack of principle, for which he thought they "deserved to lose the war."

Two Facets of Fuel

"The British Fuel and Power Industries." A Report Published by PEP. 406 pages. 30s.

THIS is a formidable report on an immense subject—so formidable that to show what the report is about there is first a full summary of contents, then fifty pages summarising the argument and finally five pages of conclusions. Between the summary and conclusions there is a mass of information of every conceivable kind, some of which is technical or scientific, some statistical and a great deal historical. And in spite of the fact that this single report struggles to cover the whole fuel industry since the publication of the three separate PEP reports on Gas, the Coal Industry and Electricity Supply, there is a considerable quantity of detail which is barely relevant to the main argument.

The trouble is that it is impossible to see the wood for the trees. Much of the material is extremely interesting, but a great deal of it is ill-digested and at places even sketchy. The effort of squeezing so much in has necessitated leaving so much out that the balance is destroyed. The conclusions tend to strike one by surprise and not to flow from the previous argument, so that it

is difficult to follow the sequence and to derive any firm impression of what the report is leading to. This is the more disappointing since the standards set by PEP for itself in the past have been so high. The discussion of the crucial question of price structure is an example of this failure. It is stated that "The first essential is that the prices at which fuels are offered to the consumer should so far as possible correspond to the true cost of production." This is a very important economic problem, and the authors may or may not be right, but no space is given to the discussion of alternative policies. In a planned economy a deliberate discrimination in favour of essential industries may sometimes be very desirable.

The most interesting parts of the report are those concerned with the technical aspects of fuel utilisation and with two valuable inquiries into fuel consumption in the textile and iron and steel industries. The authors of the report are at home among technical questions: it is when they come to political and economic ones that they fall down. Unfortunately for them the report has appeared at a very awkward time for much of its subject matter ends with the end of 1945. At present the main centre of interest in the fuel and power industries lies in the problems of the changeover from private to public ownership. The report will certainly make a contribution to the background of this change and contains valuable material. What it fails to do is to provide a lucid exposition of the state of the fuel industry on the eve of nationalisation, which might serve as a guide to the solution of its problems in the future.

"Meet the Miner." By E. R. Manley. Published by the author 3, Leeds Road, Lofthurst, near Wakefield. 120 pages. 6s. 6d

NO greater contrast between this small and unattractive looking book, and the PEP report could be devised. The report is large, handsome and ambitious. Mr Manley's book is small, full of childish pen and ink drawings and unambitious. But in spite of these initial disadvantages it is a really valuable contribution to an understanding of the problems of the coal industry. Simply and sympathetically it describes the daily routine of the miner in the mine and the isolation of his life both socially and industrially. The descriptions of the conditions at the coal face, the physical and psychological strains of work underground and the human problems of mechanisation are vivid, and the sincerity of the account is very telling. Mr Manley is a village schoolmaster and he is writing for workers in other industries. The book does not attempt to deal with the larger problems of the industry, but unconsciously it does a great deal to explain why nationalisation cannot transform the industry overnight. To meet the miner is to meet an individualist.

Shorter Notices

"Money and Banking: A First Course." By Weldon Wellding. F. S. Crofts, New York. 631 pages. \$4.50.

THE great changes of the interwar years, as a result of which monetary theory has ceased to be a side-line, and has been incorporated into the general body of economic theory, penetrated into the text-books some years ago. Now, the problem is not so much to find good books on monetary theory as to cover the revolutionary events of the last few years in the monetary field without referring the student to an unmanageable number of original documents and articles. Mr Wellding's book has the great merit of not only discussing Keynesian theory in a highly competent way, but of presenting the student with a summary but coherent account of the financing of World War II and of Bretton Woods. Unfortunately for the British student the discussion of war financing, like the longer discussion of monetary and banking institutions in general, is mainly concerned with United States experience—this could hardly be otherwise in an American book, which could not conveniently have been made longer and is, indeed, already open to the charge of excessive length. Nevertheless, a judicious selection from it would form a very useful constituent of a British student's reading.

"La Civilisation de 1960." By Jean Fourastie. Presses Universitaires de France. 115 pages.

THIS stimulating little book is one of a popular series whose 200-odd volumes deal with subjects ranging from astrophysics through practical beekeeping to the Papacy; and its author would probably have felt quite at home as a contributor to the Today and Tomorrow library. His object is to trace the grand lines of world economic evolution and to project them, with due warning as to the varying likelihood of error, up to 1960 and even beyond; his methods are statistical, his reliance on theory minimal. He is somewhat hypnotized by the prestidigitations of Mr Colin Clark, and a certain rather naive fatalism raises doubts as to his judgment; but his fresh, civilised and highly individual approach to the economic problem is something for which to be grateful.



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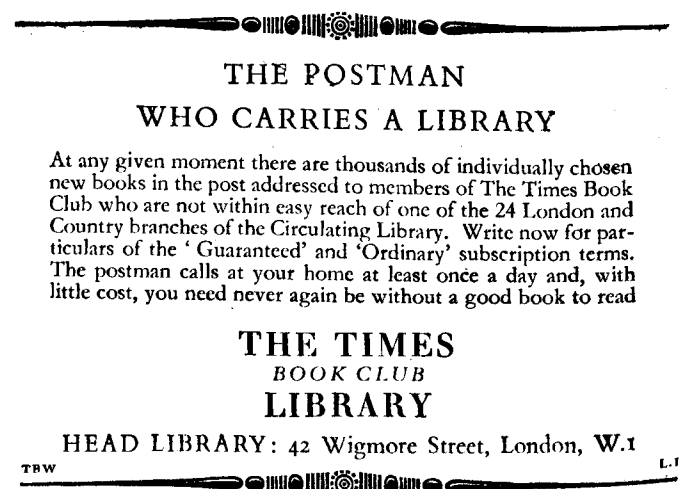
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AMERICAN SURVEY

Loyalty in Technicolour

(From Our US Editorial Staff)

THE Congressional attempt to find Communist influence in the cinema industry, which filled ten recent days with Technicolour and sound effects, has lighted anew the difficulties which a democracy must face if it tries to discipline supposed subversive elements within the population and at the same time to cherish civil rights.

For better or for worse, this particular attempt was undertaken with a wide-mouthed blunderbuss; the air was showered with epithets, but the target continued to fade. Even the intentions of the Committee on Un-American Activities of the House of Representatives, which had called the hearing, became obscure as observers, noting that there was some difficulty in keeping a quorum to sit in judgment on the visiting stars, fell to speculating on the publicity value which such a show might have for a chairman with Senatorial ambitions.

But these reflections are beside the point. The attempt was made, and properly combatted. The cinema industry took the Committee's charge of Communist infiltration with the seriousness to be expected of a body dependent for its very life on public support. The leaders of the industry and their train of advisers were almost subservient in their attempts to find out what it was that Congress wanted said in the films. Testifying stars were meek or belligerent according to their individual temperaments, intelligence, or ability to remember roles they had rehearsed; some of them embarrassed the Committee by exhibiting a degree of wisdom in regard to the variants and values of liberal thought that is seldom found on Capitol Hill.

In the course of the investigation half a dozen witnesses who tried to claim in Congressional inquiry the same safeguards that would have been thrown about them in a court of law were cited for contempt. Otherwise, any proof that they or their fellows were or were not Communists must be distilled from the record; it did not come clear in the proceedings. That the show petered out towards the end was not the fault of the film industry; it was the Committee which failed to understand the disintegrating effect of anti-climax.

As for the public, the general feeling was expressed in a phrase coined by the President's Committee on Civil Rights, which by happy coincidence presented their report to Mr Truman in the same week; they found that "a state of near hysteria now threatens to inhibit the freedom of genuine democrats," and recommended "a long-term campaign of public education to inform the people of the civil rights to which they are entitled and which they owe to one another."

The circus on Capitol Hill and the report which earnest thinkers presented to the White House represent the two poles between which American opinion on Communist activities within this democracy currently swings. That the two poles should exert an equal pull on public sympathy is perhaps too much to expect. That they both continue to exist is a measure of the present state of the national sanity.

The pressure put on that sanity by daily doses of vituperation on the part of Soviet and satellite representatives at Lake Success is of course a factor in the mounting antagonisms. The American tendency at first was to bristle, but usage dulls even the galvanic effect of Soviet invective. What simmers under the surface is a complex emotion compounded of many things—surprise that a great Power finds it politic to discard verbal courtesies; disgust at gutter tactics in international discussion; a deep resentment at the perversion of words like "freedom," "liberty," "democracy" which beat in the American blood and need no Russian exegesis to make them understandable; a

growing weariness at the continued postponement of agreements which might make it possible for the world to get back on its feet again. All this results in a hardening of the public attitude toward fellow citizens suspected of sympathy for such anti-pathetic ideas.

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It is this irritation on which the government depends in its attempts to protect itself against internal enemies; the problem of how to do it without injuring those institutions which its citizens most deeply cherish is less well served. The task is not made easier by the fact that the most valuable and fragile of those institutions—freedom of speech, of assembly, of petition, the right of trial by jury, security against search and seizure—are of course the guardian thickets in which rebels against authority traditionally take refuge. Communists are no exception—the dexterity they show in exploiting those safeguards for their own purposes is notable from Lake Success to the newest soap box in Union Square, New York's Hyde Park.

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Attempts at solution thus far take two main lines—direct efforts to destroy Communist influence by exposing citizens who wield it, and plans for attaining the same result by strengthening the democracy which now finds itself in competition with Communism for the loyalty of its own citizens. The vast middle ground is peopled by persons of good will who would do both; there is, of course, a lunatic penumbra which is still devoted to the proposition that the really vital thing is to trace a link between Moscow and the Roosevelt family.

Three government agencies have taken an active hand against domestic Communism this year. The House Un-American Activities Committee has now been given permanent status, with the catch-all files of the old Dies Committee to play with, and an elastic mandate to expose subversive activities "in the interests of national security." The President issued last March an executive order "prescribing procedures for the administration of an "employee loyalty programme" in the Executive Branch of the Government"; it was hailed with mixed emotions on the part of the more thoughtful, who observed that the order failed to define the "reasonable grounds" on which persons were to be judged disloyal and to be dismissed; that it failed to give to the dismissed the right of hearing and defence, that it set up techniques of identification from which this country has always shrunk as symptomatic of the police state. Early in October the State Department, feeling itself highly vulnerable as "a vital target for persons engaged in espionage or subversion of the United States Government," declared that it would employ no one "who constitutes a security risk." Such persons were classified in five categories, ranging from actual espionage to weakness of character and lack of judgment. The baiting of State Department personnel

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under the fifth category made Washington merry for a week. Ten persons were actually dismissed, but whether for espionage or betting on the wrong horse was not revealed.

The other horn of the dilemma is less adequately cushioned. Plans for strengthening the democracy are quite properly in the hands of private groups; some of these are unfortunately not always above suspicion. The President's Committee on Civil Rights recommends, in addition to a programme for combatting corrosive discrimination against minorities, the creation of a Division of Civil Rights within the Department of Justice, but no action has yet been taken.

Fortunately both courts and citizens have stronger safeguards against unwarranted attacks than those which went down after World War I under Attorney-General Palmer's furious red-baiting. Neither the Fourteenth Amendment nor the acid test of Justice Holmes's "clear and present danger" had then been established as bulwarks to save free speech. Communism was then a new menace, and there has since been a quarter of a century of personal experience to help Americans in figuring out ways and means of meeting the challenge of its tactics and its language without doing harm to themselves. The struggle with Communism is as yet unresolved, but not for lack of knowledge of its aims and methods. Whatever their other faults, the Communists have been pervasive and highly educational. It is the labour leaders and the cinema writers, the welfare workers and the business men, the educators and the philanthropists who have by this time met Communist attempts to control their organisations and have learned how to handle them. So far, the sober influence of these sober citizens has managed to stifle the more spectacular types of witch-hunting which would make martyrs out of the merely maladroit.

American Notes

CEA on Foreign Aid

The report by the Council of Economic Advisers on the impact of the foreign aid programme is a decidedly workmanlike document which can provide President Truman and his officials with plenty of material for the Congressional battle ahead. From its establishment in 1946, the CEA has been conscious that its mandate does not sanction the creation of yet another policy-making arm of government, and its recommendations have been presented with, perhaps, an excessive caution. But on this occasion specific authority as one of the three committees to assess the implications of continuing aid for Europe, has enabled the CEA to present a definite programme of action, and to underline the advice, given only a few weeks ago, in relation to the purely domestic picture.

From the outset this report is noteworthy because it recognises quite simply that the right question to be asked is not—How much can America spare without discomfort? but—What does Europe really need, and what are the consequences of refusal? And, in determining its answer, the CEA is realistic enough to draw a direct comparison between the relatively small volume of goods which may now be needed, and the huge amounts that were diverted by war. It declares to Congress quite bluntly that the price of any refusal to face a relatively modest degree of discomfort is, in all probability, "industrial paralysis, with the possibility of serious social disturbance and political reorientation." And it goes beyond this point to pose as alternatives, the inevitable loss of any hopes for world economic stability, the implicit risk of vastly increased military expenditures, and "the serious problems of industrial readjustment, due to a drastic falling off in exports."

The conscious belief of the CEA that such industrial readjustments may not be so very far away pervades the whole of the present report. It is contained in the statement that the

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American people can well expect to increase their present standard of living through the term of the programme for aid to Europe, and in the declaration that even the full grant of aid, right up to the levels set by Europe itself, would not bring the return of a net export surplus at the peak rate touched last spring. For Congress in 1947, however, the CEA returns with eloquent insistence to its former declaration that "the inflationary situation, due primarily to domestic demand, would necessitate action for its own sake, apart from foreign aid."

The report declares against any general regimentation, but for the imposition of selective controls over key materials, for domestic allocation and export control, for curbs against misuse, for new checks on speculative activity, wherever present scarcity weights the scales unduly against the consumer, for the retention of the tax pattern generally at current levels, and for the "aggressive use" of enlarged powers for the control of credit expansion. Wheat, steel and coal are singled out for particular mention. It seems reasonable to believe that, whatever may be the trend of the American economy six months hence, this is the minimum programme which can hold the line over the rest of the winter. The Council of Economic Advisers commands the consideration even of those Congressmen most unsympathetic to regulatory action, and its chairman, Dr Edwin G. Nourse, is certainly not an advocate of any purely experimental extension of Federal controls.

Next week the scene will shift to Congress. The final report on Marshall aid, by the Harriman Committee of Nineteen, will be published this week-end, and on Monday the Foreign Affairs Committees of both House and Senate will meet in public session to hear Mr George Marshall present the formal programme. His speech will cover plans for interim aid, and the longer-term pattern. Latest reports suggest that the Administration will press for a total appropriation of \$16.5 billion, with a first-year limit of \$7 billion, plus \$3 billion as a stabilisation fund for Europe. These totals exclude possible loans from the World Bank, in turn dependent upon Congressional approval of Mr Truman's aid programme.

Apart from the extent of aid for Europe, the President is certain to face sharp controversy on the method of supervising the loan and relief programme.

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Taft on the Marshall Plan

Senator Taft, according to unfriendly sources, has one of the best minds in Washington—until he makes it up. The attempt to make up his mind on the Marshall plan has led Mr Taft into some strange contradictions. Early last week the Senator both heartened and startled the Administration by suggesting that the special session might approve not only interim foreign aid, but the Marshall plan itself, by December 10th. If Senator Taft was correctly reported—and though there is some controversy between him and the newspapermen who reported him, this seemed to be the sense of his remarks—it shows a singular misapprehension of the issues involved. A plan of the character and scope which Congress would accept by Christmas could be the Marshall plan only in name.

What Mr Taft gave with one hand he took away with the other. A day later he declared that the Marshall plan on the Paris scale was "beyond all reason"; that in its present form it was a serious threat to the anti-inflation programme; and that he would put a ceiling of \$4½ billion on any foreign aid plan. "The export flow should certainly be rationed before we ration our own people, even on a voluntary basis." On the issue of high prices to be raised at the special session, Senator Taft is even less helpful. Senator McGrath, the newly elected Chairman of the Democratic National Committee, made his first act a peace gesture by insisting that the committee withdraw a resolution criticising the Republicans for "placing the nation's welfare in jeopardy when the economic health of the United States is the very foundation of world peace." This peace offering, and Mr McGrath's hope that both foreign aid and high price could be approached in a non-partisan spirit have been declined by Senator Taft, who insists that the Administration's economic measures have always been so unsound that it was impossible for him to support them. As an anti-inflation programme of his own, Mr Taft has suggested: cutting government costs, cutting taxes, limiting foreign aid, persuading labour to refrain from asking for more wage increases, instituting more efficient purchasing methods by the government.

Senator Taft's calculation is that by June 30, 1948, there will be,

a budget surplus of \$6-7 billion, on the assumption that business remains at present levels. This is no pint-pot by ordinary standards, but it can hardly suffice to cover foreign aid, to permit of any tax reduction or of any debt-reduction, unless there are to be crippling limitations on the Marshall plan. This may, however, be the way Senator Taft's mind is working.

* * *

Bankers on Trial

Belief in anti-trust procedure through the Department of Justice as a panacea for present industrial problems seems now to be reaching the stage where the Truman Administration is preparing the ground for a first-class election campaign. Definite moves have been made against steel, rubber, and specialist film manufacturers, and at least a dozen other industries are waiting on the sidelines. Last week the Attorney-General, Mr T. C. Clark, filed a civil suit against the Investment Bankers' Association, and seventeen prominent member firms, charging violation of the Sherman Act by "restricting, controlling and fixing the channels and methods, the prices and terms, and conditions upon which security issues are merchandised."

Wall Street has not been taken by surprise, since such a suit has long been rumoured—indeed, some columnists such as Mr Drew Pearson allege that it has been delayed because it covers prominent banking undertakings formerly associated with members of the Truman Cabinet. The "concentration of power" in the hands of the IBA was a feature of the hearings before the Temporary National Economic Committee in 1938, and bankers do not deny the grip held on this market by such leaders as Morgan Stanley and Co., Kuhn Loeb and Co., Lehman Brothers, Drexel and Co., Harriman Ripley, and Stone and Webster Securities. The schedule, as Mr Pearson notes, reads like an Astor dinner party list.

However sweet may be the memories of earlier New Deal "witch-hunts," there is nothing in the present allegations to suggest that the Attorney-General is preparing to unearth widespread banking scandals, and certainly nothing to suggest that the banking community will suffer from a renewal of the complaint which became known as *angina pecora* in the New Deal days when Mr Ferdinand Pecora, as counsel to the Senate Banking Committee, was laying foundations for the Securities Acts, and for the establishment of the Securities and Exchange Commission. The SEC, it is true, dislikes the way in which certain banking firms have sustained their security operations through new affiliates, but there is nothing illegal in that action, and nothing which suggests a repetition of any of the malpractices so common in the booming twenties.

The basis of the present charge is the fact that from 1934 to 1937 about \$10 billion worth of new securities were registered with the SEC, and that about 5 per cent of the houses in the IBA accounted for 90 per cent of the business passing. Over ten years, Mr Clark alleges, seventeen firms handled more than \$14 billion, or more than two-thirds of securities issues handled by banking syndicates. He is calling for dissolution of the IBA, and for a number of restraints, including a formal ruling that the firms now cited must in future desist from associating together for issue purposes. Whether any degree of collusion, sufficient to warrant the present charges, exists cannot be judged from this distance in the absence of evidence which may appear at some later stage. But at least it can be said that the IBA has enforced a code of conduct for the recalcitrant type of member, and has provided a vastly improved service for the institutional borrower. Nor can it be denied that such houses as Morgan Stanley, Drexel and others are entirely prepared to sponsor and to support given projects rather than to assess issues merely from the viewpoint of a profitable and readily forgotten share deal. Some of the present complaints, indeed, suggest that the Department of Justice, in a well-meant zeal for steps against "price-fixing" is in a large measure denying precisely that degree of "nursing" which, on this side of the Atlantic, is accepted as the hall-mark of the responsible issuing house. Nor does it seem likely that any marketing methods of the IBA have any particular relevance to those wider economic abuses against which the Department still moves so slowly and so ineffectively.

* * *

Civil Liberties for All

The report of the President's Committee on Civil Liberties, though published most opportunely at the height of an anti-

Communist scare, is a useful reminder that civil liberties are constantly being abridged in cases where there arise none of the puzzling problems of reconciling democratic processes with defence against a totalitarian enemy. The Committee was established last year after a particularly atrocious lynching in Georgia had once more demonstrated the inability of the Federal Government, under present statutes, to protect the lives of American citizens and punish their murderers. In ten months it has amassed a formidable amount of information on the violation of the four basic civil rights, which it names as safety of the person, the right to citizenship and its privileges, freedom of conscience and expression, and equality of opportunity.

The report pays a deserved tribute to such signs of progress as the decline in lynchings to no more than six a year since 1940, to the acceptance of negro members by many unions, the increase in negro voting, the improvement in educational facilities for minorities. The Committee's task lay, however, with the black spots that remain. The protection of civil liberties in the past has often split on the issue of method: should it be a function of the Federal Government, or of the States, or should it be left to education to produce greater tolerance? The Committee has very rightly decided to advocate all three approaches toward a comprehensive programme, but it insists emphatically that it is the government which must "referee clashes which arise among the freedoms of citizens."

On the Federal level, it recommends the creation of a permanent civil rights commission; the strengthening of the civil rights laws to give the government in Washington the right to intervene in civil rights cases; heavier penalties for infringements; the barring of Federal assistance to States which practise discrimination and segregation; a Federal Fair Employment law; a ban on discrimination in public services and on segregation in inter-state transport. In particular it recommends that the District of Columbia, where the issue of States' rights does not arise (as it is governed by Congress), should be made a model to the nation instead of remaining the "beginning of a Jim Crow road to the South." The States are recommended to deal with such issues as restrictive housing covenants, fair health and education practices, and poll taxes. Facing the danger that Communists and native Fascists may exploit democratic rights to their own ends, the Commission recommends that they be compelled to register in the same way that lobbyists and agents of foreign powers now register their aims and activities.

Few of the Commission's recommendations are completely new, and none of its members can have any illusions that they will be put into effect overnight. The "right" to filibuster alone makes for intolerable delay. The Commission's achievement is the writing of a comprehensive and vigorous Charter of civil liberties which will serve as a guide for years to come.

Shorter Notes

Though some hesitation has been noticeable in commodity markets following President Truman's appeal for deflationary measures, trading remains heavy and Chicago wheat is still quoted near \$3. The Chicago authorities have doubled margin requirements in an effort to curb speculation, but there is a growing belief that Congress will be asked to sanction cash dealings only, and that commodity exchanges may in future be subject to Federal authority along lines established by the Securities and Exchange Commission.

*

In advance of his report to the President on Marshall aid proposals, Mr Averell Harriman, Secretary of Commerce, has asked Congress for an extension of the export control powers which would otherwise lapse on February 29th. He is also asking for "priorities where necessary to make critical materials available." The Secretary of Commerce thus makes it clear that his committee will reinforce proposals already made by Mr Krug, Secretary of the Interior, and the Council of Economic Advisers.

*

The Democrats have decided to follow the Republican lead in holding next year's convention at Philadelphia. One reason is said to be that both parties are attracted by the fact that Philadelphia is the centre of a television network covering the East. It will hardly be the most characteristic projection of the City of Brotherly Love.

THE WORLD OVERSEAS

Burma Prepares for Socialism

(By a Correspondent)

THE debate on Wednesday in the House of Commons did little to clarify the prospects of British commercial interests in an independent Burma. Existing interests are to some extent safeguarded by a procedure laid down in letters exchanged between Mr Attlee and the Burmese Prime Minister. But the future remains uncertain for fresh enterprise, whether from Britain or from other countries: Examination of the new Constitution shows how uncertain.

In its new Constitution the Union Parliament takes power* to nationalise "any single branch of the Union economy or single enterprise"; to expropriate or limit private property with or without compensation, as the law prescribes; to forbid the use of private property "to the detriment of the general public"; to nationalise the land and abolish all large land holdings "on any basis whatever," as soon as circumstances permit; to provide Government assistance to workers to organise themselves "for protection against economic exploitation" (Gilbertian, this, for the State itself seems destined to become the greatest employer of labour); to plan the "economic life of the Union"; to assist "economic organisations not working for private profit"; to nationalise all public utilities and exploit natural resources through State—or co-operatively-owned organisations.

Later sections of the Constitution modify Section 44 slightly by including, among the groups permitted to operate in the last-named spheres, companies of whose capital not less than 60 per cent is owned by citizens or local authorities of the Union. Section 220 severely restricts the grant of land for any purpose to any but citizens of the Union. Section 4 (Finance) of the Third Schedule makes provision, in addition to income tax, EPT, sales tax, royalties, taxes on railway fares and freights, for terminal taxes on goods by land, sea and air, customs and excise—for taxes on companies (item (5)), taxes on the capital value of the assets of individuals and companies (item (7)), and taxes on the capital of companies (item (8)).

Which Measures First?

British investors are asking how soon, and in what sequence, will the new Government execute this formidable programme of economic reform, and how will it affect British interests. There need be no illusions about the Burmese leaders' determination to make themselves masters of their own economy without delay. They are irretrievably committed by their election promises to bear Left, and are solidly supported by public opinion too uninformed to distinguish between what is theoretically and what is practically possible in economic policy. But the hard facts standing in the way of recovery are obvious in the present state of the country's major industries, and must be faced sometime.

Against a 1939-40 figure of 3,500,000 tons of rice, this year's estimate of Burmese exports is just over 750,000 tons. Against a prewar annual production of 270 million gallons of oil (most of which went to India), Burma has been importing oil from India. Against a prewar export figure of 140,000 tons annually for lead and zinc alone, only 5,656 tons of ore and base metals were exported from the date of re-occupation up to April, 1947; and against 214,000 tons of timber annually exported before the war, the total for the seven months from October, 1946, to April, 1947, was only 17,209 tons. None of these industries can be re-habilitated without great capital expenditure to repair the damage and neglect of war; this expenditure, in the continued absence of a decision concerning "denial" and other war claims, must be found afresh by the companies concerned. Affecting every one of these industries is the wreckage of communications: the 600-ship Irrawaddy Flotilla fleet at the bottom of the rivers, the damaged roads and railways—all essential for the movement of trade, all requiring capital expenditure on the grand scale.

* See Sections 23, 30, 31, 41, 42 and 44.

Need for Capital and Skill

The speed of Burma's recovery under nationalisation, therefore, depends on whether the Union Parliament can raise at home or attract from abroad the requisite capital and technical skill. It is no good assuming that lack of internal capital alone will hurry the Burmese into bad economic bargains. They are prepared to wait. The widespread net of taxation and the expressed intention to reduce administrative costs indicate a will to solve their own problems in their own way. In this task they will be aided by a country and climate which together make possible a high degree of self-sufficiency without dangerous austerity and by a national genius for improvisation and "making-do." The dearth of technical skill will be harder to make good, and this fact may well direct nationalisation along the lines of least "technical" resistance.

Bargaining with India

Land and the rice industry seem likely, therefore, to be the first tackled, not only because the predominant rural vote is most interested in these, or because rice growing is Burma's greatest industry, but also because it is the one economic sphere (timber possibly included) in which indigenous technical and commercial knowledge is wholly adequate to the task involved. On this last criterion the timber industry and public utilities may be expected to come close behind, with the heavily capitalised and technically difficult oil and deep-mining industries a long way to the rear. It has been argued that to nationalise the land, involving expropriation of extensive Chettyar (moneylender) holdings, would alienate Indian opinion and lose Burma its best customer. But India is threatened with famine, and Burma is now well placed to strike a good bargain on this ground: that to reallocate the land to the dispossessed peasantry would go far towards ending agrarian unrest, and thus bring back into cultivation for India's needs the vast areas at present lying fallow. Incidentally, a revival in the rice trade would do more than anything else to free Burma from its present difficulties and to enable it to accelerate imports of the foreign transport and machinery it needs to stimulate full recovery. And full recovery would put Burma in a position to finance further stages of nationalisation schemes if so desired.

Ample Signs of Confidence

It says much for the country's commercial potential that, in spite of the present gloomy situation and the uncertainty inseparable from any economy threatened by an unknown degree of Socialist planning, there are ample signs of confidence in Burma's ability to triumph over its troubles. Most of the larger British and Indian companies have pressed on with their reconstruction programmes, as a public expression of their belief that they will get a square deal. The US Consulate has been raised to the status of a Consulate-General, and its commercial activities have been greatly expanded in anticipation of a healthy trade recovery. Continuance of this confidence and readiness to help the country's new rulers through their difficult and dangerous experiments would be the best guarantee of security for all those who have a stake in Burma's future. Its leaders may find, as other Governments have found, a hollow gap between nationalisation plans on the blue print and in practice. They may reassess, in the light of experience, their present somewhat reserved attitude towards the great part Britain has played in their country's development. For example, 80 per cent of the pioneer oil companies went bankrupt in the fierce struggle against world competition to establish Burma's infant oil industry. It would be a pity to lose the lasting goodwill that would spring from such a change of mind by condemning too hastily their desire to stray awhile after Britain's own leaders along the primrose path of Socialism.

Soviet Stakes in Hungary

Control Through Reparations

(By a Correspondent)

WITH the ratification of the Peace Treaty Hungary regained its sovereignty. The Allied Control Commission has been dissolved and the Russians are withdrawing their troops. The evacuation of the Red Army should be completed by December 16th, leaving behind only such troops as will remain to guard lines of communication to the Russian Zone of Austria. It is unlikely that these facts will much affect the course of Hungarian policy. The Russian occupation as a determining factor in Hungary can and has been overrated. Economic factors have had a more decisive influence than the presence or absence of Russian troops on Hungarian soil. Foremost among these are Hungary's obligation to pay reparations and the transfer of former German property to the Soviet Government.

The nominal amount of reparations due to the Russians, the Yugoslavs and the Czechs is £75 million. But the actual burden is more like £300 million. The Soviet Union, Yugoslavia and Czechoslovakia are thus not only the largest mortgage holders in the Hungarian economy, but also have a determining influence in the planning of production; because reparations are paid in kind and they have the right to say what commodities should be supplied.

Hungary's first stabilisation budget provided 400 million forints for industrial reparations to be paid to the Soviet Union. In fact, the amount foreseen in the budget did not cover the actual expenditure for this purpose, which amounted to 535 million forints. Hungary's obligations during this year were \$18,100,000, based on 1938 prices. Thus the value of the industrial reparation dollar is almost 30 forints per dollar, whereas the official dollar rate is about 11.50.

Reparations from Industry

In addition industrial reparations were paid to Yugoslavia and Czechoslovakia. The Hungarian budget provided 212 million forints for industrial reparations to Yugoslavia to cover its obligation of \$6,400,000 at 1938 valuation. In fact only 188 million forints were spent. Thus the rate of the Yugoslav reparation dollar is about the same as that of the Soviet reparation dollar, i.e., about 30 forints per dollar. In the budget for industrial reparations to Czechoslovakia 50 million forints were estimated to cover Hungary's obligation of \$2,300,000. In fact only 36 million forints were spent, as Hungary was unable to meet its obligations in full.

In the first year of stabilisation, therefore, Hungary spent 760 million forints on industrial reparations. Its industrial production during the same year was assessed at 4.1 billion forints*. Thus, about 18 per cent of Hungary's industrial output went in reparations. Industrial and agricultural reparations together from August 1, 1946, to August 1, 1947, totalled 943 million forints, or about \$80 million at the present rate of exchange.

To sum up, in relation to the budget, reparations represented about 26 per cent of the total state expenditure. If Hungary's additional obligations for maintenance of the Red Army and of the Allied Control Commission are added, then the total burden exceeded 1,400 million forints, or over 39 per cent of expenditure. If one compares these reparations in kind with Hungary's foreign trade during the same period, it will be seen that the total of reparations at 943 million forints exceeded the total of Hungary's exports, which amounted to 835 million forints during the same period.

These figures are sufficient to show that the requirements of the Powers who are owed reparations have a decisive effect on the production plans of Hungarian industry. No detailed lists of Hungary's industrial deliveries have been published; but it is known that those to the Soviet Union include: machinery, railway equipment, ships, electrical equipment, metals, bauxite and oil. Deliveries to Czechoslovakia and Yugoslavia were similar. Hungarian heavy industry, machine making, shipyards and the electrical industry are those which contribute the largest share to reparations.

The pressure for reparations must have contributed to the com-

paratively quick reorganisation of Hungarian industry, the present figures of which compare as follows with those of 1937-38: coal-mining, 109 per cent; pig-iron, 92 per cent; steel, 91 per cent; and power, 101 per cent. This pressure was exercised in two ways: first of all the Soviet Union had to provide Hungarian industry with raw materials, otherwise it would have been unable to start reparation deliveries. Raw materials were delivered only partially by the Soviet Union itself; the larger share was provided by other Eastern European countries closely connected with the Soviet Union, such as Poland, Czechoslovakia and Yugoslavia. This explains why Czechoslovakia has had almost the largest share in Hungary's foreign trade since 1945, in spite of the political tension between the two countries.

Penalties for Late Delivery

The other way in which reparation deliveries affected Hungary's industrial production was the provision for a penalty of five per cent per month for deliveries which were behind schedule. This compelled the Hungarian Government to speed up production, cost what it might. Questions of profit became secondary. As reparations were the main incentive for the revival of industry, industrial production had to be planned largely in accordance with the requirements of the neighbouring countries claiming reparations, and not in order to meet the requirements of the home market or in order to earn profit.

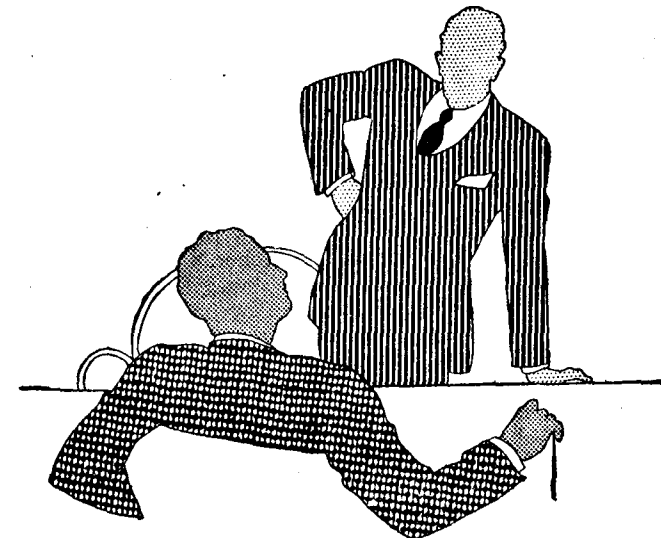
While Hungary's reparation obligations give a considerable influence to all three creditor countries, Soviet economic influence is exercised also through direct participation in Hungarian economic life. This is a consequence of the Potsdam agreement, in accordance with which former German assets have been transferred to the Soviet Union, now the largest single shareholder in Hungarian industry. The arrangements are still not final, as this agreement, the inept wording of which has been the cause of so many feuds, is still open to different interpretations.

Share in Management

No figures are available for Russian participation in Hungarian economic life, but the pre-war statistics of the part played by German capital may give some indication. The approximate percentage of German capital's part in Hungarian banking was 4.2 per cent, in mining and iron foundries 7.3 per cent, other industries 5.7 per cent and in trade 5.2 per cent in 1939. Altogether roughly 5 per cent of Hungary's economic life was controlled by German capital. So it is not so much the extent of Russian participation in Hungary's economic life which gives influence as the way that it is exercised. The Russians are not satisfied with exerting a controlling interest through their holdings; they also wish to have a decisive influence on management. All those Hungarian companies and factories which were fully German-owned were taken over by a newly-established bank, the "Bank for Trade and Industry." This bank was established by the Russian authorities, and is in fact a holding company for the formerly German-owned enterprises in industry and commerce. It is a company founded under Hungarian law, but so far no report or balance sheet has been made available to the public.

Special arrangements were concluded for the exploitation of certain industries and communications by the establishing of joint Soviet-Hungarian trading companies. The four sectors of economic life which are exploited by these joint companies—civil aviation, navigation, oil and bauxite—have obvious strategic importance. The companies were founded on the principle that the Russians brought in as their share such assets as were claimed by them under the Potsdam agreement. As these companies have not yet published a balance sheet, it is difficult to assess how the respective Hungarian and Russian (former German) assets were valued. Civil aviation is an obvious exception, as all the aeroplanes which now operate in and from Hungary were contributed by the Russians. Only in the sphere of civil aviation do the joint Soviet-Hungarian companies have a monopoly.

In oil production the joint companies' share does not exceed 40 per cent of the total output, the balance being still under

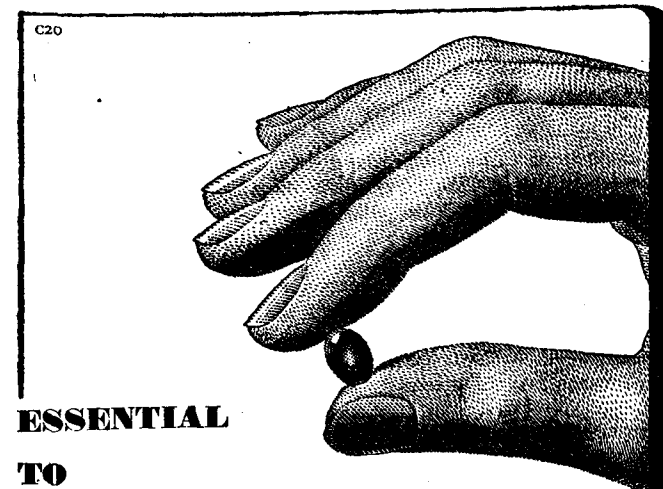


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* This figure does not include production from mining and iron foundries, nor from the work of small craftsmen and artisans.

American control. Hungary's total oil production was about 700,000 metric tons a year, of which about 280,000 metric tons are controlled by the joint Soviet-Hungarian companies. In bauxite production the joint companies' share is about 60 per cent. The mining of bauxite practically stopped in 1945 and 1946. In 1947, however, the production was raised from 100,000 quintals for January to 370,000 quintals in July, i.e. almost 82 per cent of the 1937-38 production. Peacetime production of Hungarian bauxite was about 550,000 quintals a year. It is about 60 per cent of this potential output which is controlled by the joint company. The actual tonnage owned by the joint Danube River Navigating Company is not known, but the company's participation in navigation on the Danube is estimated at about 80 per cent.

(To be concluded)

Second Thoughts in Sweden

[FROM A SPECIAL CORRESPONDENT RECENTLY IN SWEDEN]

THAT the current "best-seller" in Sweden is a volume of memoirs by a renegade Soviet official probably reflects less the book's literary merits than Sweden's present concern with Russia. The focus of that concern is the trade and credit agreement concluded with the Soviet Government a year ago. Economically, this agreement represents the largest item—1,000 million kronor—in a post-war insurance policy against depression in America and unemployment in Sweden. The premiums on this policy are foreign credits which now amount to no less than 4,200 million kronor, or nearly £290 million.

Politically, the agreement is intended to strengthen Sweden's position as a neutral. Chronologically, it is the last credit to be taken up; of just over 1,000 million kronor in unused credits some 950 million are earmarked for Russia. And it is being taken up at a time when many of Sweden's economic policies are being proved wrong by the swift deterioration in the country's position. The extra burden it will impose on an already overloaded economy is accordingly resented; and to this resentment is allied the Swede's widespread deep and ancient hostility to Russian absolutism, whether Czarist or Communist.

This general and very vocal tendency to blame the Government for the Russian agreement and the Russian agreement for all shortages and present difficulties, should, however, be discounted in attempting to analyse Sweden's position. In fact, all the political parties have long been agreed that they want to increase trade with Russia to a figure above the prewar average of less than one per cent of Sweden's total foreign trade. Indeed, there is reason to believe that preparations for last year's agreement began as far back as 1941. Certainly the matter was broached officially in 1943. Similarly, the Russian credit is only one factor of many. It is an adverse factor primarily because it is too big to be accommodated to Sweden's other commitments. The reasons why Sweden took on a task beyond its strength must therefore be investigated.

Doctrinaire Optimism

It cannot be denied that Sweden over-estimated both its own strength and the speed of European recovery. Under its "pre-Marshall Plan" it thus extended credits bigger than events proved it could afford. Moreover, although normally running a dollar deficit, it did not take into account the difficulties which would arise if, as was very probable, the proceeds from its other markets could not be converted into dollars. A particularly Swedish factor, however, is the extent to which the belief in an imminent American slump affected the formulation of policy. Theoretical and doctrinaire considerations also played a large part in deciding on the appreciation of the krona in July last year, and the control of timber prices at a level below that obtaining in the world market. But it is in internal policy that such considerations are most clearly seen. In particular, ambitious schemes of social reform have led, at home as well as abroad, to excessive demands being made on the Swedish economy. The result has been over-employment and a fair measure of inflation. Accordingly surplus purchasing power has sought goods in the only countries it could find them, which for practical purposes means the United States.

Retrenchment under Way

So, in recent months, Sweden's reserves of gold and foreign currency have been used up at an alarming rate to finance imports from hard currency areas. In June last year these reserves amounted to 3,229 million kronor. By the end of the year they were dwindling rapidly, and in October the Opposition, having earlier succeeded in abolishing import licences, proposed a stricter

control of imports. Fearing other countries' reactions, and having a "song in its heart," the Government delayed action until March 15th, when all imports were suddenly banned. Gold and foreign currency holdings then amounted to 1,675 million kronor (a loss of 182 million being due to the appreciation of the krona the previous July). The ban, however, was interpreted in a liberal spirit, all holders of outstanding licences being permitted to make use of them (probably because it was not known exactly how many licences had been issued). The resulting scramble led to an even swifter loss of reserves, which by the end of September amounted to less than 600 million kronor.

It is probable that this trend is now almost checked; but, to make sure and to regain lost ground, the Government has adopted various measures. The generous number of items on the "free list" for imports has been reduced. The whole system of granting import licences is being revised. The allowance for foreign travel has been reduced by two-thirds. A fortnight ago the seizure of liquid holdings of hard currencies was authorised; at the same time, the Commissioners of the Riksbank recommended a flat rejection of new credits, a reconsideration of outstanding credits and a review of their conditions of repayment. This was immediately interpreted as a disguised proposal for revising the Russian credit. But the Minister of Finance, the redoubtable Mr Wigforss, was quick to explain that it could not apply in that particular case.

Corresponding measures are being taken internally. The housing programme has been cut by a quarter. The Swedish TUC has appealed to its members not to press for higher wages. A voluntary savings campaign has been inaugurated. Banks are scrutinising most carefully all demands for loans and so forth. Thus the Swedish Government, although it will proceed with its new pensions scheme which starts next year at a cost of 600 million kronor is attempting to set its house in order by restricting purchasing power in various ways and thus, for the first time, attacking the cause not the symptoms of inflation.

Why No Coal from Britain?

The remedy to many of its difficulties, however, is beyond its control. The sudden suspension of the convertibility of sterling was a serious blow. Similarly, Britain's failure to export coal and, more particularly, coke has caused much trouble. Alternative supplies from Poland or the United States are inadequate, of poor quality and very costly, both absolutely and also in that all the American coal must be paid for in dollars and nearly half the Polish may be. Recently shipments of anthracite arrived all the way from Peru. Moreover, about 30,000 men who could be better used elsewhere are employed on producing fuel at home.

Last summer's drought has also added its quota of troubles. Crops are the poorest for many years; and the parched ground retards the sowings of winter wheat. Streams are too low to float down the record timber cut before they freeze. And there is so little water in the hydro-electric dams that for the last few weeks electricity has been rationed—the more strictly when a burst turbine put out of action the main coal-burning reserve station.

In the long term, however, Sweden's economic position is much stronger than its recent swift deterioration may indicate. Its industry is undamaged by war. But from the standpoint of competitive exports it should be noted that the rising costs of labour for forest work and advances abroad in the production of alloy steel, however, have deprived Swedish charcoal steel of its former supremacy. Sweden still possesses considerable foreign assets. Large payments on account of freight—the Swedish merchant navy is now bigger than before the war—and also of exports have still to come in for the period over which holdings of foreign currency dropped spectacularly. The import restrictions have yet to make their effect felt; September showed a record import of 549 million kronor. And the record imports include much capital equipment and necessary consumer goods. Exports, which will soon enter on a seasonal decline as the Northern ports freeze, remain meanwhile at a high level and prospects are good.

This then is the state of the economy on which the demands of the Russian agreement will impose additional burdens. It is therefore not surprising that influential voices are raised in favour of revising the agreement. It certainly would be surprising if the Swedish Government opened negotiations to do so—particularly when it is recalled that the agreement as signed was much more favourable to Sweden than the one originally discussed. Yet it is virtually certain that Swedish industry will be unable to carry out its Russian order. If so, the Russians, particularly if growing difficulties impel Sweden to participate more fully and more formally in the Marshall Plan, may try to exert pressure to get their orders executed.

THE BUSINESS WORLD

Mr Dalton's Opportunity

MR DALTON came all too tardily to the view, long urged upon him, that budgetary action would have to play its part with the other measures the Government is taking to meet the problem of Britain's economic disequilibrium. He now seems anxious to make up for lost time. By introducing his emergency Budget next Wednesday, a little sooner than expected, he will check the orgy of anticipatory spending in which the public is now indulging. If equal realism inspires the Budget itself, the Chancellor will undoubtedly make a vital, perhaps decisive, contribution.

The case for enlisting all-pervading financial pressures in the drive to concentrate effort upon essential tasks, and thus to relieve the strain on the balance of payments, is now familiar. Such overall pressures afford the only possible means of disciplining the wide sectors of the economy which lie beyond the reach of the physical controls. Yet, in the past two years, instead of screwing the economy to a pitch of efficient tautness, financial policy has permitted and even accentuated a dangerous slack. The stream of money incomes, after all taxes have been paid and voluntary savings made, has remained far in excess of the stream of consumers goods, even though that stream has been inflated to a far greater volume than the community could afford. Moreover, the cheaper money policy has recklessly augmented the excessive income-spending by offering inducements to spending out of capital. In consequence, the uncontrolled or uncontrollable sectors of the economy have been extravagantly swollen, and the profits (and wages) they offer have made it ever harder for the vital sectors to secure manpower and materials for expansion. Indeed, even specifically allocated resources have been attracted away from them because the controls cannot operate in such detail as to follow allocations through to end-users. Finally, stocks of materials and components have been so far exhausted that a smooth and balanced flow, even to work of the highest priority, has become impossible, so that stoppages and short-time working have become general.

It is true that the perilous situation to which the economy has thus been brought is not wholly attributable to mistakes in financial policy. The excessive strain derives fundamentally from the grandiose scale upon which the capital programmes had been planned. But, given this over-ambitious planning, the cardinal mistake in financial policy lies in its failure even to try to reduce the flow of net spendable incomes to conform with the very low level of consumption which these capital targets in effect postulated. Now the capital programmes are being cautiously pruned. But it would be wrong to suppose that even a substantial pruning would remove the need for drastic financial action. If the excess of public spending power remains, the main effect of the pruning would be to make the process of attracting resources into non-essential uses easier than it was before. The wastages would continue.

That is the real case for an emergency budget, and the success of Mr Dalton's proposals will be judged by the extent to which they acknowledge it. Unhappily, there is no sign yet that his approach will be on these lines. According to him, the budget

is required merely to meet the new financial situation created by the cuts in imports and the intensification of the export drive. Only a few weeks ago, he was still taking pride in the felicitous contrast between the ease in his domestic finances and the difficulty of the overseas problem. And he still professes unswerving adherence to cheaper money.

But, even if such wrong-headedness (not to say pig-headedness) may enfeeble it, this budget will still mark an important advance. It will be the first emergency budget ever introduced to cope solely with general financial disequilibrium, as distinct from disequilibrium of the Exchequer itself. The austerity measures and the diversions to export will admittedly have repercussions on the revenue, but there will be significant economies from the reductions in the armed forces and in expenditure overseas. The net impact upon the Exchequer during the rest of this financial year is likely to be relatively small, certainly not large enough to upset the accounting structure which satisfied Mr Dalton (though hardly anybody else) last April. Indeed, even without any further budget measures, he would probably have been able next April to show on paper most of the spurious surplus of £270 million for which he budgeted—after including, of course, the £400 million or so of non-recurring or merely nominal receipts from miscellaneous sources, war surpluses and trading profits, and ignoring "below-line" expenditure originally estimated at not far short of £1,000 million. To date, with the main revenue season still ahead, the nominal surplus "above the line" is £223 million, after crediting £344 million of special "receipts." Below-line expenditure, excluding the Bretton Woods contributions and the small savings items, has now reached about £315 million, but heavy outgoings (particularly for war damage, housing, postwar credits and encashment of tax reserve certificates) have still to be faced.

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If Mr Dalton were really to come to grips with the task of restoring financial equilibrium, the whole of the curious accounting of last April would come under review, including the incredibly optimistic estimates then made about the level of voluntary savings. Budgetary policy would then be framed solely by reference to the size of the inflationary gap in the whole economy—to the deficiency of voluntary savings, realistically estimated, compared with the true total demand for capital, after allowing for the portion to be financed, so long as any overseas deficit remains, by borrowing abroad and sales of gold. The capital demands, needless to say, would include not only the pruned-down capital programme for the economy as a whole, but all net expenditure by the Government and governmental agencies not already embraced in that programme; and all nominal items would be rigorously excluded from both sides of the account. The shortfall of savings, thus computed, would be the amount required to be provided by budgetary action, either by new taxes or new cuts in expenditure.

Without access to official figures, it is impossible to frame any dependable estimate of this deficiency. On many vital matters, the only available official data are those given in the

now obsolete *Economic Survey*, and recent experience has shown that many of those estimates were wide of the mark. The lack of data for direct estimate of the gap has led some commentators to concentrate instead upon the inflationary effects of the crisis measures. It has been suggested that the formula for sound budgeting now can be found by looking merely at the prospective reduction in the overseas deficit (which is a measure of the prospective reduction in the supply of goods at home, on the assumption that production is not increased) and at the cut in the capital programme (which measures the reduction in domestic demand for goods on capital account). The difference between the two, it is suggested, is the amount by which taxes must be raised or government expenditure further reduced. In fact, this calculation measures only the extent to which the inflationary gap will be widened by the crisis remedies; it wholly ignores the existing gap which has done so much damage.

On such an approach, only quite moderate fiscal changes would be needed to absorb the additional inflationary pressure even for so long a period as the next twelve months. Even if the target of equilibrium on the global external account were to be achieved by the end of that period, the year's external deficit would still be well over £300 million—a reduction of, say, £250 million from that for the past year; and, on paper, a large part of that loss might appear to be offset by the projected capital cuts. If Mr Dalton proceeds by this argument (and there is certainly a risk that he may try), he would produce a milk-and-water budget which would be more dangerous than no new budget at all.

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An honest approach would start from the opposite assumption, that the real problem is the gap which already exists, a gap which is so large that in the short run the prospective addition to it might be regarded as scarcely more than marginal. From such figures as are available, the total gap seems most unlikely to be less than, say, £400 million per annum, and it could conceivably be almost twice that sum on, say, a twelve months' view, if production does not expand. If the mid-point—the much-canvassed figure of £600 million—indicates the broad order of magnitude, by what means ought the gap to be closed?

For tax measures, four principles must be observed. Any new taxation must not have important "disincentive" effects, must strike at mass spending, must absorb and not merely divert spending pressure, and must operate rapidly. The first principle rules out almost the whole field of direct taxation, except perhaps taxation of unearned income. The second implies that there is no easy way out for a Labour Chancellor by staging a drive against "the rich": profits tax, surtax, death duties or novel forms of capital taxation could not provide either the volume or kind of savings which is needed. Their proper function would be the limited one of ensuring that all classes share equitably the burden of sacrifice. For this purpose the best device would probably be a differential tax on unearned income. The profits tax, which is more likely to be Mr Dalton's choice, is the worst of such taxes since it falls exclusively upon risk-bearing capital. The prospective yield from the existing tax in a full year (with EPT tapering off) is probably larger than is generally supposed, and might be in the region of £90 million, so that if Mr Dalton were to double the rate he might secure about £50 million net (after allowing for loss of income-tax)—but the time-lag would make this an almost worthless device as a crisis measure.

To strike at mass spending the obvious weapons are the familiar instruments of indirect taxation—especially the tobacco, beer and purchase taxes. But here the Chancellor must beware of merely diverting spending power, which is what will happen

if tax increases are imposed on goods which, at present levels, have an elastic demand. Tobacco may still look attractive from this point of view, for such figures as are available show that consumption recovered sharply from the shock effect of the April impost, and total monetary expenditure seems to be running now well above its pre-budget rate, so that Mr Dalton should easily achieve the additional £75 million (making £525 million) for which he budgeted. The duty may be raised again, to conserve stocks; but it would be optimistic to suppose that the total yield can be raised much further at any level of tax. By analogy with recent experience with tobacco, however, it might be possible to screw a further worthwhile sum from beer—if grain shortage does not further reduce the amount available for sale.

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The principal remaining tax possibility is the purchase tax, and this will certainly be expected to make an important contribution. There are two basic difficulties. Purchase tax is obviously the perfect fiscal device for diverting specific supplies to export, by recourse to a penal rate. But this technique is of only limited application. If it succeeds, no revenue is collected; the spending is diverted elsewhere, possibly to articles not subject to tax. Secondly, the supplies of goods of the type to which the tax has been applied in the past will in any case shrink drastically. For the current year Mr Dalton budgeted for an additional £80 million (making £271 million allowing for certain tax increases) because of the expected increase in the flow of supplies. Presumably, his expectations have been disappointed already, but this £80 million can probably be regarded as the minimum prospective loss, once existing domestic stocks have been exhausted. To make good this loss and provide any substantial new contribution to the revenue, mere increases in existing rates obviously would not suffice; a wide extension of the range—perhaps even into the utility goods sphere—would be imperative. Finally, there is the much-discussed fuel tax. If this is imposed, its object would be purely to check consumption beyond a basic level; the rates ought therefore to be prohibitive, and its success would be judged by the smallness of the revenue yield.

It is not easy to guess how much might conceivably be raised in these various ways. But if the Chancellor aimed at more than £250 million or so (say, £50 million from unearned incomes or profits tax; £100 million from beer, tobacco and entertainments; £100 million additional from purchase tax), he would probably begin to encroach heavily upon so-called cost-of-living expenditure. At that point the problem of finance by indirect taxation merges imperceptibly into the vexed problem of finance by cuts in subsidies. The blunt truth is that it is impossible to come within striking distance of the minimum gap which has to be closed without grappling with this problem. The danger is that political fear will lead the Government, even at this late stage, into half-hearted measures which Mr Dalton, with book-keeping dexterity and booming rhetoric, will try to present as a massive assault. Yet this is almost the last chance the Government will have to bring the financial situation under control. If finance does not come powerfully to the aid of the physical controls, one of two things will shortly happen. Either the economy will come again to the point of general stoppage, with the controls paralysed; or the controls will be overwhelmed in a rising chaos of overt inflation. In either case, the Government's mass supporters would be the hardest hit. The honest and the courageous route, which involves not only heavy increases in taxation but also an assault upon the subsidies combined with a "deal" on wages, would in fact prove to be the route of minimum real sacrifice for all.

Is Cocoa Too Dear?

MUCH excitement was caused last week by a further jump in cocoa prices on the New York market to £255 a ton. This latest increase, however, is only one of a series which began with the removal of ceiling prices in America in 1946; it reflects a sustained demand for cocoa in the United States, which has itself been reinforced recently by the attempts of many manufacturers to increase their depleted stocks. Rather unreasonably, American buyers have connected this latest rise in cocoa prices with the introduction of the new marketing scheme for West African cocoa which came into full operation at the beginning of October. But it is coincidence, and not design, which has produced the new marketing organisations and a steep rise in world cocoa prices at the same point of time.

The chocolate manufacturer and the consumer are vitally interested in the price and quality of West African cocoa, for nearly 70 per cent of world cocoa exports come from that area. British West Africa alone supplies over 60 per cent of world exports, of which 45 per cent comes from the Gold Coast and 15 per cent from Nigeria. The new marketing scheme applies in both these colonies; thus the organisations' price policy, and the reactions of that policy on cocoa harvesting and the methods of the native farming community, will be a major factor in the world cocoa situation.

Those who have viewed the new marketing scheme with reserve—they include a most vocal contingent from the New York cocoa futures market—have some *prima facie* ground for their attitude, for the scheme frankly takes as its starting point the viewpoint of the producer, the African native farmer who cultivates a few scattered acres of ground. The marketing scheme is intended to strengthen his position and to give him some measure of security. Such an idea is likely, even if it is not bound, to conflict with the interests of the consumer at some point. It certainly raises the question, on what conditions should the cocoa grower be granted a measure of security in the form of a stabilised price for his product? Can a particular dispensation be justified for West African cocoa growers?

The plea of special circumstances rests on two main considerations. First, it is said that cocoa in West Africa is a peasant proprietors' crop, that there are no plantations run by managers or owners who can appreciate the world price situation, and that there is no one capable of giving an intelligent lead on marketing policy to the small producers. The farmers are illiterate and unorganised, a prey to rumour and violent fluctuations in price. Since they are settled closely together, the wide fluctuations in their prewar incomes which arose from violent extremes of prices affected the entire economy of a territory where they form a large proportion of the population. The statistical evidence which can be marshalled to support this view is impressive. It is reproduced in the accompanying table which shows the annual sales of cocoa from the Gold Coast from 1926-27 to 1946-47, and the proceeds realised by the farming community. Comparable figures for Nigeria are not available, but they would have shown very much the same sort of fluctuation.

During the twenty years, incomes from cocoa accruing to the farming community (including the African cocoa brokers as well as the farmers) fluctuated from £11 million in the season 1926-27 to under £3 million during the worst period of the depression, soared again to over £10 million in 1936-37, and returned to less than £3 million at the height of the sub-marine menace. The national income of the Gold Coast was calculated, in 1931, at £59 million; so, in very round figures, it would seem that before the war cocoa accounted for anything from 6 to 15 per cent of the national income. Every time that cocoa prices moved considerably in either direction, they would,

of course, alter the size of the national income and also the proportion of the income accounted for by cocoa.

Figures such as these do show the appalling social and economic strain which violent price changes before the war inflicted on the colony. Both the Colonial Office and the Gold Coast Government have argued that since the narrow structure of the world cocoa futures market in New York predisposes the world cocoa price to violent changes, the only solution is to fix the price of cocoa to the farmer at the beginning of each season, in the light of conditions in the world market. They have therefore, set up, under the new scheme, a statutory purchasing board, modelled on its wartime predecessor, which has been buying—as from October 1st—all Gold Coast cocoa at a fixed price of £75 per ton, announced in advance and payable at up-country buying stations. The board sells its cocoa at the world price to the Ministry of Food and to overseas buyers through its own marketing company which will operate in this country. A similar arrangement applies in Nigeria. In good years, the board will make a profit which will arise from the difference between the average price which it receives from its sales in the world market and the price which it fixes seasonally in advance and pays to the farmer; this margin will be used as a cash buffer in bad years to cushion, though not to extinguish, the effect of falling world prices on farmers' incomes.

GOLD COAST. COCOA SALES AND PRICES 1926 TO 1946

	Firms' Purchases	Price to Farmer	Value of Crop to Cocoa Community	Price Ex-quay New York*
	(tons)	(£ per ton)	(£ '000)	(£ per ton)
1926-27	237,000	45.70	11,334	73.04
1927-28	207,000	46.80	10,019	67.57
1928-29	241,800	34.02	8,565	55.17
1929-30	232,100	30.79	7,425	41.58
1930-31	223,400	16.58	3,972	25.37
1931-32	211,700	16.03	3,648	21.35
1932-33	255,700	15.35	4,232	21.17
1933-34	220,000	10.96	2,675	24.34
1934-35	276,000	13.24	3,958	23.04
1935-36	285,000	15.41	4,705	27.09
1936-37	300,000	35.60	10,980	45.03
1937-38	239,000	11.48	2,895	24.31
1938-39	298,000	11.98	3,668	21.75
1939-40	241,700	12.80	3,360	24.30
1940-41	237,000	9.92	2,635	29.80
1941-42	250,700	11.59	3,206	49.40†
1942-43	207,500	9.31	2,179	49.40†
1943-44	196,100	11.29	2,469	49.40†
1944-45	229,000	19.82	4,836	49.40†
1945-46	209,241	24.82	5,629	49.40†

* The world price. † Ceiling price as fixed by OPA and removed in 1946. Source: The Agriculture Department of the Gold Coast Government and the West African Produce Control Board.

The second consideration, it is argued, is the fact that the cocoa trees are dying of disease. The loss of cocoa production caused by a virus called "swollen shoot" and by other infection is thought to be about 40,000 tons a year. A loss of such proportions is roughly corroborated by the export figures in the table which show a noticeable decline in shipments from 300,000 tons in 1938 to less than 200,000 tons in recent years—though last year's crop was also affected by drought. Evidence from various sources is sufficient to dispose of the theory that this falling trend of exports (and hence of production, for there is no local market for cocoa) is due entirely to price factors. Perhaps half the fall might be ascribed to the low level of prices during the war; if so, disease is making off with about 16 per cent of the cocoa crop in the Gold Coast alone and it is known to be spreading in Nigeria. Botanical research has found a prescription for "swollen shoot," but it is a drastic surgical remedy of cutting out the dead and dying trees.

The Government agricultural departments seem to be agreed that there is little prospect of persuading an illiterate native

farming community to adopt such a drastic cure unless cocoa prices are remunerative and stable. Time is required to teach the farmer better husbandry; oscillating prices will only distract him from the task of saving Gold Coast cocoa from the destruction which has already overtaken the cocoa industry in Trinidad. So runs the argument. But it might also be argued that if prices are too high, farmers will have some incentive for cropping diseased trees as long as they will bear pods.

In the long period, the question of monopoly is fundamental to the whole scheme. In the short-run it is quite impossible to tell whether the activities of the two boards, one for Nigeria and one for the Gold Coast, will be monopolistic or not. The marketing boards can argue that they are selling at the world price and that if, as at present, inflationary pressures in America are raising the price of cocoa to fantastic heights, that is the fault of the United States economy, not of the cocoa boards. The boards are not to be blamed for the running down of American stocks to dangerously low levels. The world demand for cocoa, even after it has been scaled down, is well over 700,000 tons; the crop estimates are some 70,000 tons below that figure. This, in itself, means high cocoa prices.

In the longer run of a decade or so, the issues will be more clearly defined. The whole scheme will then be judged by two criteria: first, the relation of cocoa prices to the movement of prices in general; and, second, the supply of more and better cocoa to the consumer. If the scheme does not satisfy these tests, it will fail, just as other schemes have lost their original purpose and have declined into mere producers' monopolies.

What are the prospects, looking forward from 1947? The amount of pressure which the consumer will be able to bring to bear on the boards' policies over the next few years is problematical. A consumer's committee is to operate in London

in an advisory capacity, but its weight in council has still to be proved. The real crux of the matter is how quickly can the farmers in Nigeria and the Gold Coast be educated to cut out sick trees, to plant new ones and to increase the yields of their trees. It should be pointed out to them clearly and frequently that the cocoa consumer will accept a marketing organisation, heavily packed with representatives of the producers' interests, only if the industry is made more efficient. The farmer must not be allowed to delude himself that because the new scheme has statutory backing it is immutable. If cash incentives are needed to speed up the rate of "cutting out" dead trees, the two boards already possess £20 million from the last five years' operations of the West African Produce Control Board which might be used partly for that purpose.

How long should the period of trial last? Perhaps five years will be needed to give the "cutting out" campaign a chance of success, for the farmers have to be educated to this drastic prescription. New trees take seven to ten years to mature, so that improvement should be evident ten or fifteen years from now. If, however, the dead trees are not cut out, a much more rapid—and censorious—judgment will be given by world cocoa consumers.

In five to ten years' time the consumer may not be in as weak a position as he is today. Cocoa is being grown experimentally in other parts of Africa by plantation methods, which may provide better and cheaper cocoa than the peasant proprietorship system. The West African farmer is, in fact, under notice that his entire system of land tenure is on trial. He will have a remunerative market for several years to come, but if he cannot produce and sell cocoa more efficiently under the new system than under the old, he, or his succeeding generation, may find that West Africa is priced out of the world market.

Business Notes

Before the Budget

To disentangle the motive forces behind this week's recovery in the security markets is not a simple job. No doubt the Chancellor of the Exchequer would welcome anything which assisted him in his self-allotted task of raising the level of gilt-edged prices, but he must have found the favourable response to the municipal election results rather bitter-sweet. Gilt-edged investors have been concentrating their attention mainly on the short- and medium-dated stocks, and the more pronounced recovery in the "longs"—both Old Consols and Treasury 2½s rose to 89½ on Wednesday—seems to have been due more to the effect of bear covering in a narrow market than to the pressure of public demand. Despite the New Zealand repayment and the imminent distribution of £100 million for war damage claims, the attitude of the general investor towards the merits of long-dated stocks remains cautious.

Paradoxically, the approach of what ought, in principle, to be the most austere Budget in the history of peace-time public finance in this country has been marked by a broad improvement in equity shares. In the free backing of pre-Budget hunches, tobacco shares have been most prominent, on the view that the Chancellor, when the time comes, will be less severe on tobacco than the recent prophets had forecast—or than the situation truly demands. But the recovery in equities, partly technical and partly a reflection of the guess this week that Mr Dalton will produce a soft Budget, has spread well beyond the immediate range of Budget hopes and risks. From steel shares to cinema issues, and from motors to textile shares, the story of improvement has been almost uniform. Is this the market's first reaction to the possibility of further inflation in store? One hopes not—for the sake of the equity shareholder, who will be a positive Bourbon if he forgets for an instant the industrial risks of the coming winter, and for the sake of the economic health of the country.

It is probably true that current equity prices, even after this week's rise (from 111.5 to 114.5, according to the *Financial Times* index), discount the most that Mr Dalton is likely to inflict by way of increased taxation on company profits. But they certainly leave no room for any general interruption of industrial output,

as a result of shortages of power, transport, steel, raw materials, or manpower. Nor, in particular cases, do they seem to measure the consequences of a change-over in production on the scale which will be necessary if the export targets are to be hit. An export drive "with teeth in it" might not stand any greater chance of success than the present export drive by exhortation; but it might be infinitely more disturbing to equity share values.

Spotlight on the Rand

The spotlight in the Kaffir market has this week been switched from New Union Goldfields to the far western Rand. Middle Witwatersrand, a development company of the Anglo Transvaal Consolidated group, has successfully diverted attention from the New Union affair by announcing a series of remarkable assay values—including one borehole assaying 12.2 dwts of gold over a width of 135.2 inches. It seems that this news was more than enough to dispel any lingering qualms felt by the market over the New Union disclosures, but the support given by the mining houses and the strong recuperative powers shown by the shares of New Union and Roodeerand which have resulted, directly or indirectly, from it, raises the question whether such a large dose of tonic need have been administered. This doubt is quite independent of the inquiry which has been ordered by the Johannesburg Stock Exchange into last Monday's dealings in Middle Witwatersrand shares before the official announcement of the borehole results; the sharp rise in the price of the shares from 13s. 3d. to 23s. 9d. at the close of that day's business strongly suggested a leakage of information in Johannesburg, but the decision of the Stock Exchange authorities there to investigate whether a leakage did in fact occur only temporarily halted the upward course of the shares, which have since risen to 26s. 6d.

Memories in the mining market are proverbially short, and it may be that the collapse of New Union will be quickly forgotten. But the recovery of the patient has been surprisingly quick—

so quick, indeed, that it does invite some doubt whether a relapse may not occur. It would in fact be unhealthy if the uneasiness left by the New Union affair were too hastily dispelled. The judicial managers who are now investigating the affairs of the group will certainly require all the support of investors to get at the truth, even if it is too late to get their money back. Mr Kavanagh, who is a champion of lost investment causes, has seized the baton for the shareholders of New Union on the London register, and his move to form a committee to represent them in South Africa may serve the purpose of keeping public consciousness awake until the affair has been fully investigated.

Meanwhile the shares of Roodeerand have risen above the price at which the new issue had been planned before the difficulties of New Union were revealed. This is not so surprising as it might seem, in view of the buying of the shares by the big mining houses during the past week, although it is perhaps rather odd if, as is said, this company is one of the largest creditors of New Union. If the investing public's confidence can be maintained in a company whose recently retired chairman has been the centre of the biggest mining furore for many years, it is likely that the new issue of 2,000,000 5s. ordinary shares will be made, for these were to be offered to shareholders only. For the future development of the Orange Free State goldfield it is important, especially at this stage, that the development companies should have access to sufficient funds. Yet it is surely desirable, in return, that the capital should be administered under auspices free from any suggestion of criticism. The interval between the fall of the New Union edifice and the forthcoming issue of Roodeerand shares is certainly astonishingly short.

Two Views on Rubber

It is generally assumed that the United States has undertaken, as part of the bargain on tariffs and preferences which was recently signed at Geneva, to increase the proportion of natural rubber used by the American rubber manufacturing industry. No confirmation of this report is to be expected before November 18th, when the tariff agreements are to be published, but it has been accompanied by a confident wave of buying on the London rubber market. American rubber consumption, measured by the first eight months of this year, is running at an annual rate of 1,100,000 tons, divided between 520,000 tons of natural and 580,000 tons of synthetic rubber. Some observers have suggested that the modification of the "R.1" order under which the American Government controls the proportion of synthetic rubber to be used in rubber manufacture, might result in the expansion of consumption of natural rubber in the United States by 250,000 to 300,000 tons a year.

The importance of natural rubber in Britain's dollar earnings has been stressed by two expert spokesmen for the plantation industry during the past week. Sir John Hay estimates that rubber exports from British territories to the United States may well reach 550,000 tons this year, which represents a "considerable sum" in dollars—a rough estimate suggests between £40 and £60 million. Sir John claimed that the dollar value of rubber exports this year might well exceed the total of all manufactured exports sold by Britain in the United States. And he scored an effective point about prices, which, "although above the miserable level that was current a few months ago," show only a "slender profit" on present-day costs, and are "far remote" from the high prices which have to be paid for essential imports from the United States.

The Kamuning company, whose shareholders Sir John was addressing, is one of the more efficient plantation companies, and the fact that it has done relatively well during the past year through good management and special exertion to overcome the difficulties left by enemy occupation provides no valid argument that the rubber estates as a whole are making handsome profits at the expense of consumers. Mr Eric Miller, at the Harrisons and Crosfield meeting this week, has declared that "at the average price realised, even the most efficient producers are having a lean time," unless they happen to be marketing crepe rubber which commands a welcome premium. An increase in American consumption would certainly lead to a further rise in rubber prices, because at present the supply of natural rubber cannot rapidly be expanded. Mr Miller disclosed that since the "Cease Fire" order in Indonesia on August 4th more factories on the group's rubber and tea estates had gone up in flames than during the whole period of Japanese occupation. No great increase in rubber

supplies from estates in Java and Sumatra is to be expected, at least until the second half of next year.

But, as Sir John Hay argued, the present predominance of British territories in rubber production cannot continue indefinitely. The rubber industry has sometimes entertained the feeling that it is being thrown to the wolves in order to placate American opinion. But there is a distinction to be drawn between getting a fair share of the benefits of a rising market in the short run and devising a price policy to ensure that the plantation industry—or at least its more efficient units—can survive in its present form. For the threat is not merely from a Government-supported synthetic rubber industry in America; it will come, perhaps quite soon, from native producers in territories where the tide of self-government is running high and the influence of the plantation industry towards co-operative marketing or actual restriction of output has been correspondingly weakened. The industry can properly demand its slice of the inflationary cake—after all, its own costs have greatly increased as a result of inflation. But it must also recognise—as this week's spokesmen certainly recognise—that low costs are the price of survival.

Argentine Sterling Talks

The negotiations on commercial and financial questions between Britain and Argentina continue in Buenos Aires at "embassy level." The personnel available for trade discussions will, however, soon be strengthened by fresh arrivals from London. The main issue is the interrelation of the various strands of the negotiations, those relating to the balances arising from current Anglo-Argentine trade, the railway deal and the meat and other commodity contracts. It had been hoped that these various strands could be kept separate, but with negotiators as hard bitten as Argentina this hope was always rather precarious. Most uncertainty exists about the nature of the payments arrangements between the two countries. The earlier agreement under which Argentina could, and most certainly did, transfer its current sterling earnings into dollars was superseded by British unilateral action when the convertibility of sterling was suspended.

New arrangements have to be negotiated and, since these will involve an undertaking by Argentina to hold additional sterling balances, it may be assumed that there will be demands for the most cast-iron exchange guarantees in relation to these holdings. In pressing for this point and for the maximum degree of convertibility for current sterling earnings, Argentina will certainly keep the railway agreement open and available as a bargaining weapon. The deal still requires ratification, though this is a formality which the Argentine administration have in their pocket. It is, however, a convenient card to keep unplayed, since the railways could, with appropriate help from the Argentine authorities, cease to be an earning investment for Britain and become a substantial net drain of funds to Argentina. That the dice are already being loaded in this way is perhaps indicated by the increasing reluctance with which the Argentine authorities are allowing financial remittances to Britain. The immensely strong card in the other hand is the fact that nearly £140 million of Argentine sterling is held in Britain and cannot be freely used. The next strongest card is the importance of the British market as a long-term and assured buyer of the basic produce of Argentina. With these powerful bargaining counters in their respective hands, and with the mutuality of interests that exists between the two countries, some reasonable compromise arrangements should be reached. According to some reports, the prospects of ratification of the railway agreement have become rather brighter in the last few days. If agreement is, in fact, reached on the financial talks, the railway pact would follow as a matter of course. But before this result is attained there may still be much hard negotiating to endure, in the course of which the nerves of Argentine railway stockholders might be severely shaken.

The Converters

Interesting information was given by the Chancellor of the Exchequer this week concerning the identity and operations of the individual countries mainly responsible for the convertibility run on sterling in July and August last. The details of these conversions of sterling into dollars over the first half of the year and for the next 51 days together with the accompanying changes

in the sterling holdings of the countries concerned may be summarised as follows:

STERLING AND U.S. \$ TRANSFERRED
£mn.

	Jan. 1 to June 30	July 1 to Aug. 20	Total
Argentina	18.7	23.3	42.0
Belgian monetary area	18.3	34.4	52.7
Brazil	5.0	7.5	12.5
Finland	...	2.8	2.8
Italy	1.3	1.3	2.6
Netherlands monetary area	1.1	2.7	3.8
Portuguese monetary area	4.7	2.9	7.6
Other countries	0.2	0.9	1.1

CHANGE IN STERLING LIABILITIES
£mn.

	Jan. 1 to June 30	July 1 to Aug. 31	Total
Argentina	+ 9.3	- 7.5	+ 1.8
Belgian monetary area	+21.6	-23.2	- 1.6
Brazil	+ 5.0	- 2.9	+ 2.1
Finland	+ 2.9	- 2.2	+ 0.7
Italy	- 7.7	+ 4.1	- 3.6
Netherlands monetary area	+ 4.3	- 4.0	+ 0.3
Portuguese monetary area	- 1.8	- 0.6	- 2.4

The two tables must, for obvious reasons, be read together. Their juxtaposition brings out the fact that though the countries, or monetary areas specifically mentioned, converted £124 millions of sterling into dollars from the beginning of 1947 to August 20, 1947, their sterling balances only declined by £2,700,000 over this period. The conversion, therefore, applied almost wholly to currently earned sterling.

The Belgian monetary area takes pride of place in the list. This is because a large part of the current sterling accruing to the whole transferable account group of countries through the deficit in the British balance of payments was persistently canalised to Belgium as a result of that country's export surplus with these other countries. For example, Italy's "creditable" convertibility behaviour was largely due to the fact that sterling earned by that country was used to finance the Italian deficit with Belgium. Argentina, which was building up sterling balances over the first part of the year, presumably in preparation for the railway deal, liquidated the greater part of that increase in July and August.

* * *

Film Tax Developments

This week has brought further developments in the disputed progress of the *ad valorem* tax of 75 per cent on imported feature films. Last Monday's debate in the House of Commons made it quite clear that any attempt to pass on the increased tax to the cinema-going public would be resisted by the Board of Trade, who, according to the Financial Secretary of the Treasury, "will not hesitate to stabilise rentals at their present level."

Meanwhile, it is expected that talks on the film tax will open next week between the Treasury and representatives of the Motion Picture Producers and Distributors of America to see if an alternative to the 75 per cent duty, acceptable to both sides, can be discovered. The Financial Secretary opened the door for discussion with foreign producers—in effect the American industry—by remarking that the Government were prepared to meet the Americans "more than half-way," provided that the required saving in dollars was effected. The sting, of course, is in the proviso, and it will not be easy to find a compromise which satisfies it. Many ideas canvassed hitherto for altering the basis of the new duty or for substituting a quota arrangement hardly take matters much further than the *ad valorem* duty itself. For instance, the suggestion for a specific tax based per foot on imported film would divorce the incidence of the tax from its earnings in this country, and thus destroy one of the merits of the *ad valorem* duty. Again, the suggested quota arrangement by which imports of American films to Britain might be balanced against a corresponding number of British films for America is not likely, under present circumstances, to make much appeal to the Americans, for a reciprocal quota tied to the total capacity of British production of feature films would be too small.

Meanwhile, the dollar shortage is responsible for considerable dislocation to British film production. According to one speaker in Monday's debate, 30 per cent of studio space is now unoccupied; this figure gives some measure of the rearrangement which has been required in production plans now that British

films are faced with a far bleaker prospect abroad than was evident when Mr Rank drew up his plans for the wide exhibition of British pictures in the United States.

* * *

France's £50 Million

The routine meeting of the Anglo-French Economic Committee, which opened in Paris last Monday, has a fairly full agenda before it. This standing committee has the task of keeping the economic relations between the two countries under constant review. The initial objectives of this exchange of views between officials of the two Governments were rather ambitiously conceived—at least on the French side, which envisaged nothing less than an integration of the two economies and the dovetailing of economic planning in Britain into the French Monnet plan. So little of that plan now exists, save in the realm of fantasy, that the scope of these meetings has had to be recast in more sober terms. The discussions of the committee have lost nothing of their true value from this realism. The latest of these meetings has split into two sub-committees, one dealing with financial and the other with commercial questions. The balance of payments between the two countries is in reasonable equilibrium, but the volume of their mutual trade could with advantage be expanded. The balance is running slightly in favour of France as regards direct trade between the United Kingdom and metropolitan France. But including the trade of the sterling and French franc currency areas, the global balance breaks about even. That leaves France with the £50 million-odd of sterling accumulated partly as the result of past current transactions, partly by sales of sterling securities requisitioned from French nationals.

France would still like to convert part of this sterling into dollars. The British attitude has been to refuse such conversion rights and to argue that the balances should be left here in anticipation of the repayment, due to begin in 1951, of the £100 million debt owing from the French to the British Government. Within the limits of approximate equilibrium in sterling-franc payments, both sides are seeking the means of expanding the mutual trade of the two areas. Unfortunately, France needs essentials like coal, wool, rubber, copper, and has few essentials to offer, save the phosphates and iron ore of North Africa. One of the exports France is most insistently offering is the services of her tourist industry. To convert the complete suspension of tourist traffic from the United Kingdom into a partial ban con-jures up all the bogeys of discrimination—bogeys which exist not merely in the minds of doctrinaires and in their charters, but in the much more solid consciousness of Swiss and other hotel keepers who would shout their disapproval of any bilateral deal by which British tourists were allowed to visit some countries and not theirs. This issue raises matters of high policy, and though it has been raised in the Paris talks it will have to be carried to much higher levels before a decision on it can be taken.

* * *

More Gold Sales

A statement issued by the Treasury at the end of last week announced that gross sales of gold during October amounted to £35 million. This included the sale of £30 million already announced in a Treasury statement issued on October 21, and therefore indicates that a further £5,000,000 was sold between then and the end of the month. This announcement is the first of a series of monthly statements in which gross sales of gold will be disclosed. This latest gold operation brings to £55 million the total gold sold since the suspension of sterling convertibility on August 20th. It does not follow that the whole amount was sold in the United States. There have, in fact, been reports of small shipments of gold from this country to Sweden to discharge sterling balances held by the Swedish Riksbank in excess arrangements.

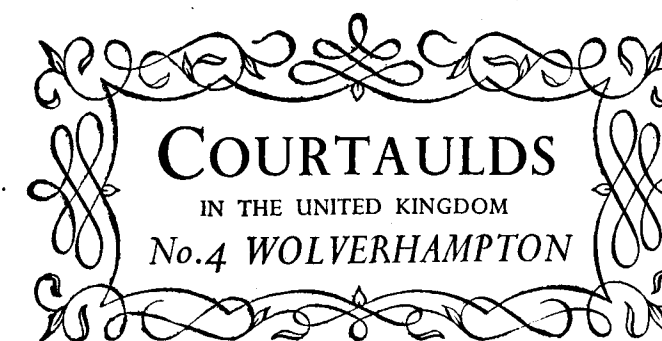
No further gold is, apparently, being lost to Belgium. The conversations which were completed in Brussels last week between representatives of the British and Belgian Governments were intended mainly to clarify the technical details of the monetary agreement initialled in London in September. This was the agreement under which Belgium undertook to hold up to £27 million of sterling before insisting on her rights to convert sterling into gold or dollars. Although that limit was quickly reached, and is understood to have been passed, the conversion rights have not been implemented. The object of the commercial negotia-



November

November is the month when preparations for Christmas are made and many thousands of manufacturers, wholesalers and retailers are then working to capacity. Christmas stocks are being produced and delivered, a great nation of shopkeepers is preparing to put goods into its shop windows, and bankers make ready to meet heavy seasonal demands upon their services. Whichever side of the counter will be your concern during the Christmas shopping season, you can depend upon assistance from the Midland Bank, whose wide commercial experience is available at more than 1900 branches throughout England and Wales.

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AFTER 1918 the demand for rayon soared and, to meet it, Courtaulds built new factories. The largest of these was at Dunstall Hall, Wolverhampton, bringing to the town an entirely new industry. Building operations began in 1924, and the first viscose rayon yarn was produced in 1926.

Later the works were doubled in size, and in 1937 the present warp-knitting mill was added to make knitted rayon fabrics; this is now in process of being re-equipped with new British machines, fastest of their kind in the world.

The Second World War brought upheaval. Large areas of the factory were requisitioned for Admiralty and other purposes. The knitting department was moved to one of the Company's Essex mills. Bomb-filling at the factory kept some hard at work, while largely from Wolverhampton the Company provided personnel for a complete Royal Ordnance factory a few miles away. Most of such rayon yarn as was still made at Dunstall Hall went into aeroplane and vehicle tyres.

Now this great factory is again getting busy on the spinning of viscose rayon yarn for the manufacture of dress goods, furnishing fabrics, tyre cords and other purposes; it is also employed on winding and warping, and on the production of knitted fabrics.

In 1939 over 3,000 people worked there. During the war, the number fell to below 1,000; now it is gradually rising, though many more vacancies need to be filled before the management is satisfied with progress. Of over 21,000 people employed by Courtaulds in the United Kingdom, to-day about 1,900 are getting on with the job at Dunstall Hall.

This is one of a series of statements to inform the public of some part of the contribution made by Courtaulds' industrial enterprise to economic well-being in various districts of the United Kingdom.

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tions was to establish an approximate equilibrium in the balance of payments between the sterling area and the Belgian monetary area in 1948. Plans are now being made for a substantial increase in sterling area exports to Belgium; if this can be achieved, Belgium's accumulated sterling balances should decline well below the inconveniently high figure to which they have recently climbed.

* * *

Labour's Reward

The Ministry of Labour's latest review of earnings provides further evidence of the upward course of wages since the end of the war. The survey, which is based on data collected at six-monthly intervals, relates to the last week of April, 1947, and covers nearly 6,000,000 workers in manufacturing industries. Non-manufacturing industries, such as coal-mining, docks, railways, agriculture, distribution, commerce and entertainment are excluded; their addition would tend slightly to raise the average. Since April there have been further wage increases in a number of industries, mainly in the non-manufacturing groups.

The average level of earnings in April was 103s. 6d., nearly double that of October, 1938, when it was 53s. 3d. The rise has been progressive. In July, 1943, it was 76 per cent above October, 1938, and in July, 1945, 80 per cent higher. Between October, 1946, and April of this year, the percentage increase over 1938 increased from 90 to 94. The earnings of women and girls increased relatively more (81 and 117 per cent respectively over prewar) than those of men and boys (79 per cent and 107 per cent). The gap between the sexes, however, is still very large—average earnings for men are 123s. 5d., compared with 67s. 4d. for women.

There is still a wide margin between earnings and wage rates, which increased by only 60 per cent over 1938. The gap is due largely to overtime and piece work payments. One of the reasons for the unions' pressure for higher wages springs from their desire to narrow this gap and raise the level of day wage workers. But while wage rates have not kept pace with earnings, workers have benefited by a very considerable reduction in working hours. The average working week was 45.8 hours in October, 1938; it rose to 50 hours at the peak of the war effort, but then dropped progressively to 45 hours in April, 1947, while for women the standard week was only 41½ hours.

Of the individual industries covered in the survey, the highest average earnings are found in the printing and engineering groups, with 134s. 8d. and 134s. 6d. respectively for men. Men's earnings in textiles were only 113s. 6d. and those of women 66s.—the latter figure compares with 72s. 2d. in engineering. The lowest paid groups are the clothing and other Wages Councils industries, which predominantly employ female labour—for the whole clothing group, average earnings were 71s. 10d. Average earnings in pottery were 83s. 2d., with 63s. 5d. for women. The highest paid group of all, which is not included in the survey, are dockers. They averaged 152s. 11d. a week in the three months April to June, 1947. The largest proportionate increase recorded was for the miners, whose average earnings rose by 140 per cent from 53s. 10d. a week in the three months ended June, 1938, to 129s. 4d. in the same period of 1947.

The conclusions which the survey suggests are that although wage earners as a whole have benefited from wage advances and reduced working hours, there are still wide discrepancies between different industries, which are due as much to the strength and organisation of the unions, and their pressure to maintain the traditional differentials between different grades of labour, as to the relative skills which those grades exercise or to the importance to the national effort of particular industries.

* * *

Britain's Dollar Stocks

Dollar securities held by residents in Great Britain were estimated by the Chancellor of the Exchequer this week at \$58 million. These include "many not readily marketable." The Chancellor has been asked in the House of Commons whether it would not be preferable to sell these securities, and any other assets owned by British residents, in the United States and Canada in preference to selling gold. The Chancellor thought that the suggested action would not be advantageous in present circumstances. This total of \$58 million is, therefore, the limit within which the existing switching facilities can be exercised, though

it is, of course, always possible that judicious and intelligent switching may succeed in raising the market value of that body of investment well beyond this figure. Conversely, it may suffer if holders of the securities do not use their new freedom with the acumen expected of them.

The total does not include those securities which have either been bought outright from their previous owners by the British Treasury or borrowed by the Treasury for use as collateral for the loan from the Reconstruction Finance Corporation. The value of those assets, many of which are, of course, wholly unmarketable and would have little value if separated from their present owners (as for example, certain American subsidiaries of British concerns), has recently been estimated in the United States—where all the essential details are published—at over \$700 million. Discussions of Marshall aid in the United States have led to suggestions that immediate emergency assistance to Britain could be provided by increasing the loan now secured by this collateral. For that purpose, however, the resources of the Reconstruction Finance Corporation would have to be reinforced, since the margin of unutilised lending power now at the disposal of the RFC would be quite inadequate to meet these needs.

* * *

Record Bank Deposits

The phase of relative stability in the level of bank deposits seems to be ending. In the first nine months of this year the total net deposits of the clearing banks—that is, after allowing for items in course of collection—rose on balance by only £17 million, but last month the total shot up by £54 million to a new peak, at £5,510 million. The change in trend is not, however, unexpected, because the moderate rate of increase in recent months and the small decline achieved in September were very largely due to the rapid rate of exhaustion of the dollar credits. Reliance upon these brought relief to the domestic financial position because the sterling which the Treasury received for its sales of dollars to importers and others enabled it correspondingly to reduce its normal borrowings through the banking system. Receipts from sales of dollars acquired by selling gold or by drawing on the International Monetary Fund naturally operate similarly, so that there will be no violent impact upon the banking system unless and until the external balance of payments approaches equilibrium. But already the banks seem to be feeling the effect of the reduction from the peak rate of dollar expenditure reached two months ago. During September, Treasury receipts from overseas sources of finance were so large that, despite substantial expenditure both "above the line" and below it, the Government was in a position to repay debt to the banking system. Last month, however, although both the ordinary deficit and the "below-line" expenditure declined, the total was appreciably more than the finance apparently provided by sales of dollars, after allowing for the effects of changes in certain sources of domestic finance, including the reduction in the note circulation. On the basis of Mr Dalton's recent disclosure that the actual dollar outgo was running at about \$70 million per week, the Treasury apparently needed to borrow on balance about £20 million from the banking system.

For the first time for some months the Treasury's net demand for bank finance, thus computed, neatly aligns with the banking figures. It implies that £34 million of the £54 million expansion in net deposits during the month was available to finance non-Governmental requirements—and this proves to be precisely the amount by which the banks increased their advances and investments. The expansion of no less than £27 million in advances suggests that the slackening of their growth in the previous month was purely fortuitous, especially as the latest increase is evenly spread among the individual banks. The modest further expansion—£6,500,000—in the investment portfolio is, however, attributable mainly to the operations of one bank, the National Provincial, which earlier this year had reduced its portfolio against the general trend.

The effects of the mainly seasonal switch from Treasury deposit receipts to bills were naturally more marked in October than in the previous month. The banks' money market assets (bills plus call money) have risen by a further £61 million, while their Treasury deposit receipts have receded to £1,147 million, the lowest total since the summer of 1943. It is noteworthy that, for the first time for five years, the TDR total is now less than that of advances. But the impending war damage payments, which will swell the Treasury's need for finance, make it unlikely that this relationship will persist for long.

Capital Movements in the Sterling Area

The Chancellor of the Exchequer has announced this week that the amount of capital transferred by British residents to South Africa and Eire in the twelve months ended June 30, 1947, totalled £35 million and £10 million respectively. The Chancellor added that the current trade balance in both countries was favourable to the United Kingdom. He refused to consider suggestions that British residents' assets in those countries should be registered and further transfer of capital to them suspended. These figures of capital transfers within the sterling area are appreciably smaller than estimates made in usually well-informed quarters have recently suggested. None the less, the figures given by the Chancellor are arresting enough, and viewed in conjunction with the current British trade surplus with those countries, they underline the fact that "unrequited" exports can be financed not merely out of accumulated sterling balances held by the overseas countries but by allowing capital transfers on the part of British nationals. The Chancellor's answers gave no hint of a change in the present system, which allows complete freedom of capital transfers within the sterling area. He referred to the recent helpful action of the South African Government in arranging for exchange of information on capital sent from the United Kingdom to South Africa. Although the Chancellor did not refer to the matter, there have been reports that the South African authorities have undertaken to leave in London any sterling which is accumulated by the Reserve Bank of South Africa as a result of movements of capital between the two countries.

* * *

Misleading Profits Statements

The Stock Exchange Council has always been alert to the danger of a false market developing in shares either as a result of inaccurate, incomplete or misleading information, or of the utilisation of inside information. Yet before May this year the only directive in the hands of companies to guide them in framing preliminary statements was a letter from the Stock Exchange Council written on December 12, 1938, which was mainly directed towards greater uniformity in these statements and not to their content. The Stock Exchange was at first willing to rely on the

co-operation and good sense of the companies in publishing all necessary information, but the inadequacies of this policy had become apparent since the end of the war, and to meet them the Council decided last May to incorporate in Appendix 34, Schedule VIII, Part I, of the Rules and Regulations a requirement that companies would notify the Share and Loan Department immediately a board meeting dealing with such matters had been held, of dividends and cash bonuses to be declared, of the net profit figures with comparisons for the year, even if subject to audit . . . and of "any other information necessary to enable the shareholders to appraise the position of the company and to avoid establishing a false market in the shares."

The preliminary statement recently issued by the Standard Motor Company shows that some companies are content to interpret their obligations in this matter strictly according to the letter of the Regulation. It could hardly be claimed that the recent Standard Motor preliminary statement (which gave net profit for 1946-47 as £198,915 against £283,499 for 1945-46) succeeded in conforming to its spirit, for the full accounts of the company have since revealed that trading profits actually rose by 30 per cent and the fall in net profits was due, not directly to trading conditions, but to the heavy increase in provisions for taxation and depreciation. Many Standard Motor shareholders would hold that, on a reasonable interpretation of Appendix 34, these facts might have been incorporated in the preliminary profits statement. It is certainly true that the risk of a false market is increased when large and undisclosed provisions are first deducted before striking the net profit figure, more particularly since these provisions are, to some extent, matters at the arbitrary discretion of the directors. Electric and Musical Industries, which published a preliminary statement a few days later, also preferred to leave the disclosure of increased provisions for taxation and depreciation until the full accounts, with the identical result that the published fall in net profit masked the actual trading results. For a different reason, last year, the preliminary statements of Austin Motor and British Celanese misled the market by bringing EPT credits into the profit and loss account as part of profit without any safeguarding statement—with the result that in both cases an actual deterioration in trading results was not revealed until the full accounts.



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All of these cases, it will be observed, arise from special credits or special large provisions from gross profits for depreciation or other purposes whose omission has altered the sense and the direction of net profits compared with those of the preceding year. Such information is surely a necessary adjunct to the bare announcement of net profits "to enable the shareholders to appraise the position of the company." Cases may be rare where a false market in the shares has resulted, but the risk has been considerable and quite unnecessary. Improvement does not require the laying down of hard and fast rules. The Council's requirements could hardly be better defined nor more easily satisfied by the exercise of a little forethought and commonsense. It must be hoped that leading industrial companies will set a better example by observing them.

* * *

Rising Costs of Shipbuilding

Estimates of shipbuilding prospects in recent months have generally been fairly optimistic, but they have always paid regard to the dangers of mounting costs. The tide of costs is still rising, and there is increasing evidence that it is over-reaching the power of shipbuilders to stem it or the ability of shipowners to ride it. Shipbuilding costs, in fact, are rapidly approaching the level beyond which owners can see little reasonable hope of earning an adequate return on capital invested in new tonnage. Shipbuilders set much store by the recent visit of Mr William Neal, chairman of the Canadian Pacific, who was known to be considering the placing of contracts for new passenger liners to replace war losses. Mr Neal left the Clyde after publicly stating that costs were too high, despite the urgency of his company's needs; and he left Belfast without saying a word. He has returned to Canada without placing the expected contract, although it is understood that negotiations are still continuing. Mr I. C. Geddes, chairman of the Orient Line, announced at the launch of the 31,000-ton *Orcades* at Barrow that a sister ship would be laid down on the vacated berth, but he pointed out that the two ships would cost more than £6 million. Thus, apart from covering running costs far in excess of prewar levels, each ship will have to earn about £300,000 a year to cover interest and depreciation, although it should be possible for them to make four round voyages every year instead of three. At Clydebank last week, however, there was no repeat order to follow the launch of the *Caronia*, and an empty berth once more on the Clyde tells its own story. The *Caronia* is expected to cost about £3,500,000, compared with about £1,600,000 for the larger *Mauretania* built just before the war.

Shipbuilders themselves recognise the force of owners' arguments about the risks of placing orders in the face of rising costs,

but builders have no control at all over some two-thirds of the total cost of a ship, which depends on the prices of materials, sub-assemblies and equipment. The recent increase in the price of coal has been followed by a subsequent advance in the cost of steel plates and angles, and this process is reflected in every item of the ship's structure. In today's circumstances, it is not possible to quote a firm price until the work is finished. The problem is to find some means of reducing the costs of shipbuilding by an increase in production, so that continuity of employment may be assured when the immediate and urgent task of replacing specialised tonnage has been satisfied. In the long run, cargo vessels are likely to provide the bread and butter of shipbuilding, but no tramp shipowner is likely to place a contract until he is convinced that freight levels, which are satisfactory enough at present, are likely to maintain over a period of years a reasonable relationship to current building costs.

* * *

United Steel Companies Expansion

Details of the progress made by United Steel Companies with post-war capital projects were outlined at the company's annual meeting on October 31st by the chairman Sir W. Benton Jones. The group has two separate schemes in train. The first is part of the seven-year programme submitted to the Government by the Iron and Steel Federation and embraces the construction of two blast furnaces, coke ovens and other equipment to be completed within five years, at a cost according to current estimates of £5,500,000, a sum which will probably be exceeded. The expenditure of this amount has been officially approved, but nothing has been said about the start of the work. In view of the urgency of expanding steel exports and of current shortages of raw materials some delay in implementing this scheme, although it is of considerable long term importance, could not be regarded as immediately alarming.

The other capital plans of the group on which good progress has been made involved an expenditure of £3,136,000 during the year; there are capital commitments outstanding for a further £3,500,000 under this second scheme. The Distington works in Cumberland has already commenced operations though it is still short of certain capital equipment; it will be in full production by the end of the year, turning out high priority products such as ingot moulds, steel castings, coal cutters, coal loaders and conveyors. A new steel melting shop in Lincolnshire went into production this week and all extensions and re-equipment in the works there will be completed during the first quarter of 1948. But at Steel Peck and Tozer the modernisation of the railway wheel works which was to have been completed this year has been held up, and there has been a similar delay in finishing three large

gas holders at Workington, Orgreave and at the Samuel Fox works. Other coal saving plant has been installed during the year and when the full changeover has been completed a consumption of 90,000 tons of oil will replace 160,000 tons of coal, allowing for 10,000 tons to be saved by the new gas holders.

The issue of £1,713,546 4½ per cent preference capital in January this year to finance development and expansion has supplemented the strong internal financial resources of the group which have been built up over a period of years partly by a cautious ordinary dividend policy. The income of the group from its coal interests has been reduced by the vesting in the National Coal Board of the colliery assets, valued in the latest balance sheet at £4,268,698; its main-line wagons will be vested in the British Transport Commission as from January 1, 1948. However, the group's steel output for 1946-47 of 1,708,169 tons—apart from the 1,752,048 tons produced in 1939-40—was a record and 6.2 per cent higher than in 1945-46 although 130,000 tons were lost as a result of the fuel crisis. An increase in the earnings on the equity—11.5 per cent was earned in 1946-47—is anticipated in view of the progress being made in re-equipment and expansion and the high current rate of national steel output. But the directors, even as nationalisation approaches, seem determined to stick to their long-established dividend policy.

* * *

Bank and Fund Statements

The International Monetary Fund and the International Bank have this week issued their latest quarterly statements. In the three months to end August, Australia became a member of the Fund and the authorised subscriptions of members were, as a result increased from \$7,721.5 million to \$7,921.5 million. On August 31st members had paid up \$6,579.2 million, of which the amount paid in gold was \$1,345 million. It is disclosed that approximately \$100 million in US dollars was sold to members against their own currencies during the quarter. Since then the Fund has sold at least \$180 million to the United Kingdom, and it was

announced this week that it has approved Denmark's application to buy \$3,400,000, a figure which represents 5 per cent of the Danish quota.

The International Bank's statement, for the quarter ended September 30th, announces that loans aggregating \$455 million were made to France, the Netherlands and Denmark. Of this total \$222 million remained unused at the end of the quarter. The Bank's capital was increased by the admission of Australia to membership, and the latest figure has thus been increased to \$8,225.1 million. The US dollar resources available to the Bank increased by \$250 million as a result of the July issue of bonds in the US market. The expenses of this issue amounted to \$1,267,902.

* * *

Ashanti-Obuasi Verdict

The report of the independent engineer, Mr F. Clelland, appointed by the board of Ashanti-Obuasi Reefs to inquire into the contradictory reports of assay values in B shaft of the mine has now been made available. The crux of the matter is that the original sample which gave a value of 1 oz 10 dwts over 132 inches at a depth of 160 feet was "salted" before it reached the assay office and that the assaying of the check samples which showed no evidence of gold values was correct. However, both results were known to the mine manager before he sent the cable on July 30th, indicating only the gold values found in the original sample. The laconic comment of the board on this is that the manager was unable to give any satisfactory explanation why he ignored the negative results of the check sample when sending the confirmatory cable, or of the long delay in advising the board of the true position. Thus the worst fears of the market are confirmed. It is something that the manager has been dismissed, but no doubt the shareholders' committee, which was appointed after the stormy general meeting on October 1st will now press for sterner action. At any rate there has been no move on the part of the Stock Exchange to resume dealings in the shares. Certainly, no such step should be contemplated until fuller investigation into earlier share dealings has been carried out.

SECURITY PRICES AND YIELDS

A fuller list containing 370 securities appears weekly in the *Records and Statistics Supplement*. Notes on the following company reports also appear in the Supplement: Austin Motor; Standard Motor; British Celanese; Electrical and Musical Industries; Joshua Hoyle.

Prices, Jan. 1-Nov. 5 1947		Name of Security	Price Oct. 29, 1947	Price, Nov. 5, 1947	Net Yield, Nov. 5, 1947 (n)	Gross Yield, Nov. 5, 1947	Prices, Jan. 1-Nov. 5, 1947		Last Two Dividends			Name of Security	Price, Oct. 29, 1947	Price, Nov. 5, 1947	Yield, Nov. 5, 1947
High	Low						High	Low	(a)	(b)	(c)				
Other Securities															
103½	100½	British Funds	101½	101½	£ s. d.	£ s. d.	113½	99½	(d)	(d)	(d)	Australia 3½ 1965-69.....	105½	106½	2 16 8½
103½	100½	War Bonds 2½ August 1, 1949-51	101½	101½	0 5 11	1 11 6½	105½	89½	(d)	(d)	(d)	Birmingham 2½ 1966-71.....	95	96	2 13 7½
102½	98½	Exchequer Bonds 11% Feb. 15, 1950	100½	100½	0 11 6	1 8 9	102	100½	(d)	(d)	(d)	Argentine 3½	101	101	3 10 0
105½	98½	War Bonds 2½ March 1, 1951-53	101½	101½	0 19 1	2 2 8½	232½	118½	40 c	50 c	25 b	Anglo-American Corp. 10s....	133½	136½	3 13 5
105½	97½	War Bonds 2½ March 1, 1952-54	101½	101½	1 3 4	2 6 9½	80½	56½	10	15 c	15 c	Anglo-Iranian Oil £1	162½	162½	3 13 10
108½	101½	War Loan 3½ (after Dec. 1, 1952)	102½	103½	1 3 5	2 13 11½	42½	25½	40 c	40 c	40 c	Assoc. Port. Cem. Ord. Stk. £1	60/-	63½	4 14 1½
106	97½	War Bonds 2½ Aug. 15, 1954-56	100½	100½	1 6 0	2 9 1½	95¼	73½	7 b	7 a	7 a	Austin Motor 'A' Ord. Stk. 5s.	34½	35/-	5 14 3
106	99½	Funding 2½ June 15, 1952-57.....	102	102½	1 5 9	2 11 4½	245/-	167½	120 b	15 a	15 a	Barclays Bank Ord. 'B' £1 ..	78½	78/-	3 11 10
108½	99½	National Def. 3% July 15, 1954-58	103½	103½	1 6 9	2 14 2½	115/-	12 b	8 b	8 a	8 a	Basel Ratcliff Ord. £1	198½	200/-	2 10 0½
109½	99½	War Loan 3% Oct. 15, 1955-59.....	102½	103½	1 7 2	2 13 10½	58½	40½	9½	8 a	8 a	British Oxygen Ord. £1	92½	95/-	4 4 3
108½	97½	Savings Bonds 3% Aug. 15, 1955-55	102½	103½	1 9 6	2 16 6½	29½	22½	22½	22½	22½	Courtalds Ord. £1	42½	43½	3 7 11
105½	95½	Funding 2½ April 15, 1956-61.....	98½	99½	1 8 3	2 10 11½	81/-	57½	7 b	3 a	3 a	Dorman Long Ord. £1	25½	26½	6 0 9
109½	98½	Funding 3% April 15, 1959-59.....	102½	103½	1 9 8	2 16 4½	53/-	40½	12 c	15 c	15 c	Dunlop Rubber Ord. £1	68½	69½	4 6 4
122½	109½	Funding 4% May 1, 1960-90.....	113½	113½	1 0 9	2 17 3½	49½	39½	7½	10 c	10 c	Imp. Chem. Ind. Ord. Stk. £1	46½	48/-	4 3 4
110½	97½	Savings Bonds 3% Sept. 1, 1960-70	102½	102½	1 10 4	2 17 3½	57¼	45/-	5 c	10 c	10 c	Lancs. Cotton Ord. Stk. £1 ..	45/-	45/-	4 8 11
104½	92	Savings Bonds 2½ May 1, 1964-67	97½	97½	1 10 6	2 13 4½	77½	48½	10 c	12½	12½	Lever & Unilever Ord. £1 ..	50½	51½	3 18 1
123½	109½	Victory Bonds 4% Sept. 1, 1920-76	115½	115½	1 3 5	2 16 6*	84½	73½	(d)	(d)	(d)	London Brick Ord. Stk. £1 ..	48½	48½	5 2 6
111½	96½	Savings Bonds 3% Aug. 15, 1965-75	102½	103½	1 10 4	2 17 2½	36½	32/-	4½	4½	4½	L.M.S. 4% 1st Pref. Stk.	77½	78	5 3 11
117½	106	Consols 4% (after Feb. 1, 1957) ..	110½	110½	1 1 1	2 16 4½	68½	47/-	20 b	7½	7½	N. Eastn. Elec. Ord. Stk. £1	33½	33½	4 3 7
115½	102½	Conversion 3½ (after Apr. 1, 1961)	106½	107½	1 6 9	2 17 4½	39	29½	169-58	174 c	174 c	P'ch'n 'N'son Ord. Stk. 10s.	54½	55/-	5 1 5
100½	80½	Treas. Stk. 2½ (after Apr. 1, 1975)	88½	89½	1 10 10	2 18 2½	63¼	44½	12 c	12 c	12 c	Prudential 'A' £1	34	34	2 3 8½
110½	95½	Treas. Stk. 3% (after Apr. 5, 1969)	101	101½	1 11 9	2 18 9½	108½	75½	12½	12½	12½	Stewarts & Lloyds Def. £1 ..	50½	51½	4 17 6
117½	97½	Redemp. Stk. 3% Oct. 1, 1986-96	105½	105½	1 9 9	2 15 11½	147½	108½	12½	12½	12½	'Shell' Transp. Ord. Stk. £1	80½	81½	4 18 9½
99	80	Consols 2½	88½	89½	1 10 11	2 16 3½	96½	68½	8½	3½	3½	Tube Invest. Ord. Stk. £1 ..	116½	117½	4 5 1
							107½	71½	3½	3½	3½	Turner & Newall Ord. Stk. £1	71½	71½	3 10 2

Redemption yields on stocks optionally or finally redeemable within the next five years are worked out on the assumption that they will be repaid at the earliest date. Redemption yields on other dated stocks assume that stocks paying over 3 per cent will be redeemed at the earliest date (these are marked 'e'), and those paying 3 per cent or less will be repaid at the latest date (marked 'f'). (n) Net yields are calculated after allowing for tax at 9s. in the £. (f) Flat yield. * Assumed average life 17 years 6 months.

(a) Interim. (b) Final. (c) Whole year. (d) Int. paid half-yearly. (e) To earliest redemption date. (f) Also a capital bonus of 2½ per cent free of income tax. Yield worked out on 15 per cent basis. (h) Fifteen months to March 31, 1947 (yield basis 7.6 per cent) (i) To latest redemption date. † Free of tax.

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THE UNITED STEEL COMPANIES, LIMITED

NEED FOR VIGOUR AND DETERMINATION

COAL SHORTAGE RESTRICTS OUTPUT

HOME AND EXPORT PROBLEMS

SIR WALTER BENTON JONES' SURVEY

The annual general meeting of The United Steel Companies, Limited, was held, on the 31st ultimo, at the Iron and Steel Institute, 4, Grosvenor Gardens, London, S.W., Sir Walter Benton Jones, Bt., chairman and managing director, presiding.

The secretary, Mr Ronald Peddie, C.A., having read the notice convening the meeting and the report of the auditors,

The chairman said: Ladies and gentlemen,—The year 1947 has been disappointing for everybody throughout the country. Instead of approaching nearer to a period of plenty we appear to have moved away. But repining will not help us, instead we have to attack our tasks with renewed vigour and determination.

REPORT AND ACCOUNTS

The directors' report and accounts, which I am assuming you will take as read—(agreed)—cover the twelve months from July 1, 1946, to June 30, 1947. In the report you will see a statement of our production of pig-iron and steel year by year from 1938-39, which I should explain was much below normal, to the twelve months just completed. In 1939-40 the production of both pig-iron and steel were records and the production for 1946-47 would have been not much below these records if the supplies of coal in the first six months of 1947 had not been drastically reduced.

Revenue suffered from this brake on production, but when all the circumstances are taken into consideration you may not complain of the results which the accounts disclose.

THE ACCOUNTS

The accounts are clear and I do not propose to review them in detail. The vesting of colliery assets in the National Coal Board on January 1, 1947, causes changes in a number of accounts in the balance-sheet, as well as in the nature of the assets. The assets vested include fixed assets, certain railway wagons, loose plant, stores and stocks. Instead of these assets we now have claims for compensation. The amount of compensation has yet to be determined and may not be determined for a year or two. In the meantime the figures at which the vested assets of all kinds stood in the books and the amount of depreciation provided in respect of them have been lumped together, and the accounts from which they have been transferred have been correspondingly reduced. Debts in respect of colliery trading prior to January 1, 1947, have been collected and creditors have been paid.

Apart from these changes, the only departure from the form in which the accounts have been presented for a number of years is the separation of the provision for depreciation from the balance of trading profit. This will be required in the future by the new Companies Act, but in other respects the requirements of that Act have not been antici-

pated. The uncertainties of the present time make it wise to provide for outgoings which cannot be foreseen now. The large allocation to general reserve has been made with this end in view, and, should the need arise, the directors will not hesitate to use this reserve for any appropriate purpose.

THE STAFF

We sometimes hear it said that in spite of our dire need Great Britain is not working. I do not believe this is true. The relief from the tension of war, followed by the coming into power of a Government to which many thousands of people had long looked forward as a means of bringing them a larger share of wealth and a greater degree of leisure, certainly raised great expectations of an easier time. But there is a hard core of stable and conscientious people in this country, young as well as old, and of all classes, who work hard and regularly. These have not changed their habits, they continue to work hard and regularly, and their endeavours are reflected in the large volume of national output. We can all do more, maybe, but it is wrong to say that as a country we are not working. There is, however, so much leeway to make up as the result of the terrible destruction caused by the war, and the great changes which have followed it, that far from having an easier time we are called upon to work as hard and make as many sacrifices as we did during the war, and this must continue for a period, the end of which we cannot see at present.

I believe the employees of our company are among those whom I have described as "the hard core of stable and conscientious people," and, as the directors say in their report, "all employed in the works and mines of the company, and its staff, have worked regularly and with great good will in spite of the many difficulties and restraints of the present day." If you will record your agreement with this tribute it will give all to whom it is paid great pleasure and encouragement.

You will be glad to know that the works councils, which were inaugurated at every branch more than 15 years ago, and production committees, which were established during the war period, continue to work smoothly and are much appreciated by both employees and the management.

WIDENING SCOPE

The figures of iron and steel production set out in the report are only a general measure of activity. The turnover is also influenced by the growth of finishing departments and the greater varieties of products into which the steel production is converted. In addition, the company is engaged in the chemical and engineering industries, in both of which it is increasing its operations.

The company is one of the largest carbonisers of coal in the United Kingdom, and consequently it makes large quantities of coal gas and tar, from which are extracted a number of chemical bases. It is intended to enlarge the range of products extracted, and this expansion is to be undertaken by the United Coke and Chemicals Company, Limited, a wholly owned subsidiary.

MODERNISATION AND EXTENSION

Our schemes of modernisation and extension reported a year ago have not proceeded quite as quickly as was expected. In this

they do not differ from similar schemes all over the country. All the basic steel melting furnaces at the Samuel Fox works, and 30 per cent. of those at the Templeborough works of Steel Peech and Tozer, are already fired with oil. Further furnaces at the latter plant are in course of conversion and the percentage will have been raised to 60 in the course of the next few months. The extent of this changeover—which is made only to relieve the short supply of coal—can be appreciated by the quantity of oil which it will require—namely, 90,000 tons a year—which displaces 150,000 tons of coal.

Three large gasholders, one at Working-ton, one at the Samuel Fox works and the other at Orgreave Coke works near Sheffield, which should have been completed by the end of 1947, will not now be ready for use until the middle of next year. Together they will save the equivalent of 10,000 tons of coal per year.

At Steel Peech and Tozer the modernisation of the railway wheel and tyre works, expected to be finished in the second half of 1947, will not be complete until early in 1948. At Orgreave the first of the two new batteries of coke-ovens was put into operation this week.

LINCOLNSHIRE AND CUMBERLAND

In Lincolnshire the new steel-melting shop will be in operation next week. The enlargement of the constructional engineering shop has been completed. The modernisation of the section mills, including a new cogging mill and the electrification of the remaining mills in a new building, expected to be completed by the end of 1947, has made good progress, but it will not be finished until three months later.

The works of the Distington Engineering Company in Cumberland are now in operation, but the machine shops are not yet fully equipped with machine tools. The equipment will be complete by the end of 1947. The demand for the products which are being made—that is, ingot moulds for the steel industry, steel castings for the company's own use, and coal cutters, coal conveyors and coal-loading machinery for the coal-mining industry—is very great, and there is every reason to expect that these works will be fully occupied.

The two new blast furnaces, coke ovens and other equipment to which I referred a year ago and which form part of the seven-year programme presented by the Iron and Steel Federation to the Government, have been approved and permission to proceed has been granted. The cost of this installation was estimated to be five and a half million pounds, and the time for completion five years. The estimate of the cost may be exceeded because of the continuous rise in costs; completion will be in stages, but it is hoped that the whole will be in operation in less than five years. The cost of the installation will be spread over a number of years and no part of it is included in the outstanding commitments referred to in the directors' report.

ANALYSIS OF EXPENDITURE

A large part of these schemes is correctly described as modernisation. It is therefore appropriate to refer once more to the misconception in the minds of many people of the term profit applied to the operation of a manufacturing undertaking. They appear to regard the surplus of current expenditure over income as a surplus which goes without more ado into the pockets of the stockholders or partners. This surplus has to meet many calls. Out of it has to come, as well as a return to stockholders, taxation and all the things which go to keep the undertaking alive and up to date.

There is a similar misconception about dividends. Dividends are regarded by some as the return on the amount of capital subscribed by the partners in the form of shares or stock. But if the partners choose to leave savings in an enterprise to pay for improve-

ment or enlargement, the dividends they receive thereafter are the return not only on subscribed capital, but also on the savings left in.

I mention these two subjects because one hears and reads so often of ideas about limiting profits and limiting dividends as if there was really a large fund in them which could be tapped for the community at large. They are not golden eggs, but only ordinary eggs, and if the geese which lay them are starved they will not lay at all. In this connection it will interest you to see in the short statement which has been handed to you how the gross revenue of the company in 1946-47 was expended.

DISPOSAL OF GROSS INCOME FOR YEAR ENDED 30 JUNE, 1947

	Total amounts £	Equivalent proportions %
Gross income received	38,961,594	100.00
Amounts expended on:		
Raw materials, fuel & services	20,766,459	53.3
Wages, salaries and National Insurance	11,501,641	30.9
Holidays with pay	369,700	
Pensions for staff and workmen	160,000	
Rents, rates, insurances, stationery & general trade expenses	721,156	7.0
Delivery charges	1,996,716	
Taxation	1,200,000	3.1
Dividends to stockholders	553,481	1.4
Retained in the business for depreciation of plant and machinery and for other purposes	1,692,441	4.3
	38,961,594	100.00
Number of employees		30,900
Number of stockholders		26,498

Raw materials, fuel and services absorb 53.3 per cent. Wages, salaries, workmen's insurance, including holidays with pay, pensions for staff and workmen absorb 30.9 per cent. Delivery charges, rates, insurances and general trading expenses absorb 7 per cent. Taxation requires 3.1 per cent. Depreciation of plant and machinery and unappropriated balance require 4.3 per cent., and dividends to stockholders require 1.4 per cent. It is interesting also to see that the number of stockholders, namely, 26,498, approximates closely to the number of employees, which now that the coal miners are employed by the National Coal Board are reduced to 30,900.

NEAR FUTURE PROSPECT

The prospect for all our works for the near future is one of full employment. Nearly everything we make is of high priority and although our direct exports relatively are not large we serve many exporting industries indirectly. We are now receiving larger supplies of coal and we understand every effort will be made to supply our full requirements. The smooth working and regularity of our operations will depend on the success of the export drive to which the nation's energies are now to be directed.

IMPORTANCE OF EXPORTS

It seems that since the war ended as a country we may have been trying to catch up too quickly in directions absorbing, for capital purposes at home, the use of labour and raw materials which might have been converted into goods for sale abroad. At speaking to you two years ago I said: "At this critical stage production for sale in the world's markets may be more important than producing for ourselves capital goods which may not become productive until the present

gaping markets, which we thereby neglect, have been partially filled by others, who will by then have captured the goodwill which at present belongs to us." And last year I expressed the same view in similar terms.

I do not suggest that the importance of export has not been widely recognised, but it is obvious that the jam for labour and materials which frustrates us has been made more severe by embarking on capital expenditure much in excess of what could be completed in a reasonable time. We now find ourselves with many things only partly done, and still progressing far too slowly, compelled to divert our energies in a disorderly manner to the production and sale of goods abroad which might have been made and sold in the last three years.

We cannot recover what we have lost, but how much better it would have been to have avoided the loss, and how much more vitality there would have been in our commerce and industry. However this may be, we have now to concentrate all our energies on export. Priority in the supply of raw materials and in the allocation of labour is to be given to those undertakings in every trade which can achieve high targets in export. Without wishing to be discouraging, it is not crystal clear that even in the export drive coal comes first?

COAL

If you will allow me, I will dwell for a few moments on the subject of coal, because everybody in these days is rightly concerned about it and it affects our company in many ways.

A large part of our property has been vested in the National Coal Board. When the coal mining royalties were acquired by the State the valuation and the payment of compensation was not completed for six years. It is certain that we shall have to wait for some time for compensation for our coal mines, but I hope not so long as that. The number of our employees has been reduced from 45,400 to 30,900, represented by the number of colliery workers who have passed over to the National Coal Board.

FUTURE SUPPLIES

We are very large users of coal, for the most part coking slack. We estimated that in order to give us the quantity of coking slack we required it would be necessary to mine not less than five million tons of coal a year. In recent years we had patiently acquired a number of colliery undertakings in addition to the collieries which formed part of our original amalgamation, which together secured for us a coalfield in Cumberland and another in the Midlands sufficiently large to supply all our requirements for the lifetime of our works. We have now lost control of this quantity of coal and in the future it will be a raw material which we have to buy.

In future we shall be dependent on the National Coal Board, which means that we not only want from them sufficient coal, but coal of the right quality. We have no reason to suppose we shall not be well served by the National Coal Board, but that is not the same thing as having the coal in our own hands. In this connection, however, I would like to say that in these difficult times the National Coal Board has served us well. The price of coal is already very high; it has recently been raised to cover rising costs and it may be raised again.

AN ESSENTIAL FOR SURVIVAL

If the export drive is to succeed, the output of coal in this country must be raised sufficiently high to provide a large quantity of coal for export. To call for export in the abstract assumes that buyers abroad will buy anything we care to offer. But why should we make this assumption? Buyers want some things more than others. Coal is wanted more than anything else in export markets, and at home it is wanted to feed industry before it can manufacture goods for export. If it is true to say that we cannot

survive without export it is probably true to say that without sufficient coal we cannot survive. Have we to wait until unemployment drives home this truth? But if we do not get enough coal unemployment may soon be here.

We seem resigned to insufficient output and are settling down to dole it out to industry and services according to some estimate of need, leaving the man in the street and his wife and children to shiver and make do with what is left.

RAPID INCREASE IN OUTPUT NEEDED

We need a rapid recovery in output. In 1946 it had fallen to 180 million tons, which was 60 millions less than in 1937 and more than 100 millions below the peak output of 1913. In the past the coal-mining industry has responded to rapid increases in demand. Output jumped between 1912 and 1913 by 27,000,000 tons; between 1922 and 1923 by 26,000,000 tons; between 1928 and 1929 by 20,000,000 tons, and between 1935 and 1937 by 18,000,000 tons.

These jumps were made possible in two ways; first, by an increase in the number of men employed, and, secondly, by a larger output per man-year. I need not trouble you with the figures in each case, it is sufficient to give them for the last jump. Between 1935 and 1937 the increase in men employed was 22,000 and the increase in output per man-year was 15 tons. In 1937 there were 776,000 men employed; they produced 240,000,000 tons of saleable coal notwithstanding that some classes of coal were not in full demand and the man-year output of 310 tons was higher than in any year since 1900.

If the number of men employed and the output per man-year could be restored to the 1937 figure, this would give the country 240,000,000 tons of coal a year. We are being taught to congratulate ourselves if output reaches 4,000,000 tons in a week, whereas nothing less than 5,000,000 tons in a week will meet our crying needs.

A SHORT-TERM PROBLEM

What is it that prevents sufficient men volunteering for work in the pits, and what is it that prevents them producing at the rate of 310 tons per man-year? It seems unbelievable that the answer is the lack of the latest American machinery and American methods, which will take four or five years to introduce and which cannot be applied universally. They are not the means to restore production to what it was, but to increase it after it has been restored.

Is it not abundantly clear that the production of sufficient coal is not a long-term problem but a short-term problem requiring more men and more production, not so much per man-shift as per man-year. But, however sufficient production is to be brought about it cannot wait for four or five years. The solution of this problem is not one of a number of our problems, but it is the one problem, and it may even bring with it the solution of nearly all other problems. It is the concern alike of Parliament, industry and the man in the street.

CONCLUSION

In conclusion, in our company we have the plant, the men and the will to make our due contribution to the target at which the steel industry aims; we shall be aided by the modernisation and extensions which we have already completed and others nearing completion, and provided the raw materials are available we expect to play our full part.

The report and accounts were unanimously adopted; the proposed final dividend of 5½ per cent., making 8 per cent. for the year, less tax, was approved; the retiring directors, Mr C. F. Ward Jones, Mr Gerald Steel, J.P., Mr R. F. Summers and Sir Herbert Walker, K.C.B., were re-elected and the auditors, Messrs Peat Marwick Mitchell and Co., having been reappointed, the proceedings terminated with a vote of thanks to the chairman, directors and staff.

KAMUNING (PERAK) RUBBER AND TIN COMPANY, LIMITED

THE BATTLE FOR DOLLARS

"A GREAT CAMPAIGN"

SIR JOHN HAY'S VIEWS

The annual general meeting of the Kamuning (Perak) Rubber and Tin Company, Limited, will be held, on November 24th, at 19, Fenchurch Street, London, E.C.

The following is the statement of the chairman, Sir John Hay, circulated with the report and accounts:—

After a lapse of six years we present accounts showing such a profit as, in the opinion of your board, justifies the payment of a dividend although only a modest one. We have not followed the usual course of merely recommending a dividend, but have declared it in the form of an interim payment. By so doing, payment warrants can accompany this. Double postage and paper are thus saved, and by paying at a rate of so much per share, tax free, clerical work and time which would otherwise be spent on fine computations are spared. Such are the economies to which the hard pressed rubber producer must resort if his expenditure is to be related to the meagre revenue grudgingly allowed to him.

Although our capital is only £200,000, we have 4,000 stockholders, which gives an average holding of £50. This, then, is the company of "the small man." I should like to think that each of the 4,000 would have the patience to read this statement as a sequel to the one I issued last year, and in reading to appreciate that his interest in the fortunes of the industry, of which this company is but one of many units, extends far beyond the payment of dividends, however welcome they may be.

A COMPARISON IN COSTS AND REPLANTING

But before I deal, and then only very briefly, with these broader questions, it is proper that I should review our domestic activities. You will learn from our report that although we lost 900 acres of rubber, our crop was the highest in our history at well over two million pounds and represents an average yield over the area tapped of 987 lbs. per acre. I have made a comparison between our costs per pound for the period under review with those of the year immediately preceding the war. This comparison shows some remarkable results: for instance, the omnibus item "General Charges," which covers management, supervision, administration, office expenses, and all such fixed charges shows no increase over the year 1938-39, that is calculated in terms of cost per pound. Considering the high costs now prevailing for all such services, that is indeed remarkable.

On the other hand, the cost of works upon which labour is directly employed has increased very substantially: tapping, the main estate operation, is over three times more costly than it was in 1938-39. That the overall increase in estate cost is not greater than 74 per cent. is due to high output, a skilful

disposition of labour and a close observation throughout of strict economy. The rice situation has not improved since I made my statement last year, and therein lies the main cause for high labour rates. Against a pre-war consumption of 16 ozs., the official ration permitted to a labourer in Malaya is 2.3 ozs. To supplement this totally inadequate allowance he resorts to the black market where he can purchase his additional requirements at a greatly inflated price. Wages have perforce to be adjusted accordingly.

The secondary causes aggravating this condition still prevail, namely, a regrettable hesitation at times to enforce law and order, political and social unrest, and a loss of former skill. To complete my brief review of costs I should mention two items of external expenditure. Ocean freight has increased 100 per cent. as compared with 1938-39, while London administration reckoned again in terms of output has decreased by 41 per cent.

REPLANTING POLICY

Of the 900 acres lost through enemy action, we are replanting 448 acres this year, an operation which we could have carried out at lesser expense if it had been undertaken earlier. But for some reason, never yet explained, we were prohibited from doing so by a Government regulation. Replanting is for us no new development. It is but the continuance of a policy upon which we embarked 20 years ago: as a result, nearly 60 per cent. of our planted area consists of rubber, budded or planted with selected high yielding stock. There is a definite limit to the economic life of a rubber tree. Replanting is a continuing and ever-recurring operation, the cost of which must necessarily be met out of revenue, and the only sure basis for this regenerating and modernising process is a profitable industry. There is no financially prudent alternative. To resort to borrowing money for replanting is at the best a desperate expedient involving both the borrower and the lender in risks which are uncommercial.

I hope that this short recital of sober facts will help to some understanding of the economics of modern day rubber production and act as a corrective to the apocryphal accounts which largely originate in America, the underlying reason for which is, no doubt, a growing realisation of the need to justify a restrictive trade practice, the continuance of which in a great creditor country is without moral or economic sanction.

RUBBER EXPORTS AND PRICES

Rubber exports from British territories to the U.S.A. in 1947 may well reach the figure of 550,000 tons. At current prices that represents a considerable sum in dollars. It is only, of course, but a part of this country's

total dollar requirements necessary for the purchase of raw materials and of our present drab and meagre food rations. None the less, rubber is the outstanding item in our exports to the U.S.A., and if the figures that I have just given are realised, then in value they may be found to exceed the total of all the similarly directed exports of all the domestic industries of the U.K. If by such comparisons I again draw attention to the vital part played by rubber in our overseas trade, it is because it is so seldom done elsewhere and it is so very relevant to our present economic plight.

But the figures I have given can only be regarded with qualified satisfaction. Part of our present exports are being taken by America for stock piling and to that extent do not represent recurring demand. The price, although above the miserable level that was current a few months ago, shows only a slender profit on present-day costs, and is far remote from the high prices we still have to pay for our essential imports from the U.S.A. Moreover, we cannot expect that British territories can continue indefinitely to enjoy their present predominance in rubber production. Other territories at present disturbed will again become tranquil and resume production on something approaching their former scale. If restrictions on the use of natural rubber are continued in the U.S.A., then the value of our exports both relatively and actually will decline, to our serious economic detriment.

"A GREAT CAMPAIGN"

When we resumed production in Malaya we were solemnly and repeatedly warned that we must be prepared to meet the competition of synthetic substitutes developed in the U.S.A. during the war. When does this competition start? Or after all is there to be no competition because the U.S.A. team prefers the shelter of the high wall of an enforcement order?

In a recent speech dealing with what he termed "the Battle of the Gap," the Lord President of the Council is reported to have said: "The Government must conduct a great campaign of negotiation to remove import restrictions on British goods, open up the channels for our trade, and give our industry its chance." To one like myself, who started in his humble way on such a campaign soon after Malaya's liberation, that is a gratifying pronouncement. But is there really to be "a great campaign" or just "negotiation through the usual channels" in the course of which we play a diffident and appeasing part and emerge with much the worst of the bargain?

A great campaign against formidable although friendly opponents can only be carried through to a successful conclusion if it is conducted with courage, determination and skill. Although in this context seldom mentioned and seemingly lightly regarded, rubber is still the most important of our hard currency exports, and one of the first objectives in the "great campaign" should surely be the abolition of all restrictions on its use. If we do not capture that salient it will go ill with us in "the Battle of the Gap." And that connotes continuing and increasing privation at home as well as a lowering of the standards of living in our Eastern territories.

Our thanks are due to our manager and to his deputy, Mr I. Murray, who acted for him when he was on leave, and to their staff, for all their excellent work.

MUREX, LIMITED LARGER TRADING PROFIT

The twenty-eighth ordinary general meeting of Murex, Limited, was held, on the 30th ultimo, in London, Mr George P. Josepa (the chairman) presiding.

The following is an extract from his circulated statement for the year to June 30, 1947:—

The trading profit for the year, £294,313, before provision for depreciation and taxation, shows an increase of £142,725, as compared with the previous year, and reflects the improved trading conditions experienced, particularly in the latter part of the financial year; despite this improvement, the profits are again below the standard profits for the purpose of E.P.T., and a refund will arise on the six months' period to December 31, 1946, the date of termination of E.P.T. The dividend from Murex Welding Processes, Ltd., is the same as for the previous year.

The trading profit of that company for the year has increased also, as compared with the previous year, and reflects savings resulting from the introduction of further measures designed to improve efficiency and to eliminate waste.

PROGRESS ACHIEVED

Despite the difficulties which your company, in common with industry generally, has experienced during the past year, progress has been achieved. There has been an improvement in the demand for ferro alloys, special metals and alloys and chemical products; there has also been a satisfactory increase in the sales of tungsten carbide (hard metal) tips for cutting and turning tools, tungsten and molybdenum rod and sheet and wear-resisting dies; the latter products are distributed in the home market substantially by Protolite, Ltd., the company's specialised selling organisation for these secondary products. The demand for welding electrodes has continued at a high level, but owing to the shortage of steel supplies it has not been possible to meet the demand, and sales of welding electrodes have decreased; sales of welding plant have decreased also in comparison with the previous year.

Your company's export trade has shown a marked improvement and the values of orders received during the year for the products of the parent company are three times those of the previous year. This expansion of export business is directly attributable to the decision reached by your directors in the closing stages of the war, to build up a strong export organisation, a policy which has been energetically pursued over the intervening period. As a result, your company is now represented abroad by agents of the highest calibre.

The research departments at Rainham and Waltham Cross have been actively engaged during the past year on the modernisation and improvement of our manufacturing processes and the development of new products.

PERSONNEL

During the past year the company has adopted the 44-hour working week, and by agreement with the unions concerned has introduced a guaranteed week which ensures the maintenance of a minimum wage equal to 34 hours at the basic time rate to all manual workers. There exists among our employees a real appreciation of the need for increased production, and I am glad to have this opportunity to convey to the staff and employees, the thanks of the board and the stockholders for their continued loyal co-operation.

The improved demand for the products of the parent company in the closing months of the past year has been maintained in the opening months of the current financial year. Your directors are confident that a great expansion lies ahead in the arc welding industry.

The report was adopted.

GOODE DURRANT AND MURRAY, LIMITED

SUBSTANTIAL IMPROVEMENT

The forty-ninth ordinary general meeting of Goode Durrant and Murray, Limited, was held, on the 3rd instant, in London, MR GEORGE P. SCHOOLAR, the Chairman presiding.

The following is the Chairman's circulated statement:—

The directors have pleasure in being in a position to place before shareholders a balance-sheet for the year to July 20, 1947, which displays a sound financial and trading position. The demand for general merchandise has been well sustained and promises to continue on a satisfactory basis for goods of quality and sound construction. We have been hard put to it throughout the year to maintain stocks at a suitable level, and a substantial part of the stuff we have handled has been of a nature we would hesitate at stocking when goods are in normal supply.

The Australian turnover shows a substantial increase on that of 1946. Rates of gross profit are lower, and, were it not for the increase in turnover, would be cause for concern. Further reductions in profit margins issued in recent Prices Orders will adversely affect our future gross profits. Our only remedy is continuous increase in turnover. Our London activities on overseas business continue at a satisfactory level. Similar market features to those experienced in Australia have been reported from other countries. This business is valuable in helping us to maintain associations with suppliers in markets from which Australia is temporarily excluded, and also in bringing to our notice developments in other countries which may be turned to account in our Australian business.

The result of the year's trading is a substantial improvement on last year. Ample provision has been made for future taxation, doubtful debts and known contingencies. The directors recommend that the dividend on the ordinary shares be raised from 7½ per cent. to 10 per cent. In addition, the remission of taxation enables the recommendation of a bonus distribution of 2½ per cent. Properties, fixtures, fittings and plant are taken into our accounts at conservative values and are in good order and condition.

In other respects the balance-sheet reflects the increase in trade. Amounts due to the company are greater by £126,957 and stocks have increased by £441,101, which is largely accounted for by goods in course of shipment from this country to all parts of the world. It should be pointed out that the amount of bills receivable covers goods on the water and proceeds on the way back, and that the amount bears true relationship to the trade being done. Liabilities to creditors and bankers are increased by £330,058, which consists chiefly of the amount required to finance the increased shipments. Reserves and provisions for income-tax and contingencies show increases of £155,278, and in the opinion of the board this addition is adequate to protect the company against fluctuations in the market and any other unforeseen contingencies.

Prices of goods, whether of Australian manufacture or of British or foreign origin, are still rising, and we are wondering when the peak will be reached and the decline set in. Turnover and profit will soon reflect any downward trend, and as prices recede our ratio of expenses will increase. Some lines are already reported as fully sufficient to satisfy demand, and consumers are more exacting and discriminating. Certain traders incline to the opinion that trade will develop weakness, some going so far as to predict a slump. We are not prepared to go so far, but do say, very definitely, that conditions are developing which call for caution in buying and in treatment of stocks.

Goods of British origin continue in request from all quarters, but owing to limited export from the United Kingdom we have

been forced into other markets. Various controls still operating in Australia affect progress, but we are hoping for some relief in this direction, and a progressive return to normal trading. Definitions of normalcy vary, but for us it means a demand for sound goods at right prices. It means a return to competition and the servicing of trade by means of travelling salesmen; in short, rising expenses absent in a sellers' market but ever present in a buyer's market.

With less money to spend, the public will devote more time to a search for values, and our problem will be to adjust expenses to changing conditions and to expend greater effort where best results can be expected. The change in conditions was recently described by the Perth correspondent of a British trade journal—"Gone is that first careless rapture of the early demobilisation days when deferred pay was being spent with abandon." Income-tax reductions operating from July 1st will improve the position of the average wage-earner to some extent and help those who have to rely on the weekly pay envelope for their upkeep. The return of men from the Services was effected smoothly, and we are pleased to state that, with very few exceptions, they resumed duties in a satisfactory manner.

In South Australia expansion in secondary industry continues in an encouraging manner. Rains have been good, and agricultural and pastoral prospects are promising. The season opened well in Western Australia, but dry conditions during August caused some crop deterioration. Mining is employing a large number of men, and would show marked expansion if labour and machinery were available. In view of the demand for gold, every effort can be relied on to foster the industry. Interest in water supply is steadily growing, and we again emphasise the importance we attach to projects connected with providing adequate storage and distribution to town and country. The report was adopted.

ALLIED BAKERIES, LIMITED

GRATIFYING RESULTS

The twelfth annual general meeting of Allied Bakeries, Limited, was held on the 31st ultimo, in London.

Mr F. G. Russell, who presided, in the course of his speech said:—

In spite of the difficulties of rationing and scarcity of essential supplies, we have had a most gratifying trading year. The improved sales volume has resulted in a net profit of £595,754, which is some £218,000 greater than last year's figure of £377,015. The dividend on preference share capital at £42,000, together with the dividend of 20 per cent. on the ordinary share capital, absorbing £154,000, makes the total remuneration of capital £196,000.

One matter which continues to engage a great deal of the time of your board is planning for the future and a considerable amount of preparatory work has been done so that our development plans can be put into operation as soon as it is possible to obtain the necessary buildings and plant. We have acquired many strategically placed building sites for new factories up and down the country, and in many cases have the blue prints ready for use when it is possible to obtain licences to proceed, and have placed orders for the plant and equipment required.

Our current sales and profits are being well maintained as compared with last year. But I would hesitate to forecast the future trend of events in the present uncertain economic state of the country. A substantial proportion of future profits will have to be retained in the business to meet the cost of re-equipping our factories and for our expansion programme in order to strengthen the company's financial position for the future.

The report was adopted.

WILLIAM DOXFORD AND SONS, LIMITED

RESTRICTIONS AFFECT OUTPUT

The fifty-fifth annual general meeting of William Doxford and Sons, Limited, was held, on the 31st ultimo, in London.

Mr E. P. Andreae, Ph.D., the chairman, in the course of his speech, said: At our last annual general meeting I mentioned that orders in hand would keep our establishments fully occupied for a considerable time ahead unless, of course, circumstances entirely beyond our control should force us to modify our programme. Such circumstances did arise during the year under review, resulting in quite a serious setback in output, which is reflected in the figures.

The balance brought forward from the profit and loss account at £231,843 shows a drop from last year's figures of some £72,000. After providing for reserves and the dividends, paid and proposed, the carry forward stands at £74,710. I think it will be generally conceded that, in spite of the very strong financial position of your company, the reduced profit shown this year, coupled with the universal uncertainties and supply problems still facing the industry, fully justifies your directors' decision to reduce the bonus recommended to 5 per cent., as against the 10 per cent. last year.

The exceptionally severe winter weather, which seriously handicapped work in the open for several months, was followed by the removal of the shipbuilding and marine engineering industries from any priority previously accorded to them.

As a result of handicaps, we completed and delivered during the year only seven ships, totalling 44,892 gross registered tons, as against eight ships, in the previous year, and against the target of 12 per annum we had hoped to achieve when we laid our plans on the cessation of hostilities.

Our engine works, in addition to building the seven sets of oil engines of 25,500 B.H.P. for our own ships, supplied six sets totalling 19,800 B.H.P. to other shipbuilders, making in all 45,000 B.H.P., against more than 50,000 B.H.P. in the previous year. Here, again, a much higher target had been set, but scarcity and spasmodic deliveries of materials destroyed the rhythm of planned production, and at the same time both output and costs suffered by the reduction in working hours from 47 to 44 per week, which was introduced in January, 1947.

DEMAND FOR OIL ENGINES

I have always stressed the importance to this company of its marine engineering department. The demand for the Doxford oil engine continues to expand rapidly. There are now 11 marine engineering firms building the Doxford engine under licence in Great Britain and four firms abroad, with the result that we can record a total of over a million indicated horse power now building or on order. During the year our licensees alone have completed 29 Doxford engines, totalling nearly 131,000 B.H.P.

Whilst it is satisfactory to know that we have a large number of orders on our books, it is doubly unfortunate that the scarcity of materials is so seriously retarding their fulfilment, particularly as many of them are for foreign account. Export being of such vital importance to the economy of our country, it is rather surprising that more is not being done to assist the shipbuilding industry.

Not only the present building cost of ships, but probably even to a greater extent the impossibility of quoting fixed prices, or of giving reasonably firm dates of delivery, has made shipowners very chary of placing further orders, in spite of their need for tonnage. We can only hope that, as present contracts in hand near completion, circumstances will have so changed as to encourage new orders.

The report was adopted.

HARRISONS AND CROSFIELD, LIMITED

GRATIFYING PROGRESS

The thirty-ninth ordinary general meeting of Harrisons and Crosfield, Limited, was held, on the 4th instant, in London.

Mr H. Eric Miller, the chairman, in the course of his speech, said: The profit and loss account shows in the aggregate gratifying progress in the right direction. The greater part of the profits we earn are the direct result of our initiative and enterprise, as Merchants, at Head Office, at our branches and at the offices of our subsidiary and associated companies overseas. The business was founded over a century ago for the merchandising of tea and, although our later activities in the development of the plantation industries of the East have drawn the limelight, we have continued to fulfil our original mission on an expanding scale.

At the same time we have built up and developed an extensive general trading business all over the world. Merchant firms like ours, with a competent organisation and adequate financial strength, perform a valuable function for British manufacturers, who are thereby enabled to concentrate on their own problems of production, knowing their sales effort, particularly in overseas markets, to be in the hands of specialists who can correctly interpret the requirements of their clients. One of the most attractive features of our business is that so much of it is transacted abroad. In addition to our successful fostering of British exports on an expanding scale, we take a very substantial part in entrepot trade throughout the world.

In spite of a continuing shortage of rice—the staple food—the economic recovery of Malaya has been rapid beyond expectation, due to the commonsense, enterprise and adaptability shown by businessmen of all races in circumstances which have put those qualities to the test. Great credit is due to them; by contrast it is deplorable that the restoration of law and order has not made more progress.

NEED FOR FREEDOM

The strength of this country at any particular time lies not so much in the Government as in the people themselves. If a stranglehold is clamped on their initiative, and if the will to put the best foot foremost is persistently weakened by official or trade union agency, how can a country in our present straits hope to make a real recovery? Hence the need for us rapidly to recover a reasonable measure of individual freedom as urged with inimitable vigour by Mr Winston Churchill.

Mr Haydn O. Peake, the vice-chairman, referring to his recent visit to Canada, said: Canada is not a new field for the company's operations. As a convenience of organisation Harrisons and Crosfield (Canada) Limited, was registered in Canada in 1938 to consolidate the business other than tea and coffee. This company's activities consist mainly of import and distribution of raw materials for industry, including the paint, textile, rubber, paper and tanning trades, feeding oils for the farming industry, and a number of other lines. A considerable export trade has also been developed to various parts of the world.

Canada is a country with a great future. Wise leadership during the war and since has enabled her to avoid, or at any rate to mitigate, some of the economic difficulties with which other countries have been confronted since the war. Business prospects in Canada will appear to be good.

The report was adopted and a final dividend of 20 per cent. (making 25 per cent. for the year) on the Deferred Ordinary stock was approved.

INDUSTRIAL FINANCE AND INVESTMENT CORPORATION, LIMITED

ANOTHER SATISFACTORY YEAR

The annual meeting of this company will be held on the 12th instant.

The following is an extract from the statement of the chairman (Mr J. N. Buchanan, D.S.O., M.C.), circulated with the report and accounts:—

It will be seen from the accounts that your company has had another active and satisfactory year.

Compared with last year, net revenue, after taxation, is higher by approximately £19,000; after allowing for an ordinary dividend at the rate of 9 per cent., there remains £33,000 to be carried forward, bringing that item to £140,000.

Turning to the balance-sheet, it will be observed that the unquoted investments show a large increase; a fair proportion of these investments, will find their way into quoted securities in the normal course of business. The valuation has been made, as before, on a conservative basis.

Creditors and debtors have swollen substantially, but the position as shown is more apparent than real since, in the main, the increases represent a single large investment transaction, carried out on the instructions of one of our clients, which was completed shortly after the date of the balance-sheet.

In accordance with the procedure adopted last year, only the realised appreciation of investments has been brought into the profit and loss account, no credit being taken for any appreciation which was not realised during the year. Now that the economic crisis is having repercussions on market quotations, the wisdom of having provided reserves against this contingency is apparent. Although the tempo of finance business has eased, we continue to have before us a number of interesting projects, and our revenue to date has been well maintained.

PRICES, TAILORS, LIMITED

A YEAR OF PROGRESS

The nineteenth annual general meeting of Prices, Tailors, Limited, was held at the Queen's Hotel, Leeds on the 3rd instant. The chairman, Sir Henry Price, in his opening remarks announced that the company's fixed assets showed an increase of £384,143, due mainly to the purchase of properties. As a result, the chairman went on, net current assets are depleted, but only temporarily, as since June 30th, the company sold properties, amounting to £286,000 on advantageous terms which include long leases favourable to the company.

Referring to specific reserves, Sir Henry spoke of a balance of £42,388 which he said was reserved for factory development last year and was still available for this purpose. Sir Henry was sure that shareholders would consider the trading profit of £575,976 satisfactory.

Speaking of Prices, Tailors Properties Limited, Sir Henry remarked that the only item which needed comment was the redemption of old and the issue of new debentures and preference shares—which resulted in the prior charges for interest and preference dividends being considerably reduced.

Regarding consolidated accounts, Sir Henry said that after deducting dividends payable to preference and preferred ordinary shares in subsidiary companies, the net profits available for Prices Trust Company Limited amounted to £195,914 of which £15,125 was required to meet the preference dividend. The balance £180,789 had been appropriated as to 57 per cent. to dividend and 43 per cent. to reserve and addition to carry forward.

Net current assets of the Group were £734,560 and after taking account of £286,000 released from fixed assets—referred to above—amounted to over £1,000,000.

GOVERNMENT RETURNS

For the week ended November 1, 1947, total ordinary revenue was £84,344,598, against ordinary expenditure of £99,639,939 and issues to sinking funds nil. Thus, including sinking fund allocations of £9,149,891 the surplus accrued since April 1st is £214,522,549 against a deficit of £543,701,893 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1947-48	Receipts into the Exchequer (£ thousand)			
		April 1 to Nov. 2, 1946	April 1 to Nov. 1, 1947	Week ended Nov. 2, 1946	Week ended Nov. 1, 1947
ORDINARY REVENUE					
Income Tax	107,300	469,624	433,436	9,650	13,087
Sur-tax	80,000	18,332	21,455	350	550
Estate, etc., Duties	155,000	82,564	97,399	2,799	3,530
Stamps	57,000	19,965	29,580	455	1,600
N.D.C.	202,000	20,292	21,620	920	350
E.P.T.	1,000	204,469	152,017	9,852	6,669
Other Inland Rev.		168	115	...	...
Total Inland Rev.	156,800	815,414	755,824	24,026	25,786
Customs	736,960	345,944	458,231	11,031	17,738
Excise	643,040	340,235	349,547	80,335	34,547
Total Customs & Excise	1,380,000	686,179	807,778	41,866	52,285
Motor Duties	50,000	11,111	11,715	698	446
Surplus War Stores	95,000	74,729	125,721	11,496	3,443
Surplus Receipts from Trading	55,000	...	30,175	...	...
Post Office (Net Receipts)	...	3,250	780	1,600	700
Wireless Licences	11,000	4,200	5,170	1,130	1,200
Crown Lands	1,000	610	650	...	200
Receipts from Sundry Loans	21,000	9,247	17,705	...	...
Miscell. Receipts	270,000	20,942	187,973	41	285
Total Ord. Rev.	3,451,000	1,625,681	1,943,292	80,857	84,345
SELF-BALANCING					
Post Office	144,230	70,900	80,300	2,200	3,400
Income Tax on E.P.T. Refunds	49,000	122,102	14,017	1,226	540
Total	3,644,230	1,818,683	2,037,609	84,283	88,285

Expenditure	Estimate, 1947-48	Receipts into the Exchequer (£ thousand)			
		April 1 to Nov. 2, 1946	April 1 to Nov. 1, 1947	Week ended Nov. 2, 1946	Week ended Nov. 1, 1947
ORDINARY EXPENDITURE					
Int. & Maa. of Nat. Debt	525,000	305,421	314,604	19,150	15,996
Payments to N. Ireland	23,000	9,897	12,346	...	...
Loan to Nat. Land Fund	...	50,000	...	...	...
Other Cons. Fund Services	8,000	3,911	3,758	21	47
Total	556,000	369,229	330,708	19,171	16,043
Supply Services	2,635,114	1,791,242	1,388,811	119,254	83,597
Total Ord. Exp.	3,191,114	2,160,471	1,719,519	138,425	99,640

SELF-BALANCING	Estimate, 1947-48	Receipts into the Exchequer (£ thousand)			
		April 1 to Nov. 2, 1946	April 1 to Nov. 1, 1947	Week ended Nov. 2, 1946	Week ended Nov. 1, 1947
Post Office	144,230	70,900	80,300	2,200	3,400
Income Tax on E.P.T. Refunds	49,000	122,102	14,017	1,226	540
Total	193,230	193,002	94,317	3,426	3,940

After increasing Exchequer balances by £18,161 to £55,619 the other operations for the week increased gross National Debt by £19,308,813 to £25,797 million.

NET ISSUES (£ thousand)		Totals	
		Oct. 26, 1946	Oct. 25, 1947
Savings Certificates:—			
Receipts	3,500	2,800	126,400
Repayments	2,550	3,200	83,900
Net Savings	950	Dr. 400	42,500
Defence Bonds:—			
Receipts	2,380	1,300	43,960
Repayments	946	873	22,891
Net Savings	1,434	427	21,069
P.O. and Trustee Savings Banks:—			
Receipts	13,383	12,745	378,527
Repayments	9,811	10,798	363,729
Net Savings	3,572	1,947	14,798
Total Net Savings	5,956	1,974	78,367
Interest on certificates repaid	382	576	16,104
Interest accrued on savings remaining invested	2,202	2,262	63,242

NET RECEIPTS (£ thousand)		Totals	
		Oct. 26, 1946	Oct. 25, 1947
The Act, 1936, Sec. 26			
Emergency (Temporary Accommodation) Act, 1944, Sec. 8			
Total		500	5,899

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Statistical Summary

CHANGES IN DEBT (£ thousand)		NET RECEIPTS		NET REPAYMENTS	
Nat. Savings Certs.	200			Treasury Bills	8,171
2½% Def. Bonds	675			3½% Def. Bonds	2,642*
Other Debt:—				Other Debt:—	
External	2,355			Internal	60
Tax Res. Certs.	2,957				
Ways & Means Advances	23,995				
	30,182				10,873

* Including £1,971,900 paid off on maturity.

FLOATING DEBT (£ million)		Treasury Bills		Ways and Means Advances		Treasury Deposits by Banks		Total Floating Debt	
Date		Tender	Tap	Public Depts.	Bank of England				
1946									
Nov. 2	2030-0	2505-5	462-5	...	1743-0	6741-1			
1947									
July 26	2180-0	2493-4	270-9	...	1408-5	6352-8			
Aug. 2	2180-0	2470-4	317-7	2-5	1400-5	6371-0			
" 9	2180-0	2424-0	348-4	3-5	1400-5	6356-4			
" 16	2180-0	2428-2	336-7	1-75	1380-5	6337-1			
" 23	2180-0	2467-9	336-9	9-75	1350-5	6345-1			
" 30	2190-0	2428-5	339-8	4-75	1304-0	6334-8			
Sept. 6	2190-0	2468-9	357-1	4-25	1296-5	6347-7			
" 13	2190-0	2533-0	327-7	8-0	1299-0	6357-6			
" 20	2190-0	2557-1	322-3	...	1292-5	6361-9			
" 27	2190-0	2534-8	363-9	19-8	1267-0	6385-4			
Oct. 4	2200-0	2561-7	343-2	20-3	1255-5	6398-6			
" 11	2230-0	2584-7	362-8	2-0	1253-0	6432-5			
" 18	2230-0	2561-5	332-6	...	1252-5	6376-6			
" 25	2230-0	2543-4	354-8	1-75	1252-5	6392-5			
Nov. 1	2240-0	2543-4	354-8	1-75	1252-5	6392-5			

TREASURY BILLS							
(£ million)							
Date of Tender		Amount			Average Rate of Allotment %		Per Cent. Allotted at Min. Rate
		Offered	Applied for	Allotted			
1946							
Nov. 1	160-0	290-9	160-0	10	1-37	39	
1947							
Aug. 1	160-0	287-9	160-0	10	1-11	39	
" 8	170-0	276-6	170-0	10	1-48	49	
" 15	170-0	235-6	170-0	10	2-34	68	
" 22	170-0	258-4	170-0	10	1-48	55	
" 29	170-0	251-9	170-0	10	1-14	69	
Sept. 5	170-0	276-8	170-0	10	2-54	49	
" 12	170-0	269-7	170-0	10	2-85	51	
" 19	170-0	253-5	170-0	10	3-10	57	
" 26	180-0	277-4	170-0	10	2-66	27	
Oct. 3	190-0	299-9	190-0	10	1-39	49	
" 10	180-0	291-3	180-0	10	1-36	47	
" 17	170-0	268-9	170-0	10	1-87	54	
" 24	170-0	285-0	170-0	10	1-52	46	
" 31	170-0	289-3	170-0	10	1-38	43	

One Shilling

Leading Articles

THE only reason for having a supplementary Budget was to put some check upon inflation. There is, consequently, no occasion for congratulating Mr Dalton on the fact that all the steps he proposed to the House of Commons on Wednesday were in the right, disinflationary direction—he would have made himself ridiculous if they had not been. The question is whether he took the right steps and whether they were firm enough. And the answer must be that he was more concerned, once again, to side-step the major issue that events have been forcing upon him. That major issue is that the fiscal and financial policies that he is pursuing are doing more to hinder than to help the economic recovery of this sorely pressed land. Nothing that he said or did on Wednesday substantially mitigates this heavy indictment. The Chancellor must, by now, be very well aware of this criticism that is directed at him. That he did not choose either to accept it or to answer it tells its own story.

Mr Dalton's position—implied rather than argued—appears to be that his Budget of last April did all that was necessary at that time. If there was then an “inflationary gap” he had closed it, and the need for further measures now arose simply from the steps that the Government had been compelled to take to bring the balance of payments into equilibrium. But if this is the argument, it is patently inadequate. Nobody but the Chancellor himself can believe any longer that goods and money were in balance with each other in April. The phenomena of inflation—a steady rise in all uncontrolled, and some controlled, prices, and a no less steady drift of resources from essential into unessential uses—have certainly been in evidence throughout the year. Perhaps the clearest proof is to be found in the extreme difficulty that the departments concerned with production are experiencing in making their controls work or their priorities effective. Certain forms of activity—notably mining, agriculture and exports—are vitally important to the country. But they are continually being elbowed out of the full priority they ought to enjoy by the pressure of competing demands. Until these demands are cut back enough to give the priority classes a clear run—until Mr Dalton takes his disinflationary duty seriously—Sir Stafford Cripps's policy cannot succeed. That was true in April and it is true in November.

Moreover, Mr Dalton has not even come up to the unduly restricted measure of the task he set himself. Even if everything were in balance last April, it would still be necessary to close the new inflationary gap created by the decision to cut down imports and expand exports. Though the inflationary gap as a whole cannot be statistically measured, this new gap can; it is equal to the reduction in the overseas borrowings on which the country has hitherto been living. Last spring, the country was borrowing at the rate of some £600 million a year. By the end of 1948 the plan is that it is not to be borrowing at all, on balance. Mr Dalton's task, even on his own definition, therefore, was to see that the flow of money trying to get itself spent will be, by the end of next year, at an annual rate of £600 million smaller than it would otherwise have been. This he has hardly achieved. His increases in the revenue are estimated to yield £208 million in a full year, and to this can be added the

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reduction of £200 million in capital expenditure (provided that the money thus saved is not spent on something else). The rest of the sum is still to be found by reductions in the expenditure of the Government on other than capital purposes.

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The reduction of expenditure, in fact, lies at the very centre of the whole problem and deserves a much more thorough analysis than Mr Dalton gave it. It is very doubtful whether the large surplus that the Budget ought to show can be built up by the method of tax increases alone. And even if the inflationary gap could, on paper, be closed in this way, it would be a very unsatisfactory way of doing it. The fact is that the level of taxation is very much higher than the economy can stand. The net national income (at market price) is in the neighbourhood of £9,000 million; the revenue from taxes (including local taxes and social insurance contributions) for the current year would, if this week's tax increases had been in force for the whole of it, amount to over £3,600 million. Whether or not there is any absolute validity in the rule propounded some time ago by Mr Colin Clark that 25 per cent of the national income is the highest proportion that can be collected in taxes without inflation, it is certainly true that the present proportion of 40 per cent is far and away too high. It is better that a Budget surplus should be created by increasing taxes than that there should be no Budget surplus at all. But it would be infinitely better if the surplus were created by a reduction of expenditure. The target for any Chancellor of the Exchequer to aim at should be to get his total of expenditure down to something of the order of £2,500 million at most—that is, some £700 million below the estimate for the current year. If this could be achieved, it would be possible to run a surplus of £500 million and still take several hundred millions off the mountainous burden of taxes.

It does not take any close analysis of the figures to establish that this could not possibly be done without cutting out the greater part, if not the whole, of the expenditure on food subsidies. What is the sense in raising £400 million more in taxes than is necessary, and suffering all the disincentives of so doing, simply in order to pay out £400 million in subsidies and suffer a further set of distortions and misdirections of popular purchasing power? Mr Dalton's argument in defence of the subsidies was, in substance, that it was very nice for the average family of four persons to have 12s. 6d. knocked off its weekly food bill. Of course it is. But what irresponsible demagoguery it is on the part of the Chancellor of the Exchequer to take this as sufficient reason, without the devotion of even so much as a single sentence to the economic effects, without asking whether the benefits of the food subsidies are worth the income tax of 3s. 3d. in the £ that they cost. Since all the foods on which the subsidies are paid are rationed, it is most unlikely that (with the exception of a few of the very poorest families) they achieve any increase in the actual consumption of food—even if that could, in present circumstances, be ascribed to them for merit. They simply mean that people have more money to send chasing after the restricted supplies of other things—the very phenomenon that Mr Dalton says he wants to stop. His attitude to these subsidies, in short, is as illogical as it is uncourageous. It is true that he has set a limit to them and that he uttered words that might be taken to mean that he would set about reducing them next year. But if rumour is to be believed, this is merely another instance of the Cabinet's favourite remedy for disagreement within its ranks: if we cannot agree now, we will postpone the matter until next year.

The general verdict on the Budget must, therefore, be that it is not so much an opportunity missed as a duty declined. What was needed was, on the economic plane, to make a prompt and large correction of the distortions now plaguing the national economy, and on the psychological plane, to provide a dramatic

symbol, whose meaning no member of the public could miss, of the gravity of the economic emergency. The purely economic effect of the Budget is deferred—the difference to this year's revenue is a mere £48 million—and inadequate. Psychologically, by his boast that he has imposed "no serious hardship on any citizen" and by his talk of further reductions in income tax next year, he has once again encouraged the ordinary man to believe that there is nothing seriously wrong that cannot be put right by a few more slaps at business profits and by a slight reduction in marginal expenditures.

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Beside these considerations of major economic policy, anything that is said of the actual tax changes proposed, either in favour or in criticism, is necessarily of minor interest. Mr Dalton's batch of proposals included some that were good and some that were bad. The main additional revenue-producers are the increases in the Profits Tax, the Purchase Tax and the duties on alcohol. The Profits Tax is wrong in principle, and if the rates have been doubled, the tax is just twice as noxious as it was before. Mr Dalton himself, in an earlier and wiser manifestation, was quoted in these columns last April against the principle of levying heavy taxation on precisely that element of income from capital that is most valuable, the enterprising and risk-bearing portion. If Mr Dalton's class-consciousness made it necessary to raise a further £47 million from property incomes, he should have done it in the only fair way through the Income Tax. The only consolation to be found in the doubling of the Profits Tax is that it makes repeal of the whole tax at an early date the more certain. Increases in the Purchase Tax, on the other hand, are admirably adapted to the circumstances of suppressed inflation. At first sight, the comment might be made that it would have been better to spread the net of the tax more widely without an increase in the rates of tax, rather than to increase the rates without changing the incidence; but justification for what has been done may possibly be found in the administrative complication of any more diffused tax. There is a clear case for the increase in the alcohol duties; the mystery is why the Chancellor made no further increase in the tobacco duty also, after himself making a conclusive case for so doing.

The two novelties are the new duty on certain forms of betting and what amounts to a new tax on advertisements. In the minds of the great majority of people the only possible objection to a betting tax is the administrative difficulty of collecting it. The Chancellor has decided to cut this Gordian knot, which defeated Mr Churchill twenty years ago, by leaving the book-makers alone and confining himself to the football pools and the greyhound totalisators. There is a touch of inequity about this, which, perhaps, accounts for the very lenient rate of duty; most people would have been well content had it been doubled.

There has long been a strong case for a tax on advertising, and it is impossible not to admire the combined ingenuity and simplicity of the device by which the administrative complications of a tax levied directly on advertising are cut out; the advertiser will, in future, be allowed to reckon only half his expenditure on advertising as a business expense and will thus have to pay tax on the remainder. But approval in principle must be qualified by a serious question whether the rate of the new tax has not been set too high. The effect of disallowing half the expenditure is to subject the whole to a rate of tax equal to half the combined total of Profits Tax and Income Tax—that is, to a rate varying from just over 25 per cent to just less than 30 per cent, according to which of the two rates of Profits Tax is applicable. To tax betting 10 per cent and advertising between 25 per cent and 30 per cent suggests that something has gone wrong with the scale of values. Mr Dalton would make his case much stronger if he would disallow not half of advertisement expenditure, but one quarter or one fifth.

The Plan Takes Shape

THE Marshall offer has now begun to turn into a plan. With the Paris report to tell him what western Europe thinks it will need, and with the Harriman report to tell him what 19 leading American businessmen and economists think their country can afford, Mr Marshall has asked the committees of Congress for something between the two. He has declared that reliable estimates of needs as far ahead as 1950 and 1951 just cannot be made; he will therefore "not recommend to the President that Congress appropriate for the full four-year period." Nevertheless, he has staked his claim for between \$16 and \$20 billion (that is, between £4,000 and £5,000 million) which compares with the estimate of \$19,310 million made by Sir Oliver Franks and his fifteen colleagues and with the Harriman Committee's estimate of between \$12 and \$17 billion, varying according to the assumptions made about prices and available supplies.

What really matters, however, is the sum proposed for the vital year 1948, or rather for the fifteen-month period ending June 30, 1949. Until April 1, 1948, Western Europe will be struggling through with interim aid amounting to \$597 million, destined for France, Italy and Austria. When that expires the Marshall Plan proper should come into action; and its success will depend on its ability to provide quickly what the Harriman Report calls "the spark which can fire the engine." Western Europe will have passed through a winter of intense political and economic strain, exposed to persistent propaganda for and against the plan. Its expectations will have to be met quickly if Mr Marshall is to obtain the psychological effect which is one of his major objectives. It is therefore fortunate that the divergence between the Marshall and Harriman estimates for the full period—due rather to different views of price trends than to differences of principle—is not repeated in the estimates for this decisive first period. Mr Marshall wants between \$7,000 million and \$7,500 million for 15 months; the Harriman committee thinks America could afford \$5,750 million for twelve months. Congress cannot fail to be impressed by this near agreement between the Secretary of State and the men of business, which represents a reduction of some \$2,300 million on the Paris estimates of the dollar deficit for this decisive year.

The Marshall Plan raises so many issues, domestic and international, political and economic, that there is a real risk of the discussion straying off into a confusion of minor matters. The important questions to be asked at this stage are three in number. First, are the sums suggested large enough to meet the inescapable needs of Western Europe? Secondly, do the conditions of principle and detail attached to American aid amount to an infringement of the national sovereignty of the sixteen nations receiving it? Thirdly, will any of the conditions frustrate Europe's effort to become self-supporting?

To the first question the answer, on present evidence, is quite clearly Yes. Both for the long and the short period the Paris estimates have been found too optimistic but for reasons which must be accepted. There was always a good margin for trimming in the Paris estimates, as Mr Clayton proved by getting \$7 billion lopped off in a week-end. They were no doubt a correct interpretation of the assumptions on which they were based—but the assumptions themselves can be modified. It is no more in Europe's than in America's interest that more than the minimum of aid should be given, since nothing could well be more disastrous for European recovery than that illusions should be kept alive on a diet of dollars. There should be no complaints about the efforts so far made in Washington to make the whole scheme look tighter and thriftier and to transfer large portions of the work to the World Bank and the

Export-Import Bank. Changes were better made that way than by calling together a second Paris conference and telling it to think and calculate again, of which the political consequences might have been deplorable.

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To the second question too, the answer is Yes. Some of the conditions foreshadowed in Mr Marshall's statement do represent some infringement of national independence. And so they should. It was from the first inevitable that the Americans should attach strings to an operation of this kind. The only question has been, and still is, whether the conditions are reasonable and wise. So far as can be judged from comments made in the Harriman report they amount at present—before Congress starts its work—to this: that participating countries should stabilise their currencies and balance their budgets as soon as possible, and that persistent failure to do so should disqualify them from aid; that they should make genuine efforts to attain their production targets—which means, among other things, that British coal production should increase by 25 per cent, to make possible the exports which would "change the face of Europe." They are asked to desist from excessive effort to create new capital, for example, by too radical a mechanisation of agriculture or too rapid a switch from coal to oil. National currency earned by European Governments by the sale of American goods provided to them without payment is to be set aside for constructive schemes and not be used for budgetary purposes. The independent federal agency set up in America to administer the plan is to maintain in individual countries, and through a permanent committee of the Paris committee, a close watch on the use and effects of its aid.

There is nothing in any of these conditions that unreasonably infringes the political sovereignty or injures the national self-respect of the receiving nations. It is true that their rigid enforcement might cause some clash of opinions and ruffling of dignities. But it is reasonable to ask that a borrower should start with his affairs in order; it is eminently reasonable to enforce Mr Marshall's basic principle that America only helps those who do everything possible to help themselves and one another; and, whatever Mr Horner may think, it is as reasonable that Americans should urge higher coal production on the British as it is that the British should urge the lending of dollars on the Americans. It is proper that France should be restrained from carrying out some of its more extravagant schemes of capital reconstruction at the expense of its neighbours in Europe, and should be asked to concede to western Germany a bigger role in the Marshall Plan than it has yet received. And it is both wise and welcome that the Americans should wish to prevent the proceeds from sales of their goods being used by thriftless Ministers of finance as a deceptively easy way to give their budgets an appearance of balance.

All this can be said with confidence once it is accepted that the American objective is to get western Europe eventually standing on its own feet, to make the sixteen nations partners in a common European enterprise and not mere mercenaries of State Department policy. On this point the Harriman Report is both candid and clear. It says that America's position in the world has been based for over a century "on the existence in Europe of a number of strong states committed by tradition and inclination to the democratic concept." Therefore it is in America's interest to see to it "that the democratic system provides the bare necessities of life now," so that it may "rekindle the hope that by hard work a higher standard of living

is attainable." In other words, the Moscow prophecy of inevitable collapse for the West must be proved wrong. The West, if it is wise, will not object to the demonstration.

As for Mr Molotov's other prophecy, that to accept Marshall aid will be to accept dollar slavery, the Harriman Report says that adherence to basic democratic principles is "an essential condition to continued aid" (a pregnant phrase for General de Gaulle), but that this condition "should not require adherence to any form of economic organisation or the abandonment of plans adopted in and carried out in a free and democratic way." And there is a further warning against "unwarranted interference with the internal affairs of friendly nations."

So far, then, so good; it remains to be seen whether Congress will follow this statesmanlike advice.

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But there remains the third question. Will the Marshall Plan repeat the mistake of the British Loan and have economic conditions attached to it which in fact prevent the recipient nations from working their way out of dependence on dollar aid? In giving (or lending) dollars to Europe, will Congress make it more difficult for Europe to balance its trading accounts without gifts or loans? Will the Marshall dollars be turned into a compulsory habit-forming drug? There are hints of such conditions in the Harriman report and in unofficial comment on Mr Marshall's intentions. For instance, there is the suggestion that some of the proceeds, in local currency, of selling American goods delivered to the European governments free of charge could be used to finance local expenditure by the American Government, including the stockpiling of strategic materials, such as rubber and uranium. As a principle this is not unreasonable. But if the local expenditures of the American Government, including expenditure on stockpiling, are expenditures that would have to be carried out in the absence of a Marshall Plan, then this proposal would in fact reduce Europe's earnings of dollars below what they would otherwise have been and, to that extent, create a further need for more Marshall dollars in their place.

The same tendency seems to lie behind the criticism that the shipbuilding programme of the Paris Report makes excessive

demands for steel. Is this a genuine piece of businesslike criticism, or a desire to assist American shipping? Is Britain to be denied the right to build liners and cargo vessels which might regain some of its pre-war dollar-earning capacity? The answer is obvious, and it must be borne in mind that there may be similar threats to the dollar-earning capacities of other countries buried in the massive argument of the full Harriman report. The argument to be used against them—if they exist—is that they are inconsistent with the basic purposes of the Marshall Plan. It is very natural that Americans should hesitate to spend their dollars in order to build up competitors for their own trade. But if the nations of Western Europe are to become solvent they must be allowed to compete with American trade. Congress can have, in Europe, either solvent competitors or insolvent non-competitors; it cannot have solvent non-competitors.

These facts and possibilities should not be lost from sight. Yet they weigh lightly in the balance against the generosity and the grand sweep of the Marshall proposals. It has to be made clear to the 245 million people of western Europe affected by them that two-thirds of the aid for the first stage of the plan will be a straight gift—a gift of some \$3½ billion; and that execution of the plan will mean difficulties and sacrifices for the American producer and consumer, even controls and restrictions alien to their way of life. Nor can the generosity be argued away by saying that the American people are merely paying an insurance premium against a domestic slump; if that was the object of Mr Marshall's policy, cheaper and more effective methods could be found. On the other hand, there is no point in denying or glossing over the fact that the plan is to be one of the main weapons of American foreign policy. As such Mr Molotov and Mr Zhdanov are quite right to fear it and attack it. It sets out to prove wrong their publicly proclaimed hopes and estimates; and there can be no doubt that the majority of the people of western Europe want to see the proof succeed.

Mr Marshall has allowed exactly nine months for the gestation of his plan. Conceived last June, it is to be born next April. The prospects of a healthy and normal progress towards the happy event are better than ever seemed possible.

Trial and Terror

AFTER Petkov, Maniu; after Maniu, treason trials are promised in Czechoslovakia. Mikolajczyk has escaped from Poland, but substitute victims will no doubt be found for the cheated tribunal. In the end, when the time is ripe, we may expect that the political process of law on the Moscow model will be extended to the Russian zone of Germany. There it will engulf those leaders who still resist the power of the Socialist Unity Party and expose the malignant designs of Britain and the United States against the German people.

The diffusion of the technique of the Soviet political trial has been one of the consequences of Communist ascendancy in Eastern Europe. This technique has been developed and elaborated over a period of years, but it has been devised in accordance with a basic conception of law which the Russian Communists already held in the time of Lenin. Indeed, the view of the judicial function which underlies the procedure used in political cases was formerly expressed more frankly than it has been in recent years, when propagandists have been at some pains to convince Western liberal opinion of the purity of justice as administered by the Military Collegium of the Supreme Court of the Soviet Union. In 1924 Krylenko, the former Public Prosecutor, who was himself destined to perish by the system which he defended, declared in his book "The

Court Structure of the USSR" that "every court . . . has the task of defending the interests of a given governing class and is distinguished from other means of defence only by its specific form and nothing more." As the interests of the new governing class, the proletariat, were held to be fully and exclusively represented by the Communist Party, it followed that the advantage of the Party was the sole criterion of justice—in so far as politics were in any way involved, directly or indirectly—in cases brought before the courts. Krylenko had previously given a practical demonstration of his principles in the first of the great Moscow trials, that of the leaders of the Socialist-Revolutionary Party in 1922. Then he, as President of the Supreme Court, appeared as prosecutor before a judge who was his own subordinate, and the latter announced that the Court "does not intend to handle the case from a dispassionate objective point of view, but will be guided solely by the interests of the Soviet Government."

When once it has been theoretically established that *raison d'état* is the final principle of law and that the citizen has no legal rights which are valid against the interests of the ruling party, it becomes irrelevant whether an accused person has actually committed the offences of which he stands accused. A political trial of which the result is in doubt is obviously of

no use to the Party-State; when, as always happens in these trials, the ruling faction has proclaimed the guilt of the accused by officially sponsored propaganda, acquittal is unthinkable. The defendants should not be brought to trial unless it is intended to convict them; the trial must demonstrate the theses of official doctrine and there can be no thought, therefore, of admitting testimony which upsets the prosecution. It is not merely that the ruling faction, claiming absolute power, desires to destroy its political opponents physically and to discredit them morally. Even more, the political trial is a means by which the rulers justify themselves and impose themselves upon the people.

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The Russian Communists, basing their power so largely on mass propaganda, and possessing an untrammelled insight into the possibilities of modern technical means of publicity, such as the radio and cinema, were the first to grasp the importance of the political trial as a medium for appeal to the masses. There is nothing more dramatic—or melodramatic—than the proceedings of a court of law when men are in peril of their lives, nothing which can give so sharp and intense a form to the presentation of political issues. If the proceedings can be so predetermined as to approximate to a planned, theatrical production; if they can be transmitted by camera, microphone and press reporting to the furthest corners of a vast territory, and if the Government's monopoly of the means of publicity excludes any note of doubt or criticism of the evidence, then the holders of the state power have an incomparable medium for persuasion of the people. "The psyche of the broad masses," says Hitler in "Mein Kampf," "is accessible only to what is strong and uncompromising. . . . the masses of the people prefer the ruler to the suppliant, and are filled with a stronger sense of mental security by a teaching that brooks no rival than by a teaching which offers them a liberal choice." But never is the voice of authority so strong and uncompromising as when it speaks with the majesty of the law.

The propaganda effect is greatest if the accused can be induced to co-operate with the prosecution. Self-inculping testimony is the most convincing of all. If the principal accused in a trial deny the charges in the indictment, it is desirable that the prosecution's chief witnesses should be men who also stand in the dock and denounce themselves in their evidence; it is the task of the Court to protect them from exposure to cross-examination or rebuttal by obstructing, eliminating or intimidating the defence counsel and defence witnesses—as it has done in the trials of Mihailovitch and Petkov. But the ideal is that all the accused without exception should confess their guilt and abase themselves with abject self-vilification, as in the trial of Professor Ramzin and his "Industrial Party" in Moscow in 1930, or in the later trials of the "Old Bolsheviks" in 1936-38. These well-conducted symphonies produced complete conviction in the minds of most Komsomoltsi, of many Bashkirs and

of Ambassador Joseph Davies. However, the "shadow trial" of Trotsky, held by the "commission of inquiry" under Professor Dewey of Columbia University, subjected the evidence given in the Zinoviev-Kamenev and Pyatakov-Radek trials to a devastating critical analysis, which showed parts of it to be, by any standard of human reason, certainly false. The report of this commission has never, of course, been permitted to circulate within the borders of the Soviet Union, nor has it ever been widely read in Western countries—for the Moscow trials had long since ceased to be news before it appeared—but it remains as a massive rational refutation of stories told with ingenious detail, but without the essential quality of truth. The report severely censures "the failure of the prosecutor and the court to call the attention of the accused and witnesses to contradictions in their own testimony, or between their testimony and the facts of general knowledge, or between their testimony and that of other accused or witnesses, on matters of great importance to the credibility of the alleged conspiracy."

That part of the evidence in these trials is demonstrably false does not mean that none of it is true. Imagination makes its most successful flights when some facts are included in its diet. Under an authoritarian regime, even an opposition which desires to be constitutional can scarcely avoid straying into illegality, or being in some way mixed up with groups disposed to attempt a violent *coup d'état*. There is evidence, apart from the Moscow trials, that a military conspiracy against Stalin was hatched among Red Army generals in 1936. But in this and other cases it is not enough for the ruling faction merely to establish the fact of conspiracy; for even though the Government might be legally justified in executing the accused men, popular sympathy might still be with them. It is necessary to discredit them by attributing to them the basest motives and most despicable behaviour, particularly by representing them as agents of foreign powers, ready to sell the interests of their country for power or money. This fits in well with another purpose which can be served by political trials—that of impressing on the consciousness of the people real or imaginary threats from abroad.

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People may be induced to confess falsely—or to distort or add invented supplements to confessions of genuine guilt—for either personal or political reasons. In the former category come the motives which the normal man, who is not a political or religious fanatic, has for preserving his own life and the lives and liberties of his family. In a totalitarian state, where the political police have powers of execution or consignment to concentration camps without trial—a power which can be extended arbitrarily to the near relatives or friends of the victim—the situation of an arrested man is the opposite of what it is under a normal legal system. In this country a man charged

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with a crime knows that his condemnation or acquittal depends on the effectiveness of his defence in court and that, if he is acquitted, nobody has any right to kill or imprison him. But in a totalitarian state he knows that he is at the mercy of the police—at least in political cases—that he can be killed or sent to a concentration camp without any public trial, proof of guilt, appeal or redress, and that the best hope of clemency is by pleading guilty when he is told to. Professor Tchernavin in his book *I Speak for the Silent* has recorded arguments which went on in his prison between those (known in prison slang as “novelists”) who signed false confessions and those who refused. One of the former thus justifies his kind:

Why, when the threat of an infamous death hangs over us and our families are threatened with poverty, hunger and even deportation, should we not do everything possible to alleviate our fate? The GPU demands that we confess to wrecking and espionage—all right, we are wreckers and spies. They demand denunciation of our friends—all right, we'll denounce them. If we don't, somebody else will.

Political fanatics, however, cannot be subdued by such methods, and when a man's opposition to the regime is uncompromising, he must be either destroyed without public trial or given a trial *à la Petkov*. But it may be that the opponents are men of divided purpose because, in spite of their desire

to remove the Government, they may support it in relation to something else; if they are men for whom the political consequences of their acts outweigh every other consideration, they may be persuaded by protracted argument to help the regime by their testimony. This is undoubtedly the main explanation of the extraordinary confessions of the old Bolshevik leaders. They hated Stalin, but they preferred Stalinism to Fascism, and they believed that the Revolution was in danger.

In Eastern Europe to-day, with the Nazis overthrown, it will indeed be hard to convince opposition leaders, not schooled in the special ethics of Communism, that there is a greater evil than that which already holds power. It follows that we are unlikely to get, except from minor political personalities, the perfect unanimity of self-immolation achieved in the great Moscow trials. The producers will have to fall back for the most part on the clumsier technique used in the Petkov trial; and it is right that these trials, in which Britain and the United States will be cast for roles of off-stage villains, should be fully reported by competent observers for the information of Western opinion. The aim of such trials is propaganda, and publicity about them is the best antidote for the influence they can have—an influence which should not be under-estimated. This is a phase of the “cold war” in which, perhaps more than in any other, there is a challenge to human reason which cannot be ignored.

Wages and Profits

It is not the purpose of this article to take sides in the argument whether wages or profits have been the more inflated and should therefore bear the heavier brunt of any corrective taxation that may now be imposed, but rather to set out such statistical material as is available on the subject.

The natural starting point is weekly wage rates. There are two index numbers of weekly wage rates, one compiled by Professor A. L. Bowley and published by the London and Cambridge Economic Service, the other calculated by the Ministry of Labour. They do not greatly diverge; for example, in July, 1947, Professor Bowley's index stood at 167.9 per cent of the level of September, 1939, and the Ministry of Labour's index at 166.5 per cent. In Table 1 the Ministry's index is used. Money wage rates, of course, need correcting by an index of prices. But here a difficulty presents itself. The old index of the cost of living was so inadequate that it has now been abandoned. On the other hand, the only alternative is to use the annual index, which can be calculated from the figures in the White Paper on the National Income, showing changes in the price-level of the consumption goods actually consumed by the public. To use this as a means of deflating an index of wage rates is to come perilously close to circular reasoning, for in so far as the prices of any consumption goods have been free to move, they should be regarded as consequences of the increase in money wages, not as an independent variable. The cost-of-living index does have the advantage of showing the effect of the subsidies paid on the necessities of life, even though it undoubtedly exaggerates it. In the table, both measures of the change in prices of consumption goods is given, with the index of wage rates as so adjusted. That rather elusive concept, the “level of real wage rates,” probably lies somewhere between the two italicised columns.

But the movement of wage rates is only an indirect guide to the movement of the incomes of wage-earners. They must be adjusted for the amount of short-time and overtime worked and for charges in direct taxation on wages (including, for this purpose, social insurance contributions). Table 2 starts from Professor Bowley's index of average earnings, which is then adjusted by the estimates in the White Paper of the direct

taxation paid on wages. The resulting index of net earnings is then shown as adjusted by the two price indices. The two final italicised columns of this table are about as close as it is possible to get by statistical means to a definition of what has happened to the real net income of the average wage-earner. He appears to be between 10 and 35 per cent better off.

It should be remarked that figures of earnings are not a measure of what has happened to the labour element in costs of production, which is affected by alterations in the length of the working week, by absenteeism, and by changes, due to whatever cause, in output per man-hour.

Before passing on to the subject of profits, a brief digression into salaries is in place. The only figures of salaries that are available are the annual series in the White Paper on the National Income. This is shown in Table 3, where it is also adjusted for direct taxation and by the index number of the market price of consumption (the cost-of-living index is hardly relevant here). These figures must, however, be interpreted with caution. It is probable that there has been an increase in the number of salary earners during the last eight years and the rise in average salary income has therefore probably been smaller than the 51 per cent rise in total salaries. If the number of salary earners was one-tenth larger (a pure guess), the increase in the average gross salary would be 37 per cent, with a loss of about 20 per cent in purchasing power. If the question is considered from a somewhat different angle, a representative—not average—salary earner (a married man with two children) whose income was £500 in 1938 and has since increased in the same proportion as average salaries, would find himself in 1946 with an income only 15 per cent larger after tax and about 27 per cent lower in purchasing power. There cannot therefore be much room for questioning the conclusion that there has been a sharp fall in the real value of the total amount received by salary-earners and still more in the net real value of the average salary. Since last year there has been a relief in income tax, but this is probably just about offset by increased prices.

The statistical basis for an assessment of what has happened to profits is even more uneven than in the other two instances. The official estimates of the national income include an item designed as “Interest and Profits,” which has moved as in Table 4.

This shows, for 1946, a larger reduction than salaries and a sharp contrast with the course of real net wage-earnings. It is reasonable to suppose, however, that some recovery will be shown for 1947, owing to the lapsing of Excess Profits Tax.

The “Interest and Profits” item in the White Paper is, however, virtually worthless for comparing what the ordinary man understands as “profits” with wages, for it includes not only farming profits but also the earnings of all those professions that are remunerated by fees and not by salaries. This gap can be filled, so far as public companies are concerned, by figures regularly computed from over 2,000 published company reports by *The Economist*. Two breaks in the continuity of this sample of companies are bridged by index numbers in Table 5; they in no way upset its representative character or its reflection of industrial profits as a whole.

The profits figures are shown after deducting EPT, NDC and

1.—WAGE RATES					
Weekly Wage Rates Sept., 1939=100	Cost of Living Sept., 1939=100	Col. (1) divided by Col. (2)	Market Prices 1939=100	Col. (1) divided by Col. (4)	
(1)	(2)	(3)	(4)	(5)	
Sept., 1939...	100.0	100.0	100	100.0	
1940 ...	111.5	93.7	117	95.3	
1941 ...	121.5	94.9	130	93.5	
1942 ...	130.0	100.8	139	93.5	
1943 ...	135.5	105.9	143	94.8	
1944 ...	142.5	109.6	148	96.3	
1945 ...	149.5	114.1	149	100.3	
1946 ...	161.5	123.3	152	106.3	
Sept., 1947...	169.0	128.0	160*	105.6	
* Estimate.					

2.—WAGE EARNINGS					
Average Weekly Earnings Oct., 1938=100	% Deduction for Direct Taxation 1938=100	Net Earnings (1) adj. by (2)	(3) adj. by Cost of Living 1938=100	(3) adj. by Market Prices	
(1)	(2)	(3)	(4)	(5)	
Oct., 1938...	100	100	100	100	
July, 1940...	130	130	110	109	
„ 1941...	142	141	111	106	
„ 1942...	160	154	120	108	
„ 1943...	176	166	131	114	
„ 1944...	182	166	129	110	
„ 1945...	180	162	125	107	
Oct., 1946...	190	176	135	110	

3.—SALARIES					
Total Salaries (£ mn.)	(1) as Index 1938=100	% Deduction for Direct Taxation	Index of Total Net Salaries 1938=100	(4) adj. by Market Prices	
(1)	(2)	(3)	(4)	(5)	
1938.....	1,110	100	100	100	
1939.....	1,150	104	103	100	
1940.....	1,215	109	106	89	
1941.....	1,340	121	114	86	
1942.....	1,370	123	108	76	
1943.....	1,420	128	110	75	
1944.....	1,465	132	113	75	
1945.....	1,530	138	118	78	
1946.....	1,675	151	134	86	

4.—INTEREST AND PROFITS					
Interest and Profits (£ mn.)	Col. (1) as Index 1938=100	% Deduction for Direct Taxation	Net Interest and Profits 1938=100	(4) adj. by Market Prices	
(1)	(2)	(3)	(4)	(5)	
1938.....	1,368	100	100	100	
1939.....	1,540	113	113	95	
1940.....	1,885	138	132	99	
1941.....	2,190	160	135	95	
1942.....	2,410	176	146	100	
1943.....	2,525	185	130	86	
1944.....	2,470	181	116	77	
1945.....	2,390	175	111	73	
1946.....	2,370	173	114	74	

5.—PROFITS OF PUBLIC COMPANIES—ECONOMIST ESTIMATES									
Reports Published in Years to June 30	Total Profits before Deducting Income Tax (£ mn.)	Profits Index (gross)	% Deduction for Income Tax	Index of Net Profits after Tax	(4) adj. by Index of Market Prices	Ordinary Share Dividends before Tax (£ mn.)	Gross Ordinary Dividend Index	Net Ordinary Dividend Index	(8) adj. by Index of Market Prices
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	
2039 Companies :—									
1939-40.....	284.1	100	36	100	100	158.3	100	100	100
1940-41.....	281.1	99	44	86	74	155.9	98	84	72
1941-42.....	281.3	99	50	77	59	151.2	96	75	58
1942-43.....	282.1					149.1			
2068 Companies :—									
1942-43.....	291.6	99	50	77	55	155.7	94	73	53
1943-44.....	307.1	104	50	81	57	163.2	99	70	49
1944-45.....	320.9	109	50	84	57	170.6	103	80	54
1945-46.....	344.3					183.4			
2004 Companies :—									
1945-46.....	332.1	117	49	94	63	176.7	111	89	60
1946-47.....	388.7	137	45	117	77	207.5	130	111	73

NOTES OF THE WEEK

Lords and Commons

With potatoes rationed on the first day of the debate, and the spiv round-up announced on the second, the Parliament Bill has had less than due attention from press and public. This Bill is important. The reduction in the Lords' delaying power from two years to one (effectively, as several Members pointed out, from 18 months to 6) could indeed be represented as a comparatively minor matter; and a great deal of irrelevance (much of it included in Mr Churchill's gloriously characteristic onslaught) was talked about the Lords in general, their antecedents, justifications, virtues and iniquities. Mr Attlee, in winding up, obviously found these not at all discomforting. But he ignored those more substantial objections which the debate had elicited; the fact that it introduced that retroactive principle which has always appealed so strongly to tyrants, and that it introduced a change in the fabric of the constitution on which no public discussion had taken place and no popular verdict had been solicited or passed.

Britain has no written constitution; Parliament is omnicompetent. There is no special constitutional procedure or corpus of special safeguards, laid down in writing and susceptible of legal interpretation, such as protects the continuity of institutions in, for instance, the United States. And a good thing too, perhaps; but there is all the more need for the most fastidious avoidance of anything which could be interpreted as irresponsible or merely partisan constitutional change, and particularly of snap legislation of this kind, originating from a rather shady intra-Cabinet deal. The precedent is remarkable and deplorable. Until last week there could be discerned, negatively at least, the growth of a convention that changes in the constitution should require a degree of prior publicity, a breadth of opportunity for public debate and judgment, greater than that necessary for other legislation. This embryo convention the Government have now knocked on the head, without worrying about how the precedent thus set might work against them, were some electoral fluke ever to give a majority to an extremist government with inadequate respect for democratic processes and liberties. They would have done better to let well—even passably well—alone.

Peersesq or Women Peers?

The peeresses in their own right who have renewed their assault on the closed doors of the House of Lords have a logically watertight case; but in the circumstances of today their motive is really a subject for some bewilderment. Mr Quintin Hogg, fretting under the very real disability imposed on the political aspirations of an heir to a peerage, cannot conceive why anyone else should seek a similar burden; others may wonder, now that the whole ponderous question of Lords reform has been set in motion by the Government's deceptively insignificant-looking Bill, why anyone should want to board a quite possibly sinking ship. Perhaps, in addition to feminist pertinacity, there is at work some such chivalrous desire to affirm solidarity as moved Henry James, at the critical period of the First World War, to renounce American citizenship and become a naturalised British subject. If so, it is a pretty gesture. *Noblesse oblige.*

The Hungry Forties

Although prior warning had been given of the intention to ration potatoes, the public was nevertheless profoundly shocked to hear last week end that the ration would be only 3 lb. per week. If supplies of such a basic foodstuff as potatoes are short, rationing is the only method of ensuring a fairly equitable distribution, in spite of the inconvenience to both the trade and the housewife. But granted that as a general principle, there are still many points which the Minister of Food should clarify. Surely Mr Strachey knew that the potato crop was short much earlier than last month; it was already known in agricultural circles during the summer. Moreover, Mr Strachey warned Parliament before the summer recess that Britain could not depend on imported supplies. It is apparent that the decision to ration has been delayed and in the intervening period there has been a rapid reduction in supplies.

This year's potato harvest was a little over 8,000,000 tons compared with 10 million tons in 1946, when only 60 per cent was reported as moving off the farms. If the proportion this season is the same—though with rationing it is likely to be reduced—then the available supply will only be 4,800,000 tons. But already from the beginning of July up to last week end nearly half this quantity, or about 2,200,000 tons, has been consumed. At the present ration, civilian consumption should be in the region of 80,000 tons a week, which over the 33 weeks to the end of June gives a total off-take of something over 2,600,000 tons. And no allowance has been made for the requirements of the Services and any small scale export which might be necessary. Therefore even at this present low level of rationing, supplies only just cover consumption, and the chances are that the ration will have to be further reduced. Nor is there much likelihood of purchasing potatoes abroad. The potato crop has also suffered from the drought in other European countries and the smaller grain supplies, discussed in a Business Note on p. 815, will make them expand their own potato consumption. Moreover, only very small quantities are available in Canada, the United States and other dollar countries.

The most serious effect of potato rationing, however, lies not in the small quantity—and that is serious enough, particularly if by next March two of three pounds of potatoes per head are bad—but rather in the ineffective control which the Ministry of Food has over the potato trade. The ration cannot be guaranteed and there is certain to be much inequitable distribution. The potato being a relatively cheap and bulky commodity does not easily lend itself to large-scale black market operations, but a loose rationing system may have an important psychological effect on the public and undermine their trust in the Government's whole food policy.

Rumania in the Bag

The latest events in Rumania may be regarded as the completion of that country's *Gleichschaltung*. On the road towards the "only true democracy" it has now reached approximately the same stage as the People's Republics of Yugoslavia, Albania, Mongolia and Bulgaria. The National Peasant Party was dissolved in June when some of its leaders were found trying to leave the country. This has always been a mixed party of peasants and urban middle class, and it is no doubt largely true, as the Communists assert, that all those who long for the old regime have rallied to its support as being the most right-wing party allowed to exist since 1944. It is even possible that adventurers have talked wildly in coffee houses, an old Balkan custom. But accusations that the party has been dominated by "Fascist elements," and that its leaders have engaged in subversive plots for the overthrow by force of the regime, with material help from the "western imperialists," have not been supported by any hard evidence at the trial of Dr Maniu. But truth is not an important consideration in a trial whose aims are to silence the last critical voice and to terrify Rumanian subjects from any further social contact with westerners. So on November 11th Maniu, at the age of 76, was sentenced to solitary confinement for life.

Parallel with the suppression of the formal opposition has come the liquidation of all slightly independent elements within the government coalition itself. Throughout the last year it has been well known that opinion within the Socialist Party was divided on the interpretation of "collaboration" with the Communists. Some were willing to subordinate their party completely to the Communists, on the model of the Neikov group of stooge Socialists in Bulgaria. Others wished to maintain independent organisation, and even sometimes to criticise Communist policy. The formation of the Cominform forced the issue. An appeal by "non-party" Premier Groza for "workers' unity" was followed by a congress of the party, which voted in favour of fusion.

Last week the other remnant, the "governmental Liberals," were expelled from the Government. Their leader, the opportunist Tatarescu, former Premier of King Carol, is a man whom for once the Communists are fully entitled to call a "reactionary." He has held for two years the Ministry of Foreign Affairs, and his party have been strongly entrenched in the Finance Ministry. Though subservient to the USSR, Tatarescu began to express discontent with the police terror and with the inefficiency of present economic policy. Now the Communists

have decided they can do without him. The present government of Rumania is now as completely Communist-controlled as the governments of Yugoslavia and Bulgaria. It will consist of a Communist "United Workers' Party" and a rural branch of the Communist Party known as the "Ploughman's Front," once a small independent radical peasant movement, now a bogus mass organisation whose organising staff are members or nominees of the Communist Party.

Turning Point in Prague

The present crisis in Slovakia is likely to have important results for the future of democracy in the whole Czechoslovak Republic. Ever since the election of the Constituent Assembly in May, 1946, the work of framing a constitution has been held up by uncertain relations between the Czech and the Slovak portions of the Republic. In 1945 a body called the Slovak National Council (SNR) was set up as a provisional legislature for Slovakia. Its members were from two parties, the Communists and the Democrats, the latter comprising peasants and urban middle-class people, whose views ranged from left centre to extreme right. The SNR has never been elected, but its composition was changed in May, 1946, so as to reflect the general election results, Democrats receiving 60 per cent of the seats and the Communists 30 per cent. The SNR formed from its number a provisional cabinet known as the "Board of Trustees." In the Board formed in 1946 the Communists, though a minority in the SNR, received the premiership and the locally very important "trusteeship" of education, while the control of the interior went to a so-called "non-party soldier."

Since the trial and execution of quisling ex-"President" Tiso in April, when the Democrat Party—well aware of the hostility to the sentence of Slovak opinion in general and their own supporters in particular—adopted an equivocal attitude, Communist attacks on the Democrats as reactionaries have greatly increased. In October the Ministry of the Interior in Prague and the "Trusteeship" of the Interior in Bratislava "unmasked" a conspiracy against the Republic. The evidence published so far seems to show that various prominent supporters of the Democrat Party have maintained contact with the ex-"Foreign Minister" under Tiso, Durcansky, now in exile in the West. But it is equally clear that the Communists are making use of these discoveries to disrupt the whole party, and to obtain control of Slovakia.

At the end of October the Democrat "trustee" for food supplies resigned, after being attacked by the trade unions for his failure to eradicate the black market. Then the Slovak Democrat vice-Premier in the Prague Government, Ursiny, resigned after some of his employees were implicated in the conspiracy. In Bratislava the Communist President of the Board of Trustees resigned, with his party colleagues and the "Trustee" of the Interior, and claimed that this constituted the resignation of the Board as a whole. The Democrat majority on the Board announced that they had not resigned and that they would continue to function in their posts. The Communists then suggested that a meeting should be held of the Slovak National Front (composed of Communists, Democrats and two lesser parties—Socialists and Freedom Party), and that it should be attended by representatives of the Communist-controlled trade unions and resistance organisations, in order to create an artificial Communist majority. This meeting failed to solve the crisis, and representatives of the Slovak parties therefore left for Prague to attend a meeting of the National Front of Czechoslovakia (i.e. of Czech as well as Slovak parties).

Threat to the Republic

The crisis went one stage further when the Prime Minister of the Republic, Dr Gottwald, announced that this meeting would be attended by representatives of the Czechoslovak Trades Union Council and the United Czech Farmers' Association, as well as of the Slovak trades unions, Slovak resistance organisations and the Slovak United Farmers' Associations. All these organisations are Slovak United Farmers' Associations. All these organisations are more or less Communist controlled; and it is noteworthy that the Czech resistance organisation and the Sokol, which are not Communist controlled, were not invited. Dr Gottwald's action caused the Czech People's Party and National Socialist Party, as well as the Slovak Democrats, to refuse to attend the meeting.

The situation is now serious. If the cleavage between Czech Communists and Czech "non-Marxists" is permanent, the whole political structure of Czechoslovakia will be threatened. Government by a genuine coalition and parliamentary methods will yield to government by a "workers' block," in which the Communists

use a bullied Socialist rump and groups outside parliament to create a dictatorship of their own. Czechoslovakia will be well on the way to "Eastern popular democracy."

Industrial Conscription

The new Registration for Employment Order under Defence Regulation 58A announced by Mr Isaacs in the House of Commons on Tuesday, which comes into force on December 8th, is important for its psychological effects, rather than for any practical contribution it will make to swell the industrial labour force. The introduction of industrial conscription is, at any rate, an unmistakable indication that the Government wish to bring home to their own supporters no less than to the country as a whole the seriousness of the present economic crisis. Of the two types of registration, that of employees in the scheduled inessential occupations is perhaps more likely to produce results than the individual registration of unoccupied persons, where the onus is on the individual to present himself or herself at an employment exchange under penalty of fine or imprisonment, a subject which evidently caused Mr Isaacs some embarrassment.

Psychologically perhaps the knowledge that there will be "conscription of the idle rich" may sometimes help to soften the blow of redirection. It must, however, be doubted whether the game of hunting spivs and other types of miscellaneous fauna is really worth the candle. Unless the Order is to remain largely a dead letter the amount of supervision involved will be enormous. There will obviously be a great deal of evasion which will be impossible to check without involving strict police measures—and all this in order to increase recruitment in essential industry by how many thousands?

The reintroduction of industrial conscription more than two years after the war must surely cause considerable searchings of heart, not only in labour circles but also among all those to whom the liberty of the subject is more than a text-book phrase. The powers of conscription conferred on the Minister of Labour were undoubtedly necessary in wartime, but in peacetime they are an anomaly, even though it is unlikely that in practice they will be used in an oppressive manner. And like so many other of these hardships, are they really necessary? If the Government had taken adequate steps to reduce inflationary pressure, and had confined its programme of capital expenditure within the limits of the country's resources, if it had determined to work out and enforce a courageous wages policy, the need for reimposing direction might have been avoided. And even now it is doubtful whether in terms of "bodies" the reimposition of registration can possibly yield a worthwhile harvest.

Mansion House Reflections

The Lord Mayor's dinner, now indeed no longer a banquet, is, perhaps, hardly an occasion, even in these days of austerity, for the exhibition of public penitence. It was, therefore, scarcely to be expected that the Prime Minister's speech, which was obviously designed for foreign consumption, should contain any doubts or misgivings as to the causes of our present discontents. Still, it is impossible not to detect a rather disturbing undertone of complacency. It is true that Mr Attlee was able to produce some hot news in the very welcome tidings from the coal mines that the week's output had attained the postwar record of over four million tons deep mined, an achievement on which the miners certainly deserve congratulations. All the same, coal production, even at the level just attained, is barely sufficient for domestic needs and quite insufficient to make even the smallest contribution to Europe's industrial recovery. Nor does it really convey a convincing picture to quote instances of increased production over 1938 in certain industries—even including agriculture and iron and steel—when the country is still so far from making both ends meet. For the fact remains that looked at whether from at home or from abroad Britain's industrial peace effort up to date is hardly a thing of which the nation can afford to be particularly proud.

The present distorted state of industrial production cannot be entirely attributed, to quote the Prime Minister's phrases, "to the all-out effort that we made in the war," "the exhaustion of Western Europe and parts of Asia, and the consequent disequilibrium between the western hemisphere and the rest of the world." It is at least as much due to factors which might have been avoided, such as misguided Government policy in the form of excessive capital expenditure and inadequate anti-inflationary measures (of which

the new budget forms the conspicuous example) and the failure of trade union leaders to understand or to teach their followers the elementary truths about the economic situation. Even if the five-day week has now voluntarily been abandoned in the coal industry, the pressure for "less work for more pay," still remains far too strong for a nation caught in the grip of economic crisis. As the table reproduced in the *Records and Statistics* of last week showed, the average weekly hours worked by all workers during April amounted only to 45 compared with 46.5 in October, 1938—hardly a very impressive indication to foreigners (or Americans) of the magnitude of the efforts which the British people are making to overcome their difficulties.

* * *

Overseas Resources—Second Reading

Little new came out of the second reading of the Overseas Resources Development Bill last week, except for the first detailed official accounts of the progress and difficulties of the groundnuts scheme in East Africa which formed a large part of Mr Strachey's speech. Most of the rest of it was devoted to explaining why he was concerned in the matter at all, why responsibility for all development in colonial territories is not concentrated in the Secretary of State for the Colonies. In this he was singularly unconvincing. There may well be a case for a special corporation to undertake projects in independent countries—it is apparently proposed, for instance, that the Overseas Food Corporation, which is responsible to the Minister of Food, should undertake the production of beef in Australia. It would hardly be apt for the Colonial Office to be concerned in the development of a fully sovereign Dominion.

But is it any more apt that the Ministry of Food should be concerned in the development of the colonial empire? As Mr Stanley said, the division of responsibility and function proposed by the Bill produces a most "cockeyed set-up." The development of some foodstuffs in the colonies will be the responsibility of the Ministry of Food, of others, that of the Colonial Secretary. Industrial development in the colonies will solely be undertaken by the Colonial Development Corporation and will therefore be the responsibility of the Colonial Secretary. Industrial development—in fact, any non-agricultural development—outside the colonies can be undertaken by neither corporation. The Ministry of Food will be answerable to Parliament for the direct activities of the Overseas Food Corporation in the colonies. But for their secondary effects—their effects on the health and welfare of the colonial peoples and so on—questions will have to be directed to the Secretary of State.

These anomalies, this familiar departmental compromise that has been reached, might be dismissed as another typically British arrangement, were it not for the susceptibilities of the people living in the colonies. Mr Strachey appeared to assume that because the development envisaged under the new Bill will be undertaken by public corporations instead of by private enterprise, the colonies will have no fear that they are being exploited. Mr Stanley warned him that this is far from being the truth. Suspicion is engendered in the colonies as easily by official British policy as by the activities of private British firms, and it has already arisen over the proposed new corporations. That suspicion will be intensified by the appearance of the Ministry of Food, which is mainly interested in obtaining food for the British consumer at the lowest possible price.

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Illusions on Palestine

The agreement between the United States and the Soviet delegations on a joint approach to the United Kingdom in the Palestine Committee of Uno does not—as an American delegate is reported as hoping—put the British in a corner. At least, the British Government does not seem to think so. It is a naïve view, from which the world since Yalta has already suffered much, that unity among the great powers is so good in itself, that any policy, however unjust, becomes just if only the Powers agree to carry it out. It will be a nice point for a future historian to decide whether more harm has resulted to the peoples in this postwar period when the Powers agreed or when they disagreed.

The British Government in its present position on Palestine feels for once that it has the support of a vast majority of the British people, and there is no reason to expect it to move from it just because America, Russia, and Guatemala have reached agreement at Britain's expense. This position is that Britain declines to enforce the partition of Palestine except as the outcome of a measure of agreement between the Arabs and the Jews. By withdrawing from Palestine, Britain is about to offer its inhabitants a last chance to face facts, and it is to be hoped that the report

that Mr Creech Jones will now be instructed to announce a date is correct. The most effective contribution which America could make to the fact-facing process would be to restrain the ambitions of its Zionists within the bounds set by America's own unwillingness to contribute a single man to enforce a Zionist policy in Palestine.

Instead, while official America is counting on the Palestine Jew to hold his own unaided against the Arabs, all the Palestine Jews—except a tiny minority of the well informed—are at this moment convinced that America is coming over with a large force of troops, tanks and guns to establish their Jewish state for them. The reverse side of this radical and tragic misunderstanding is that the majority partition scheme must appear to the Arabs as nothing but a disguised device for establishing a Jewish state in the whole of Palestine, while British withdrawal looks to them like a chance to settle accounts with Zionism once and for all.

From what has been published hitherto, it is not clear whether America and Russia have agreed on the details of a partition scheme or merely that Britain must carry it out. Previously, even the Americans had publicly questioned some of the boundary provisions of the Special Committee's scheme, particularly that for including Jaffa in the Jewish state. The Soviet delegates on the other hand had made sweeping criticisms of the whole scheme, including the "division of Palestine into a number of regions connected by narrow corridors" which to some might seem the essence of it. It might be that a partition scheme to which both Russia and America had agreed would bear very little resemblance to that of the Special Committee.

The British Government apparently still hopes that a compromise form of partition might be accepted by the Arabs, under protest, provided they could be made to feel they were not the only ones to whom pressure was being applied, and provided there was some hope of finality. In that case there would be no inconsistency in Britain's joining with other powers in the enforcement of such a policy.

* * *

Deputies Start on Germany

With less than a fortnight to go before the Foreign Ministers begin their talks on Germany in London, their deputies have made next to no progress out of the deadlock in which the Moscow conference ended last March. One of the main purposes of the deputies' meeting was that they should clear away differences of view over procedure and agenda before their masters got down to work. There is so far no sign that any of them has received from his government instructions that will make this easy.

There are already curious contrasts between the orders of agenda suggested by the deputies. The Russians want procedure for the wider peace conference and the provisional political regime for Germany taken as the first items, with economic principles and the Austrian treaty last. Perhaps they should be given credit for leaving to a late stage the question of reparations, which killed the Moscow conference; but they should certainly have no credit for putting Austria at the bottom of the list. Agreement on Austria should be possible if the four Foreign Ministers can agree on anything at all, and there is everything to be said for taking it first. As for Germany, there is no point in discussing forms of government for a united Germany if its economic basis cannot be agreed on.

The French, of course, want to discuss the integration of the Saar with their economy, for which everything is ripe since the elections in October, but which does not appear on the Russian agenda. The Americans may want to discuss the frontier in the east. They are in any case determined to have their offer of a four-Power and forty-year pact against German aggression brought up again. If headway could be made with that proposal the moderates in France would be immensely strengthened in their policy of co-operation with America; and if the Russians wanted to give a conciliatory sign they could take a less evasive attitude towards the proposal than they did in Moscow.

Much advance comment on the conference still confuses two questions: the first is, whether the four governments can get on better terms than before; the second is, whether they can agree on a workable settlement for Germany. The fact has to be faced that the price to be paid for getting better relations might be such as to make Anglo-American plans for the recovery of western Germany unworkable; which in turn would mean a blow at the foundations of the Marshall Plan. It behoves British critics to scrutinise very carefully their list of priorities: which comes first, some slight relaxation of tension with Russia, or the recovery of western Europe? If the latter, then the failure of the conference would not be the catastrophe it is sometimes made out to be.

No Compromise from de Gaulle

General de Gaulle is probably unwise to compare France's party politicians to Kipling's monkey people—it dates him. He is certainly unwise to call his Rally of the French People "an elemental force which corresponds exactly to the promptings of the French people's instinct and reason"; elemental forces are generally too strong for human control, and the confidence that might be felt abroad in General de Gaulle's capacity to lead France will depend on the extent to which he can behave in a constitutional manner and dispense with a mystical vocabulary.

His press conference on Wednesday showed fresh confidence with no fresh ideas, although it was held on the eve of Parliament's re-assembly for a session which has somehow to find a strong coalition government of moderate or centre parties. He emphasised as usual the need for a stronger executive and told the Assembly that it was its duty to get new elections held as soon as possible. Clearly, the General does not feel sure that he could get from the present deputies the 310 out of 618 votes necessary for a new Prime Minister. He derided the prospects of a "third force" keeping power and leading France out of its difficulties. He also did his best to drive a wedge between the parties of the Republican Centre and the Ramadier Socialists by describing the former as a "co-operative for self-preservation"—a taunt not so far off the mark. On economic matters he was as vague as usual: budget expenditure to be cut by a third, salaries and wages to be related by law to output, trade unions to cease acting as rivals to the government. On the other hand, unless the French Communists change the tactics of direct action foreshadowed by their Central Committee a fortnight ago, General de Gaulle is quite right to regard France as "the most menaced country"—the battlefield on which the main effort will be made to cripple the Marshall Plan. But it is up to him to say and do nothing which will turn moderate French opinion against American aid.

Meanwhile, the obvious and decisive value to France of the Marshall Plan is being more and more understood by moderate men in the trade union movement. From two quarters the Communist domination of the General Federation of Labour (CGT) for political purposes is being challenged: by a Socialist group under M. Jouhaux, its general secretary, and by the "Social Action" group of M. Morgues, who successfully organised 20,000 workers in public communications into an autonomous and anti-Communist union. M. Jouhaux is demanding the use of the secret ballot in all trade union councils, and it is still uncertain whether he will press his case by threatening a split in the CGT or by adding a fifth and non-political organisation to the four which already exist.

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New Parliamentary Procedure

The debates on this week's supplementary Budget will be curtailed. This is one of the chief changes resulting from the twelve-hour debate on parliamentary procedure in the House of Commons last week. The subject was not a party matter. Nor ought it to have been discussed in a party spirit. But the Whips were on, and the debate turned into a ding-dong struggle between the Opposition, on the one hand, and the Home Secretary and Mr Morrison on the other. The Labour backbenchers, who are as much affected by changes in parliamentary procedure as is the Opposition, were strangely silent.

Only a small proportion of the electorate can have grasped what the struggle was about. Yet they too are involved in it, for, as Sir Gilbert Campion, Clerk of the House, has pointed out in his distilled version of Erskine May, and as indeed was emphasised during the debate, the borderline between what is procedural and what is constitutional is very indistinct. Changes in procedure may lead to changes in the constitution. Why, therefore, was the Government not content to introduce the changes as sessional orders instead of as new standing orders, so that they could have a fair trial before they become permanent? That they could have been, at the very least, more polite to the Select Committee on Procedure, which reported over a year ago and which had differed from the Government on the four main changes that the Government's majority has now enabled it to pass. These are: a theoretical increase but an actual reduction in the number of supply days from an average of 28.6 in a session to 26; a shortening of the Budget debates by making the Report stage of the Budget resolutions purely formal; the establishment of a central business committee to allocate a timetable for the consideration of bills in Committee of the whole House and for the Report stage of all bills; and the enabling

of chairmen of standing committees to disallow debate on the question, "That the clause stand part." In addition, the Government rejected the Select Committee's proposal that there should be an inquiry by both Houses into delegated legislation.

The arguments for and against the Government's decision cannot be stated here. But the difference in its attitude and that of the Opposition—and that of the Select Committee—was very apparent during the debate. Mr Morrison wanted parliamentary procedure to be speeded up and made more efficient, so that more and more legislation could be passed through the Commons. The Select Committee was mainly concerned with the rights of the private member. It, and its spokesmen last week, were less interested in the House of Commons as a legislative machine than in its duty to criticise the Executive on behalf of the people. It is an old, old issue that is of the very essence of Parliament. Hence the constitutional importance of last week's debate.

* * *

Silkin and Welwyn

Mr Silkin is planning to set up a development corporation under the New Towns Act, for Hatfield and Welwyn combined, and to buy all the land now held by the Welwyn Garden City Development Company. The private company might continue certain activities, such as its departmental store, but its work of planning and developing the garden city would be terminated. Mr Silkin does not deny—nobody could—that the private companies at Welwyn and Letchworth, inspired by the ideas of Ebenezer Howard, have shown the way in the proper creation of new towns. They have made mistakes—but they started with nothing like the finance and powers possessed by the new development corporations, which ought to do proportionately better. Now, it seems, pioneering days are over. Mr Silkin argues that the new job is too big, difficult, and important for any but a public body, which alone can satisfactorily co-ordinate the development of the Welwyn-Hatfield area with the decentralisation of London's population and industry.

The Minister has gained a surprising amount of local support. The local authorities welcome being relieved of the high cost of new drainage and sewerage schemes, and of the problem of Welwyn's water supply. Other interested bodies like the prospect of dealing with one agency for the area—instead of several—although Mr Silkin was emphatic that the fusion of Welwyn and Hatfield would be purely administrative, and not physical. They are to remain distinct communities, separated by a few miles of open country. But the projected expansion of population—Welwyn with 36,500 and Hatfield with 25,000 will both be from two to three times as big as in 1938—makes co-ordination necessary. Whether this expansion of two towns so close to each other, to London, and to Stevenage constitutes good planning, is, perhaps, doubtful. The Abercrombie plan does, indeed, sanction it—but with the stipulation that new industry should be concentrated at Welwyn and rigidly excluded from Hatfield. This provision will be broken if, as is rumoured, a large new chemical factory sponsored by the Ministry of Supply has now got Mr Silkin's permission to settle at Hatfield.

The projected plan itself is, therefore, seriously open to question. But if it is to be adopted, there is already in Welwyn sufficient land, finance, and planning still to implement it satisfactorily. Admittedly, Governmental assistance over water and some other services may be necessary—but is this not equally true of many other existing towns near London which are earmarked for a moderate expansion? Why not, then, set up a small development corporation for Hatfield (if this is necessary) and let Welwyn continue to grow under its present, competent direction? There seems to be no real reason beyond the zealous wish of doctrinaire and bureaucrat for a tidy uniformity. But good planning requires local roots and fresh ideas. There are going to be many centrally designed, cut-to-a-pattern, development corporations; let there be one tree in the forest which has grown on its own.

* * *

The Pressure for Higher Education

Last week the Minister of Education made some interesting statements in the House of Commons about application for and awards to the seven hundred and fifty State Scholarships which were offered by the Ministry for the present university year. More than 11,000 boys and girls entered for these scholarships. (This is the first year in which the scheme to increase the number of state scholarships from 350 to 750 a year has been in operation.) The proportion of applicants to successful candidates was, therefore, fourteen to one, and shows a very keen competition.

The new scheme to ration the number of state scholars going to each university, so as to prevent a still further "creaming off" for the benefit of Oxford and Cambridge is now coming in for a number of kicks. When it was announced in the spring most people applauded this attempt to equalise the distribution of brains among the universities. Now that Mary Smith and Tom Jones are being "allocated" to Sheffield or Exeter instead of Oxbridge there is a howl of human but illogical rage.

Application for state scholarships does not debar those who fail to obtain them from applying for a major award from a local authority, of which probably something approaching 3,000 have been made for the current year. This gives a wide scope for those who fail to obtain a state scholarship. At the present time there are many in the universities who believe that some candidates admitted with public awards do not justify this expenditure of public money upon them. This may be true enough, taking the education system as it is. But it would be well to recognise the increasing pressure for higher education and the more hopeful prospects it gives for the future, which can be illustrated from statistics of public examinations taken at school.

Last year—the latest for which statistics are available—23,000 pupils took the Higher School Certificate examination and 16,000 passed. This was an increase of 74 per cent in the number who entered and 70 per cent in the number who passed over 1939. Since the number taking and passing School Certificate increased over the same period by only 24 and 27 per cent respectively it is clear that the fashion for taking Higher School Certificate is increasing the more rapidly. However defective this examination may be and whatever changes in the examination system are made next year, these figures are further evidence that the nation is paying increasing attention to its higher education.

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Industrial Research

Research is all the rage. Great Britain's survival and future prosperity, it is frequently claimed, depend on the technological advances it can make. The Government have given their blessing to the increased flow of scientists from universities, who will either add to fundamental knowledge or assist in the application of that knowledge to industry. Technical schools are to be increased, and public money on a modest, yet much more generous scale than before the war, has been provided for medical, agricultural and other research.

Industry is urged to fall in with this new spirit, but hitherto the facts about the extent to which it was doing so have been unknown. The Federation of British Industries is, therefore, to be congratulated on their attempt to assess statistically the quantity of scientific and technical research being carried out by British industry in its own laboratories and works at the present time. The report is not complete, for it was a private and not a public inquiry, and was backed by no sanctions. Nevertheless the replies received from 471 firms are estimated to cover 50 per cent of British firms carrying out research and some 75 per cent of Britain's privately financed research effort. The results are therefore important.

The figures obtained by this survey and one carried out before the war may be summarised as follows:—

1930	422 firms spending	£1,736,000
1935	484 " "	£2,696,000
1938	566 " "	£5,442,000
1945/6	420 " "	£21,815,000

On the assumption that in 1945/6 the 420 firms were carrying out three-quarters of the industrial research in private establishments, some £30 million a year is being spent by industry on its own research. Although this sum is a great improvement on prewar years it still compares very unfavourably with the amount spent in America. Perhaps the tax concessions made in 1944 for expenditure on research will bear more visible fruit in years to come.

Compared with these sums government expenditure on research for the year 1947/48 is estimated at £67 million, of which £60 million is for the defence services, and the rest for civil purposes. The sum of £11 million is also to be distributed to the universities for all purposes.

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Coup d'Etat in Bangkok

How to grow and export more rice, and how to check and uproot corruption, are the two central issues of Siamese politics. Dissatisfaction with Luang Dhamrong's government, which has been brewing for some time, was based on its failure to deal with

them adequately. It remains to be seen whether the *coup d'état* which brought Marshal Pibul Songgram back into power last Sunday will solve the problem.

Pibul Songgram led the constitutional revolt in 1932 against the absolute monarchy. He was premier of Siam before and during the Japanese occupation, and declared war on the Allies in 1942. He was ousted from power in 1944, but he re-entered the political field in April this year, uniting with his old Liberal opponent Aphaiwong to throw out Dhamrong's Popular Party, which they claimed was inefficient and too far to the Left.

Far more important than the serpentine coils of Siamese politics is the export of rice. Before the war it amounted to about 1½ million tons per year. It has fallen now to little more than 500,000 tons, although an aerial survey of the padi fields at the beginning of this year showed that 99 per cent were under cultivation. In 1946 the Allies were demanding 1,200,000 tons of rice as an indemnity for Siam's alliance with Japan, but since then the resistance to its collection has been exasperatingly effective. In an effort to improve the position the Allies set up a year ago a Combined Rice Commission. They offered a price of £12 14s. per long ton, thereby hoping both to encourage hoarders to release the rice and to put Siam on its feet. The price was raised at the beginning of this year to £24, and again at the end of August to £31, when the Siamese Government agreed to ship the rice under the instructions of the International Emergency Food Council. But full supplies of rice will not come into the regular markets as long as there is the lure of the Malayan and domestic black markets and corrupt Siamese officials to feed it. The experiment of Luang Dhamrong, the displaced Prime Minister, in state trading led to a big expansion of bureaucracy, giving ever wider opportunities for officials to line their pockets. If Marshal Pibul Songgram can check the corruption and increase the export of rice, his *coup d'état* will have results as useful to the outside world as they may be salutary to Siam.

Shorter Notes

The Minister of Town and Country Planning announced on Tuesday in the Commons the composition of the Central Land Board set up by the Planning Act of this year. In effect, with two exceptions, the membership of the Board will be identical with that of the War Damage Commission. Sir Malcolm Eve will continue as chairman. The present staff of the Commission is about 3,000, and no doubt the majority of them will be absorbed in the organisation of the Board, which should accordingly start with benefit of a considerable body of accumulated experience.

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A note on page 751 of last week's issue attributed the whole of the output of over four million tons of coal in the week ending November 1st to the miners. It has been pointed out that over a quarter of a million tons of this total was obtained not by mining but by civil engineering.

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Three interesting and significant sets of figures have come from the British Zone in Germany during the last ten days. Ruhr coal production, which during the week ending November 1st maintained an average of more than 250,000 tons per day, increased last week to a daily average of 272,881 tons, with a peak day of 274,277 tons. The other figures were revealed by Mr Bevin, who said that in the past nine months 89,000 authorised and about 100,000 unauthorised refugees from the Russian zone have crossed into the British Zone. He also revealed that there have been 1,598 resignations from the British Control Commission within the last six months.

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The success of the Liberal Party in the Victoria state elections is proof of the fears and resentments aroused by the Labour Federal Government's plan to nationalise the banks. Both the Liberal and the Country parties made the nationalisation Bill the main issue in their election campaigns and the results have reflected a widespread public opposition to it. The Federal Government is rushing the Bill through at great speed and has steadily resisted all efforts by the Opposition to make it the subject of a referendum. With the present Labour majority at Canberra there is no likelihood that the Bill will be thrown out, though it will still have to stand the test of the High Court when it becomes an Act.

Letters to the Editor

Crisis of Leadership

SIR,—Your article in your issue of October 11th substitutes generalities for precision and should be blamed for a general lack of understanding of the American scene and mentality. You say that "... in the matter of availabilities in one sense there are no American availabilities. The consuming power in the United States is such that it could devour everything its farmers and factories pour out." Nothing could be further off the mark. American wheat exports of 350 or 450 million bushels could definitely be regarded as a surplus "fully available." Nor is this amount significant, either in relation to the crop of 1,400 million bushels or the prewar exports which amounted to 93 million bushels in 1939. Similarly, exports of trucks and buses, which were 21 per cent of total production in the first quarter of 1947 can be spared without domestic hardship. Other items like coal can be shipped without causing excessive dislocations, while the number of items of less essential nature, such as cotton, textile materials and tobacco, are too long to enumerate. It seems difficult to understand *The Economist's* contention that domestic availabilities are unimportant and that foreign need should be the sole consideration in the American discussion about the Marshall Plan.

Except for controls which start with price ceilings, wage regulation, excess profits taxes and end with consumer rationing, no system of control will assure a reduction in domestic consumption to a level indicated as necessary to raise the European economy to the desired level. If exports are undertaken in excess of available supplies without such controls the result will be to raise prices. As the European requirements are highly concentrated in commodities with an extremely inelastic demand like wheat, the inflationary effects of even a 10 per cent excess of exports over supply will cause a general price spiral in the United States which would hurt Europe as much as the U.S. Rightly or wrongly, the mood of this country is not ripe for full wartime controls. Barring such measures it will be necessary to limit exports to surpluses, which have to be carefully calculated, or go head-on into inflation.

This is deplorable, but should be understood by the Europeans just as the Americans have to recognise British inability to date to impose adequate controls and incentives to raise coal production to the prewar level (physically certainly feasible but politically impossible) or the inability of the French Government to induce or force the farmer to sell his output. We all live in glass houses, and an attempt to understand the different problems of all nations is better than throwing stones at each other.—Yours faithfully,

A. SALTON

400 East 57th Street, New York

Cripps, Controls and Consumption

SIR,—It has often been emphasised that the main cause of the present inflationary situation is that the amount of provision for the future, that we, as forward-looking people, feel we ought to do, is greater than the supply of savings that we, as consumers, are willing to provide. In your leading article of November 1st you advocate again the policy of eliminating this gap by forcing savings (through budget surpluses) and pruning investment plans.

May I make some comments on the latter operation? (1) The object of provision for the future should be to make sure that our cost ratios equate with world price ratios in a normal postwar year and at a bearable standard of life. This equation does not hold at the moment because of the turn of the terms of trade against us and the extent of our capital disinvestment in war and slump.

(2) The amount of provision for the future that we do this year should be determined by the relation between the marginal pain of consuming less now and the marginal pleasure of having a larger cake later. This ideal rate of investment is secured neither under a *laissez faire* system nor under the present practice of planning authorities (who seem merely to think up the amount of construction it would be nice to do and then compress it into a four or five year plan).

(3) The sort of investment that we do this year will affect the marginal utility of income—and thus the amount of saving we will be willing to do—next year.

(4) During the period of the Investment Plan our cost ratios will still not be aligned with world price ratios. Therefore the real value of £1 worth of goods exported will be greater to the country (though not to the producer) than £1 worth of goods sold on the home market. Some sort of export controls or subsidies would therefore have to be maintained in the interim period even if deflation was completely successful. A similar, though opposite, reasoning applies to imports, which would still have to be subject to consumption control.—Yours faithfully,

N. A. D. MACRAE

Corpus Christi College, Cambridge

Bank Nationalisation in Australia

SIR,—May I suggest that, in your attacks on the Australian Government's bank nationalisation proposals, you are being misled by a false comparison with Britain?

Personally, I agree that something like the British system, combining Government control of general credit policy with individual flexibility, has advantages in theory over the vast state banking monopoly Mr Chifley proposes to establish. But in Britain the leadership of the Bank of England has long been almost undisputed. Australia has no agency for Government control of comparable authority and prestige. Far from traditionally following the lead of the Government Commonwealth Bank, the commercial banks have always been bitterly hostile to it, since it was originally set up to compete with them in ordinary banking business. It was not until the war that the Commonwealth Bank was given any central banking powers, consolidated by the Bank Act of 1945. The commercial banks strenuously opposed the 1945 Act, made it plain that they only accepted the central banking control by "special accounts" under protest, and reserved the right to challenge it under the Federal Constitution. In fact, an important section of the 1945 Act has already been declared invalid by the courts, casting doubts on the validity of the whole.

Moreover, in view of the hostility of the commercial banks towards Government control, it is doubtful whether the 1945 Act, even if its validity were upheld, gives the Government adequate powers. The 1945 Act can be used successfully, as at present, to stop an expansion of credit: in fact, the "special accounts" technique was devised as a weapon against wartime inflation. But it is hard to see how any legislative coercion can make a bank expand credit if it is determined not to. I presume the contingency Mr Chifley has in mind is a depression hitting Australia when a Labour Government is in power. The commercial banks might be given all the necessary means for implementing an easy-money policy. It might be profitable for them to do so. But they might

From *The Economist* of 1847

November 13, 1847

ALL hope of avoiding civil war in Switzerland is at an end. The Diet has finally resolved to carry into execution, by force of arms, its decrees for the abolition of the Sonderbund. On the 4th inst. this resolution was taken, and notified to all Switzerland and the world, by an elaborate manifesto. The 8th was the day appointed for the troops of the Diet to begin their operations on a grand scale; but already there are reports of trifling conflicts having taken place, and at least two officers have been killed. The die is cast, and whether it turn up ruin or consolidation and aggrandisement for Switzerland, we must wait to see. Not supposing, however, that strife and bloodshed can ever lead to good, we deplore the beginning of a contest which, on the showing of the parties, can only be prosecuted with a view of establishing and strengthening the authority of a body of priests or a body of civil magistrates. If the increase of either authority were likely to be conducive to the security and happiness of the Swiss, the result of the war might possibly be beneficial, but it is an ill augury that the welfare of the people is wholly lost sight of in this contest for supremacy. They are, in the first instance, the victims of the struggle for power; though it is possible that the successful authority, whichever it be, may, when the interrupted peace is restored, by an enlightened administration and extension of freedom, add to the happiness of the next generation.

deliberately choose to keep credit restricted, defying the Government's wishes by every possible legal loophole and legal delay, hoping that a temporary intensification of unemployment would lead to a change of Government. The possibility of the banks behaving in this way can hardly be denied, considering the virulence of the anti-Government propaganda they are now inspiring.

The slightest personal knowledge of Mr Chifley discounts any idea that he is a "doctrinaire Socialist": witness, for instance, his action in handing back to private enterprise the wartime factories built by the Government. Still less is he the Bolshevik bogeyman depicted by the Australian newspaper—a would-be dictator who, while cunningly posing as a moderate pipe-smoking politician, is cleverly taking the first step towards a totalitarian Communist regime complete with concentration camps. Mr Chifley is first and foremost an acknowledged financial expert, whose monetary policy to date has been shrewd and successful. He has explained that he is nationalising the banks because the 1945 Act does not give him the power necessary to prevent a repetition of the miseries of the 1930 depression: and he has denied any "hidden purposes." His record of complete political honesty (somewhat unusual in Australian politics) leaves no doubt that he is speaking the truth.—Yours faithfully, ALAN WOOD

Blackheath, NSW, Australia, 5 November, 1947

Local Financial Reform

SIR,—Your comments on the Government's proposals for the valuation of dwelling houses do not, it seems to me, show a proper appreciation of the situation. These proposals do not arise from a desire to prevent "hardship to individuals" or even "to assist poor householders in general," but to prevent a shifting of the incidence of local taxation. If the law is not altered, houses will have to be assessed on the rent "that can reasonably be expected," however high that rent may be. Owing to the shortage of houses after the first world war, the rise in the costs of building and the higher standard of working-class houses demanded by public opinion, rents of these and similar private enterprise houses, unless controlled or subsidised, were very high. On the other hand the rents of the larger pre-1914 houses had hardly risen at all, and rents of other properties very much less than the small post-1919 houses. The same postwar conditions are now repeated. If assessments are based on rents, therefore, a part of the burden of rates now borne by large houses, shops, offices and other properties will be shifted on to the occupiers of the smaller houses.

The reason why this did not happen in the inter-war years was not mainly, as you suggest, because local authorities wished to stimulate house building—although by their action they certainly assisted private enterprise to increase its output—but because they realised that a grave injustice to a section of rate-payers would be the result of valuing "correctly."

I do not suggest that the Government's solution is perfect—the subject is too complicated for that—and Parliament might still improve it, but it will prevent grave injustice which would inevitably have resulted from the application of the law as it stands.—Yours faithfully,

Didsbury, Manchester, 20

SHEENA D. SIMON



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Light Clothing Industry

SIR,—Having read with considerable interest your commentary on the Report of the Working Party on the Light Clothing Industry, I feel impelled to stress the importance of "the problem of price control" to which you give prominence. There would seem to be little hope of increased exports except at the expense of home trade supplies, under the cost-plus system, and I submit that this is an intolerable state of affairs which requires the widest publicity.

The total labour employed by that part of the clothing industry covered by the Heavy and Light Clothing Working Party Reports is given in Cmd. 7018 as 462,000 in November, 1946. The corresponding figures provided by the Bureau of Labour Statistics in Washington is 724,900. United Kingdom exports in the industry ran at approximately 3 per cent, which closely paralleled the export percentage figure for the United States. The population in this country was 48,016,000, whilst in the United States it was 140,386,509. Your readers will be in a position to judge whether the ordinary person in this country is more lavishly clothed than his or her opposite number in the United States, but the ordinary person here on the basis of the above figures requires rather more than double the manpower to meet his or her clothing ration than the ordinary person in unrationed America.

Whilst our Minister for Economic Affairs wants more wives and mothers in the textile factories to make up his deficit of 75,000 workers there, assuming that the average American is no more lavishly dressed than the average Briton, there must be something like 200,000 surplus workers on the payroll of the clothing industry in this country at the present time. The industry has highly paid workers and high trading profits, but never was the mockery of a policy of full employment unaccompanied by a rising standard of productivity more clearly exposed.—Yours faithfully,

G. T. MACEWAN,

Chairman—Institute of Export 1943-1946

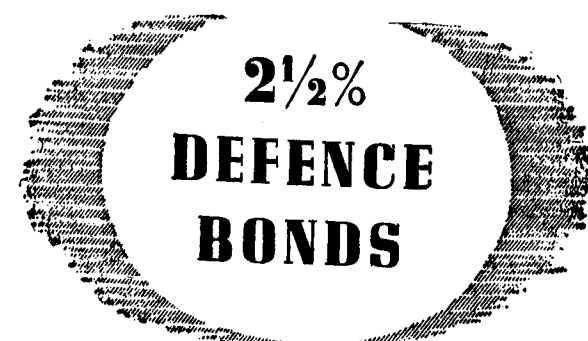
The End of Plural Voting

SIR,—As one of the people with two votes, I agree that I ought only to have one, but I shall object strongly if this change is brought about by abolishing the only four constituencies where one can be reasonably certain that this one vote will count—that is, the four University constituencies that vote by proportional representation.

As you say, the University MPs are generally of high calibre and often of genuinely independent views—but that was not true of Oxford and Cambridge before 1918; it is only since the introduction of PR that people like Eleanor Rathbone have been able to secure in the Universities the seats which they could not win elsewhere.

I like your suggestion for one large University constituency, and it would certainly give PR a chance to work even better than it does in the present two- and three-member constituencies, but I doubt whether the Government will be persuaded to let the Universities keep the twelve (not thirteen) Members which they have at present.—Yours faithfully,
ENID LAKEMAN
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AMERICAN SURVEY

The Position of Labour—I

(From Our US Editorial Staff)

THE conclusion of the annual conventions of the American Federation of Labour and of the Congress of Industrial Organisations, and the passing of the administrative deadline set by the National Labour Relations Board for the filing of affidavits and reports under the Taft-Hartley Act, make pertinent a review of the current position of American labour. The basic fact affecting its position is that American production is currently employing some 60,000,000 people. Only yesterday the war-time post-war planners were yearning toward this figure as a goal on the upper fringes of the possible, attainable, they said, only if American business were prodded out of its attachment to an unimaginative normalcy with scarcity just around the corner. But these prophets have been denied even the consolations of Cassandra. The honour is going to management. In a dark world, the American output takes on the contrasting glitter of a cornucopia.

American labour is now reorganising its methods and purposes to suit this situation. Its campaign against the Taft-Hartley Act, the law which at once reflects and fortifies the new mood of the country, is on its own behalf. More of what it is doing concerns matters of direct interest to labour, but of equally direct interest to other segments of the population. The emphasis at both the AFL and the CIO convention supports the guess hazarded when the Taft-Hartley Act was passed, that it might stimulate American labour to political activity as the Taff Vale decision stimulated an earlier generation of British workers. The CIO's claim that labour will influence 60,000,000 voters in 1948—the similarity with the employment figure is doubtless coincidental—calls for a large-scale extension of the doorbell-ringing, precinct-by-precinct technique practised by the CIO and its Political Action Committee with varying degrees of success over the last few years. The AFL decision to organise "Labour's Educational and Political League" is new. The traditional AFL doctrine of rewarding friends and punishing enemies individually is to be maintained, at least to the extent that prevents the endorsement of a whole political party, but it is not impossible that the new League may decide to endorse a Presidential candidate. And the rousing ovation the convention gave to Mayor Hubert Humphrey of Minneapolis, potential Democratic candidate against Senator Ball, head of the joint Congressional Committee on Labour-Management Relations established under the Taft-Hartley Act, left no doubt about AFL intentions of political activity on the state level.

The purpose of the League, however, is to be educational as well as political in the narrow sense of winning elections. In other words, the AFL sees that it is necessary to make friends before influencing people. Budgeting a sum that will run somewhere between one and three million dollars to acquaint the public with labour's cause is precise recognition of the fact that labour alone does not have enough strength to put its programme through.

During the New Deal the liberals courted labour, and made a coalition that produced majorities for over a decade. Today, labour is courting liberals. To win support from the citizens who are not unionists but just people—and many of them who were alienated by last year's strikes—emphasis must be on issues broader than those of wages, hours, and conditions which are labour's primary concern as a producer. Consumers' issues provide the basis for a community-wide bid.

Demand for another round of wage increases would be widely unpopular. Demand for action to halt inflation and bring prices down is likely to be very popular indeed—and at the same time to serve the immediate purposes of labour. The CIO resolution on the subject urged the President—eight days before he acted—to "call for an immediate session of Congress for the purpose of re-establishing price control on all commodities and rationing for food, clothing and other necessities of life."

General resolutions of this sort have been paralleled by some local action. Not long ago the United Auto Workers, CIO, took measures to bring down the cost of living for its Detroit locals by using union money to buy groceries wholesale and resell to members at a saving of 10-12 per cent. From this beginning has grown a move to co-operate with churches, veterans and consumer organisations, postal employees and some AFL units in Detroit to raise funds for a co-operative warehouse and a large retail outlet. Supply would be arranged through relations with the wholesale co-operatives and farm organisations. And in the process, people from various segments of life would work with unionists.

★

Further co-operation with other groups is likely to be a by-product of the UAW's convention held this week at Atlantic City. The background of this convention is perhaps worth outlining in detail, as an example of technique in the application of trade union democracy. More than any other union, the UAW has demonstrated the left-right cleavage which is a reality—to an extent frequently unrecognised in Britain—in a considerable number of strategically located CIO unions, all the way up to national headquarters. Its relations with the public, and those of the CIO, have been prejudiced by suspicions of Communist influence. The Reuther brothers have been the leaders of the UAW's right wing. Mr R. J. Thomas, the former president, and the secretary-treasurer, Mr George Ades, have been followers of the Communist party line. Last year, Mr Walter Reuther was elected president with a very delicately balanced board. A short time ago, his group seemed likely to lose control to the left, through the recommendation, first by the jurisdictional disputes committee and then by the executive board, that the Farm Equipment Workers be taken into the UAW. The Farm Equipment officers are highly disciplined left-wingers; the union is some 70,000 strong.

The proposal required ratification by the membership of both unions. Acting on the assumption that left-wing successes are apt to be compounded of intense and well-maintained energy on the part of small numbers of party-liners plus lethargy on the part of a majority that would oppose them if the issues were

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known and clear, Mr Reuther engaged Mr Addes in debate, stumping the local meetings prior to the vote. The merger failed. The effect of this rank-and-file campaign took Mr Reuther to the convention with a strength sufficient to defeat moves for the re-election of Mr Addes as secretary-treasurer, and Mr Thomas as vice-president. The full election for a new Executive Board of UAW has not taken place, but these first defeats, along with a clean sweep for the Reuther forces on other votes, are of immense importance. They leave the way clear for the UAW to register with the National Labour Board, and to obtain full recognition under the Taft-Hartley Act. Formerly, Mr. Reuther's insistence upon registration had been blocked by Mr Thomas who, as a union officer refusing to sign the necessary anti-communist affidavits, could disqualify the entire body of UAW workers. The defeat of Mr Addes is equally significant.

Up from Colonialism

(From a Correspondent in Denver)

WALK down a business street anywhere in the American West between the Missouri river and the Sierra Nevada mountains—and you will find that more than 90 per cent of the fabricated and manufactured products for sale in shop windows have been brought 1,000 to 2,000 miles, largely from the quadrangle bounded by Chicago, Boston, Washington and St. Louis. In normal times, three-fourths of the manufacturing in the United States is done in this north-eastern quadrangle. Here also is the nation's centre of finance and politics. People living outside that area are getting tired of their colonial or semi-colonial status. They are largely limited now in the economic pattern of the nation to the supply of raw materials, which imposes on them a lower *per capita* income, and therefore a lower real standard of living than the industrial sector. Even during this greatest crop year of all time, even with farm income leading the upward price spiral, *Business Week's* study of what it calls the Farm West—the 10 states including the Missouri River Basin and bordering it on the East—have shown that they barely brought their *per capita* income up to the national average, and that only by a combination of loss of population during the boom years 1940-47 with the higher prices for their products. Further, their present prosperity rests on an uneasy crust, for a drought would send their production plummeting downward, and every one is aware that a dry year, or a succession of them, is overdue.

How little even war manufacturing has changed the fundamental agricultural pattern is shown by the fact that Missouri, the easternmost state in this group, has 40 per cent of the group's entire factory employment. Yet a recent study made for the Army engineers asserts that the tri-state area of Colorado, Wyoming and Utah contains the greatest energy potential in the world in a similar area, counting coal, oil, oil-shale, water-power and uranium. The South, of course, has an older and deeper complaint, and an even lower *per capita* income. Its economy is even less diversified than that of the mountain-and-plain West. The leader in the political and economic drive for industrial diversification, its aggressiveness has brought such victories as this policy has so far achieved, such as the freight-rate changes granted by the Interstate Commerce Commission in 1945 and confirmed by the Supreme Court early this year.

In the West as in the South, local counsels are divided, since many of the more influential citizens and institutions are in effect agents for the industrial and financial companies of

He has held office since 1938, and each convention since then has provided a fresh demonstration of his personal hold on delegates. Now, his failure is the signal for re-election of a completely new Board on which Mr Reuther hopes to place eighteen of his supporters. There are twenty-two members, and the Reuther forces last year held only eight votes, to fourteen of the Left-wingers. With the party-liners driven from office, the UAW is likely to develop its community activities, particularly group-insurance plans with other right-wing unions, and possibly with farm organisations. The balance of power throughout the CIO will change appreciably, and in the longer term this may change the entire prospect for organised labour.

(A second article will review the status of the unions under the Taft-Hartley Act, in connection with their organising activities and procedure before the National Labour Relations Board.)

the North-East. But the West is waking up. One awakener was the Republican national victory in 1946 which installed a Congress dominated by North-Eastern politicians with no fondness for devices like the Tennessee Valley Authority which might be a drain upon the East. Westerners are aware that progress toward diversification has been greatest in those regions where large government works have provided low-cost electric power, not only in the Tennessee Valley but in Southern California and the Pacific North-West. Industry is attracted almost against its own will. Water falling from the high spine of the Rockies, trapped in reservoirs, can provide several additional millions of kilowatts of power if the huge Western irrigation projects proceed, and these projects promise to be largely self-supporting. The reaction against the cuts in the Federal Government's programme of public works in Western States during the last Congressional session, are raising Democratic hopes for those states in 1948.

The situation regarding wool illustrates the current trend. About three-fourths of the nation's wool is produced in the 12 Western states, including Texas. Still "in the grease," almost all of it is loaded into freight cars and shipped bodily across the country to the Boston region—up to 60 per cent of the weight thus transported is grease and dirt. Cloth and garments made from the wool are then shipped back 1,000 to 2,000 miles. Public bodies and private individuals are working on a programme to carry the western wool industry beyond the raw material stage. Until this year, wool to be purchased by the government under its buying programme could not even be "core-tested" for quality in the West—it had to be shipped to laboratories in Washington, D.C. Now there is a laboratory in Denver. The agricultural extension experts of 11 Western States also are jointly studying the whole question of wool marketing. A pilot plant is to be built in Denver for the scouring of Western wools and to be followed by the erection of similar plants for preparing "tops" of the finished wool ready for the textile manufacturer. Once these facilities were available, cloth and garments could be made on the spot. Initially, such industries would supply the local market; later, they might perhaps sell in competition with the Eastern wool and wool-fabricating industries.

What is true of wool processing is comparably true of tanning—there are no tanneries or leather-using industries of any magnitude in this whole region, despite its millions of cattle—and manufacturing based on leather is being studied with great care. Westerners, too, insist that since the country's industry is now largely concentrated in the North-East, in an area little larger than some Western states, national safety in modern war lies in the encouragement of secondary industrial centres so widely scattered that they cannot be obliterated. In other words, they feel that their programme is no longer merely self-seeking, but is tied up with national policy.

American Notes

Administering the Plan

As the committee reports come home to roost and the Marshall plan gets under way, the most striking fact to emerge is the broad area of agreement on principle between such bodies as the Herter and Harriman committees, the Administration, and such outside political figures as Governor Dewey. This meeting of minds is reflected in the receding of partisanship over the special session's immediate task of passing judgment on stop-gap aid. Mr Marshall has supplied the full picture of the long-term programme which Congress wished to possess before it determined whether the gap could and should be met. Mr Truman has given precedence to the interim foreign aid bill over the anti-inflation programme which is so much more controversial, and the speaker's *quid pro quo* in deferring Mr Knutson's \$4 billion tax reduction bill to the regular session has done much to clear the way for prompt and unpartisan action. Senator Taft alone has isolated himself in stubborn opposition to the orders of magnitude suggested by the Harriman Report and Mr Marshall's testimony on the Congressional Committees.

On this he sharply parts company with Governor Dewey, whose decision to abandon fence-sitting for a place on the Marshall band-wagon is one of the most favourable of present omens. Mr Dewey has not only declared that there is no alternative to the Marshall plan; he has aligned himself with those who oppose attaching political conditions to foreign aid, and who consider that it would be fatal to demand dollar repayment for the bulk of the programme. He made, however, no commitments on the amount of aid he would support; that nettle has been left to other hands. What his speech does suggest is that much of the Republican fire will be concentrated on the administration of the plan. He made a most bitter partisan attack upon the incompetence with which the aid programme had been handled in the past by the State Department, and demanded that control should be taken from "social planners who do not know a loom from a corn husker."

A Bipartisan Board?

American opinion is virtually unanimous on the need for creating a new agency or corporation to administer foreign aid, to ensure flexibility of operation, and efficient centralised control over purchasing, allocations, and control over European progress. The Harriman Committee specifically recommended a government corporation, which would be free from bureaucratic procedures, to be headed by a Presidential appointee approved by the Senate, and with a Board of Directors which would include representatives of the government departments chiefly concerned. It would also have an Advisory Board on general policy made up of representatives of business, labour and agriculture, rather, in fact, like the Harriman Committee itself. Mr Marshall, while not committing himself on the question of whether the new body should take shape as an executive agency or enjoy the greater freedom of the corporate form, underlined the need for flexibility and the desirability of making full use of the experience and resources of existing agencies like the Departments of Commerce, Agriculture, the Interior, and the Treasury. The control of an organisation which, Congress willing, may enjoy wide powers to qualify foreign nations for further aid, to scrutinise demands, to allocate goods and funds, and to decide how much assistance is to be tied or free, is as important as the total amount of aid which Congress may grant. It is understandable that the State Department, which has fathered and nursed the Marshall plan, should want to ensure that its operation which is so central to American foreign policy, should be in accord with the main aims of State Department policy, rather than in an independent compartment.

At this point Republican views diverge sharply. Governor Dewey has demanded businessmen for a businesslike job. The Republican party also suffers from a suspicion that in the past it has had the short end of bipartisanship; its members feel that it has forgone the making of party capital out of foreign issues without enjoying either a fair hand in the origination of policy or a fair share of the credit. The Herter Committee at first favoured a scheme which would have placed the control of the new European Recovery Corporation in Republican hands. It has since come to sponsor a bipartisan board as urged by Governor Dewey, the appointments to be made by the President after consultation with Republican leaders. A party struggle over control of the administration of the plan could be very damaging;

and the Administration will no doubt appreciate the necessity indeed the inevitability of making concessions. The names of former Senator LaFollette, a protégé of Senator Vandenberg, and that of Mr Lewis Douglas have already been suggested for leading appointments. These skirmishes over control of the programme are the most convincing evidence, however, that the great question of to be or not to be for the Marshall plan has already been decided in the affirmative.

Wheat and Hogs

In striking contrast to the view taken by the Council of Economic Advisers, the Harriman Committee's report on aid for Europe declares that exports, rather than domestic demands, have been the primary cause of inflationary pressure. It agrees, however, that the grain stock position is extremely serious, and asserts that minimum export commitments rest upon the presumption that the United States will experience "average weather conditions" over the next three crop years. In itself, this would seem to be an entirely reasonable presumption. Unfortunately, one bad year could spoil the entire pattern, and this year's bumper wheat harvest has been followed by drought throughout the wheat belt. So far, plantings cover less than one-half of planned acreage for the 1948 crop, and heavy rains are needed to avoid the certainty of a much lower yield next year.

The immediate prospect for exports looks rather more hopeful. While precise figures are not available, it is understood that the Federal government has completed a very substantial proportion of the emergency wheat purchases, and that deliveries are assured. Moreover, there are suggestions that early estimates by the Department of Agriculture were rather generous in their assessments of wheat consumption by livestock. Some time ago, the Department suggested that, with a reduced corn (maize) crop, livestock would consume no less than 350 million bushels of wheat, against 500 millions for domestic food. Much of this livestock feeding represents a quite unjustifiable drain on resources at this stage. Some relief may follow from the fact that the rise in the price of corn in recent months has brought about a sharp decline in the "corn-hog ratio." This yardstick measures the number of bushels equivalent in value to 100 lb. of live hog-meat, and the higher the ratio (or the relative cheapness of corn) the more profitable does livestock feeding become. The ratio is now 12, against 19 last spring. Even this development, however, cannot be relied upon to provide sustained relief. With consumers' income at peak levels, meat prices will remain relatively high, and the amount of wheat fed to livestock depends not only upon the relationship between corn and hogs, but also between corn and wheat. This year, with corn scarce, and badly distributed over the United States, wheat feed for hogs and cattle will remain at levels that spell waste, except in terms of abundance.

The more zealous advocates of control continue to assert that the only practicable measure would be for the government to impose price ceilings on all livestock, and to penalise fat stock by price schedules which discriminate against overweight hogs and cattle. On earlier experience of price control, however, such a programme would demand the establishment of a tremendous machine for enforcement, and the farm community and the meat packers can no doubt be counted upon to provide a very stubborn resistance through their Congressional spokesmen. The President, it is thought, may be willing to propose fixed prices for grains at levels that would discourage livestock feeding of wheat, and to provide farmers with tax incentives, so long as they co-operate in the government buying programme. But the response of the farmer, in turn, hinges upon the prospect for the 1948 crop. The Bureau of Agricultural Economics, in an initial survey of that prospect, declares that a wheat crop of one billion bushels might leave only 200 million bushels of wheat for export, or only forty per cent of the projected total for 1947-48. And a billion bushels (against 1.4 billion in 1947) would be decidedly better than an average crop.

The Political Tide

The returns in last week's scattered municipal and state elections have been received with a certain quiet gratification by the Democrats, while the Republicans have insisted, with a new vigour, that they are too isolated to have any real political significance. This is something of a change of tune; before the election the Republicans were prepared to draw a comfortable moral than the hoped-for results. In Kentucky alone was there a campaign waged on any national issues; there the Democratic

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candidate for Governor, on a platform of support for the Administration and opposition to the Taft-Hartley Act, soundly beat his Republican opponent. Kentucky is a border state and something of a weather-vane; in 1946 it joined the Republican tide by sending a Republican Senator and two Congressmen to Washington, and the sitting Governor was a Republican. Normally, however it is Democratic; and a return to the fold can hardly be counted as more than a sign that the flood-tide of Republicanism evident in 1946 has receded from one Democratic peak. In other states the Democrats registered a number of mayoral victories, and in three by-elections to the House of Representatives, the Republican percentage of the vote declined somewhat in each case. The Gallup poll, on the strength of these returns, the result in Kentucky, and the Republican victory in Pennsylvania in September, estimates Democratic gains at 5 per cent, but the sample is too small to be reliable.

More general interest will be felt in a purely Democratic contest in Mississippi to fill the seat of the late Senator Bilbo. An open race between five candidates resulted in the election of Judge Stennis, whose campaign was as dignified as Bilbo's used to be disgraceful. Representative Rankin, of the Un-American Affairs Committee, whose proud boast has always been that he could out-Bilbo Bilbo, came in last. It will be remembered that Bilbo used to twit his Northern critics by insisting that it was their interference in purely Southern affairs that put him in. The lesson was not lost on any of the contestants for his toga, who vied with each other in efforts to make enemies and influence people. There is no reason to imagine that Judge Stennis, in Washington, will fail to adopt the traditional Southern attitudes toward a Fair Employment Act, anti-poll tax, anti-lynching or anti-discrimination legislation. But it is to his credit and the credit of the Mississippians who voted for him that not once did he raise the issue of "white supremacy."

* * *

Defeat for PR

The system of proportional representation was on trial in New York and Cincinnati last week for the third time. In the Ohio city, PR held its own by a substantially wider margin than in earlier elections, but in New York, its largest laboratory, there was an almost two-to-one majority against retention. In both cases the results seem final; in Cincinnati the Republican leading the opposition promised that there would be no more attempts to oust PR. Democrats and independent Republicans had rallied to its support.

In New York the Republicans, who under Mayor La Guardia had repulsed two attempts to repeal PR, joined with the Democrats against the minority parties and civic groups. Their chief argument was that PR had discharged all too effectively its function of guaranteeing minority representation: that a City Council of 23 containing two Communists, two American Labour Party men, two Liberals (right-wing Labour) and only three Republicans and 14 Democrats grossly over-estimated the strength of these independent and splinter groups in the city. The fact that two Communists were elected to the Council in 1945 gave the major parties an opportunity to denounce PR as "a handy tool of Communists and Fascists" and to paint its elimination as a return to traditional Americanism. When PR was adopted in 1936, the new City Council replaced a Board of Aldermen consisting of 64 Democrats and one lone Republican—a one-party system under the control of Tammany. Under PR, the pendulum swung to the other extreme.

In addition to the question of fair representation, it was claimed that voting in large constituencies meant that few voters knew their candidates; that the system was so complicated that a fifth of the ballots were invalid; and that PR has not appreciably raised the average ability of Council members. New York, because of its bigness, its vast minorities, and its energetic and ingenious Communists, has proved a less favourable testing ground than Cincinnati. The immediate political effect in New York is to dissolve the coalition between the Democrats and the American Labour Party built up by Mr Roosevelt.

The new system will replace the boroughs (of which there are five in the city) as a voting unit by 25 State Senate Districts. The next election will be held under it in 1949. Under majority rule it seems likely that not only the Communists, but other independent parties will lose their representatives, including several able independent Republicans. The burden of proof is now on the victors to show that the repeal of PR will lead, not back to the bad old times, but to a better version of the two-party system embracing a vigorous minority.

Wall Street and Profits

Over the first half of the current year, company profits continued to provide a generous—though by no means unduly generous—reflection of the post-war boom. Estimates made by the Department of Commerce show that, at seasonally adjusted annual rates, profits before taxes increased from a level of \$27 billion at the end of 1946, to \$29 billion in the first quarter of 1947, and declined again to about \$27.5 billion in the second quarter.

These comprehensive figures conceal a considerable disparity in the experience of the various groups. Railroad earnings, for example, are relatively good, but are now far below war levels, while the domestic air transport companies are going through a very awkward patch. In such groups as oil, coal, automobiles, and machinery, however, profits are now running at very high levels, more particularly when comparison with 1946 is with a period when reconversion problems and material shortages were especially acute. Detailed figures are not available for the third quarter, but individual reports have been entirely satisfactory, and dividend rates are now decidedly higher than for any previous period.

The figures to June 30th, however, throw considerable light on Wall Street's sustained refusal to discount present profits on any generous scale—the Dow Jones average of industrial stocks is still considerably below the prewar peak. Inventory profits, for example, have been exceptionally high in relation to total profits, although they show a considerable decline from the fourth quarter of 1946 which brought the end of price control. By excluding these non-recurring profits, total earnings for the last quarter of 1946 would be reduced from an annual rate of \$27 to below \$19 billion, and for the first six months of 1947 from a rate of \$27.5 to nearly \$23 billion.

Similarly, although dividend payments are now relatively high, they represent a lower than normal share of distributable profits. Of profits totalling \$8.5 billion after taxes in the first half of 1947, less than \$3 billion was paid out in dividends, and \$5.5 billion retained. And the wisdom of this conservative policy is shown by the fact that retained profits and depreciation funds totalling \$7.5 billion were only just sufficient to meet expenditures on new plant and equipment, while industry was called upon to finance additions to its inventories to the tune of \$4 billion, provided by temporary bank finance, or by new issues.

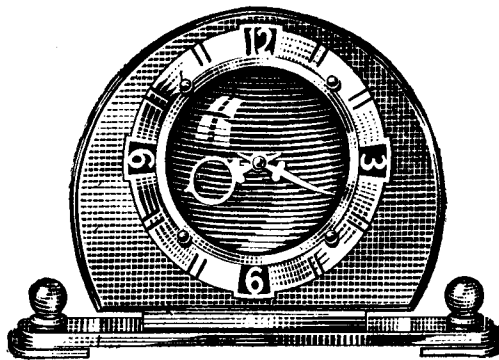
These figures go quite a long way towards providing an explanation of the fact that, over a wide range of industrial companies, dividend yields are as high as 5 per cent in marked contrast to the exiguous returns available from Treasury and first-grade company bonds. The immediate outlook is good enough, and Wall Street may well move higher before the turn of the year, if only to keep pace with the still-advancing rate of dividends. But the professional and institutional type of investor is scarcely likely to let optimism outrun caution at this belated stage of a trade cycle, more especially when all responsible authorities are beginning to display concern, and when mounting consumer protests may even force a reluctant Congress to support the President's demand for more effective inflationary controls.

Shorter Notes

President Truman will probably avoid a major clash on the issue of tax reduction during the Special Session of Congress. A threat to reintroduce the Bill, defeated last summer, for reductions totalling \$4 billion had been made by Mr Harold Knutson, chairman of the House Ways and Means Committee, who was supported by Senator Taft. Last week, however, Mr Joseph Martin, speaker of the House of Representatives, said that the programme for stop-gap aid and for price legislation would not leave time for tax debates, and it is believed that his party will support the President, at least to this extent.

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Voters continue to support liberal plans for bonus payments to ex-service men. Apart from the very large sums already voted by the Federal Congress, State legislatures have approved substantial payments, and municipal elections in New York and Ohio have now brought authority for further grants totalling \$700 million. "Bond elections" in other States will raise the sums authorised to beyond \$1 billion. While this sum is not very large in relation to national income, its cumulative effect may be much more powerful, following immediately upon the disbursement of cash for Terminal Leave Bonds, and the general relaxation of controls formerly covering consumer (hire-purchase) credits.



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THE WORLD OVERSEAS

Mr Molotov's Christmas Box

(By a Correspondent)

IT was with a singular lack of *élan* that the thirtieth anniversary of the Bolshevik Revolution was celebrated in Moscow last week. Wind and rain swept the Red Square and compelled the organisers of the celebration to shorten the traditional march past of soldiers and civilians, and to cancel the parade of the Red Air Force. Marshal Stalin was not to be seen at his usual stand on the Lenin Mausoleum, from which, six years ago, he reviewed the parade of hurriedly improvised divisions, which marched straight from that parade to the front, then on the outskirts of Moscow.

In Mr Stalin's absence, Mr Molotov addressed the Moscow Soviet in a long, dull, repetitive speech which would have lulled to sleep any audience less hardened for such occasions than are the people of Moscow. There was a strange contrast between the lifeless and colourless character of the peroration and the great and full-blooded drama of thirty years ago which it was supposed to commemorate. Rarely has a nation undergone more profound and violent changes within a single generation than have the Russians; and rarely have the leaders of any nation been more incapable than are the present Russian leaders of uttering a single inspiring phrase or a single new generalisation about the great events of which, in part, they have been the makers.

The interest of the Russian public as well as of the world outside has been concentrated, not on the commemorative aspects of the occasion, but on the statements and hints of a topical character that have been thrown out in Moscow. In Russia the political Father Christmas makes his appearance in the first week of November; and he could not fail to bring some gifts this year, too. Thus, the Russian people have learned about the general improvement of their economic situation. The plan for this year is being fulfilled, although the earlier promptings that this year's plan be carried out seven weeks ahead of schedule and finished in time for the anniversary had proved ineffective and were dropped some time ago. It is none the less a fact that the worst of the initial difficulties which hampered postwar recovery have been overcome. Coal output has reached prewar level, even though some of the coal pits in the Donetz basin are still under water. But the rehabilitation of the Donetz Basin has gone ahead with remarkable speed; and this, together with the opening up of many new coalfields in other parts of Russia, accounts for the recovery of the coal industry as a whole. This has been no mere anniversary boast.

So the basis has been laid for a quicker expansion of other industries, although the output of iron, steel and timber is still falling short of expectations. The rebuilding of the destroyed cities of the Ukraine and Byelorussia has hardly made any real progress; but, in contrast to this, the re-housing of millions of homeless peasants, which has been left to the local initiative of the kolkhozes and has been carried out with local resources, has gone ahead very rapidly.

Secret of the Grain Crop

The rehabilitation of agriculture has been another anniversary theme. This year's crop is stated to have been 58 per cent more than last year's. The amount of the crop has not been published—this is apparently considered to be "an important state secret." Grain is, as it were, Mr Molotov's diplomatic ammunition; and he apparently does not want the world to know just how much of it he may be able to fire against the big guns of the Marshall Plan. On a hypothetical calculation one may venture the guess that this year's grain crop has been 70 or 75 million tons, roughly three-quarters of an average prewar harvest. In view of the enormous devastation which Soviet farming had suffered in the war and afterwards, this would be an impressive achievement, obtained thanks to favourable weather as well as to effective use of agricultural machinery and high administrative pressure.

According to official reports, about 75 million acres of land more than last year have been serviced this year by tractors.

The best crops and grain deliveries have been reported from the Ukraine, while Siberian farming has had to contend with unexpected difficulties. The administrative pressure has been stronger in the Ukraine—where Mr Kaganovich has been in charge of the agricultural campaign—than elsewhere. But the better crop in the Ukraine may also have been due to the fact that so much of the land there has been lying fallow for several years. On balance, the improvement in farming has been sufficient to relieve the food situation in Russia and to yield some surplus which can be disposed of abroad. But in order to secure that surplus the Government has so far had to maintain the rationing of bread at home. Abolition of rationing which was forecast, has not been among the anniversary gifts.

War Wounds Healing

Against this background of economic improvement Mr Molotov could rightly claim that Russia was beginning to heal its wounds. He would still have been on not very shaky ground if he had merely stressed the long-term advantages of a planned economy over the vagaries of uncontrolled trade cycles. But he went farther and, in accordance with a time-honoured custom, he portrayed a crude picture, all in black and white, of contrasts between Soviet "prosperity" and the economic miseries of the capitalist world. This part of his peroration could hardly have sounded convincing to those millions of Russian ex-servicemen who, during their advance into Europe, were dazzled by the standards of living in foreign lands. But it is precisely Russian society's incipient awareness of just how low its own standard of living has been that impels Russian propaganda to dwell, with such ridiculous over-emphasis, on all the real and imaginary shadows in the capitalist economy.

Mr Molotov analysed the international situation in terms of a world-wide competition between Socialism and Capitalism. This was once the accepted angle, from which all Bolshevik spokesmen viewed the world situation. There would be no novelty in Mr Molotov doing it again, if it were not for the fact that, in the course of the last few years, international relations were treated in Moscow in terms of a conflict between democratic and anti-democratic forces, rather than directly between Socialism and Capitalism. The pristine Bolshevik formula was revived by Mr Zhdanov in his speech at the foundation meeting of the Cominform in July; in a somewhat softened form it was adopted by Mr Molotov.

As a result of the second world war, Mr Molotov argued, Capitalism has been weakened and Socialism strengthened—"all roads lead to Communism." As a profession of faith or an enunciation of a broad historical view, these words were quite natural in what was after all a eulogy of the first victorious proletarian revolution. But Mr Molotov failed to relate his abstract evaluation of the historical trend to the concrete and current facts, especially to that truly international swing to the Right which has been revealed in almost every recent election outside the Russian zone of influence. In the very long run, maybe, all roads lead to Communism. In the short run, most roads seem to lead away from it. It is not clear to what an extent the makers of Soviet policy are aware of these realities of the international situation.

It is most likely that they have resorted to the old formulas of class struggle, not so much because of any genuine interest in the social outlook of other countries, as because of their uneasiness over what they consider to be the sure symptoms of a warlike attitude in the capitalist world. It is not inherent in the Stalinist doctrine that the competition of the two systems must lead to their armed conflict. But, in the event of armed conflict, the Soviet leaders must in the last resort appeal to the working classes of other countries and try to utilise the social conflicts of the capitalist world. In the war against Nazi Germany they could still afford to refrain from purely Communist revolu-

tionary propaganda and to confine themselves to much vaguer "anti-fascist" appeals. They counted on the assistance of their capitalist allies; and that assistance was, in their eyes, a factor of greater and more real importance than any hypothetical response of the German working class to revolutionary Communist appeals. The position in the case of a war between the USSR and the USA would be very different. In such a conflict Russia could hardly count on any capitalist allies. The alignment of forces would then, in the Soviet view, correspond much more closely to a straight and fundamental division of classes and class-interests, in which the Soviets would be compelled to try to arouse the working classes of foreign lands for their "last and decisive battle."

The weapons of purely Communist ideological warfare have been left rusting in the Comintern storehouses ever since the days when Russia joined the League of Nations, and when the Communist parties formed Popular Fronts with Social Democrats and bourgeois liberals. Now some of those weapons are being brought out of the storehouses, cleaned and prepared for use, just as the somewhat rusty weapons of anti-Communism have been taken out of the arsenals of the west. However, ideological warfare is by its nature slow, far too slow for the

The Karens and the Future

(By a Correspondent lately in Burma)

WILL the beginning of Burmese independence lead to civil war? The question can best be answered by the Karens, the largest racial minority in Burma, whose earlier demands for complete autonomy have not been met. They have been given partial self-government within the Union of Burma in a Karen state containing a small proportion of the Karen race, but important groups of Karens refused to take any part in framing Burma's new constitution.

To understand the present position of the Karens one must know something of their past. Claiming to have entered Burma with the Tai-Chinese migration wave about A.D. 600, they were later driven by the Burmese into the mountainous country to the east of Burma and south of the Shan States. Here they lived for centuries in isolation, nursing a sullen hatred of their despoilers, who in turn treated them with scorn, labelling them the wild cattle of the hills. In the almost trackless mountain wastes that became their home the Karen tribes developed the intense reserve and suspicion typical of any self-centred community living by a subsistence economy. Like all other hill races in Burma their customs, dress, and even their language developed in different directions, so that now some groups cannot understand each other. Each little village community became ever more self-contained; reciprocal obligations between neighbours and relatives developed great importance; mutual support in adversity became a commonplace; honesty a natural virtue; and theft and similar forms of trickery were almost unknown. Isolation enforced marriage within the community, leading to a still greater sense of exclusiveness.

When the British annexed Lower Burma and set free large areas for peaceful cultivation, many thousands of Karens moved down to the plains and settled amid Burmese immigrants from Upper Burma, in the Delta of the Irrawaddy, in the Insein, Pegu, and Tharrawaddy districts north of Rangoon, and in the plains of Tenasserim. Though they established themselves firmly and prosperously, they did not mix with their neighbours. Like blobs of oil on water one finds Karen hamlets dotted among Burmese hamlets, and Karen quarters set apart in larger villages and towns.

Beginnings of Separatism

The extraordinary enthusiasm with which they embraced Christianity set them further apart from the Burmans. Always believers in a Supreme Being, Y'wa, and told in prophecy that he would return the Sacred Book by the hand of a white brother beyond the seas, they hailed the first American Baptist Missionary, Adoniram Judson, as the promised messenger. Thousands adopted Christianity in the stern puritan form dispensed by the early Baptists, enshrining their natural honesty, chastity and goodness in a casket of Victorian propriety which added fuel to the scorn of the easy-going, pleasure-loving Burmese.

As time went on the Karens, slower thinking and less "examined" than the Burmese, fell behind in the race for the government posts which both unwisely worshipped as the supreme goal

atomic age. The forging of atomic weapons takes precedence over the sharpening of the ideological ones. Mr Molotov's anniversary audience therefore accepted with thunderous applause his enigmatic hint, which vaguely suggested that Russia may have actually broken the American monopoly of atomic weapons.

The hint has been followed by foreign comment to the effect that Mr Molotov was merely bluffing, as well as by reports about the first demonstration of a Russian atomic bomb, which allegedly took place in the vicinity of an Atomgrad, somewhere in Asia. Speculation on this point is highly unprofitable. The Soviet leaders are certainly masters at putting on poker faces; and it may be as erroneous to believe that they already have the atomic ace as to assume that they cannot possibly have it—yet. Amid all this rattling of ideological and atomic weapons, Mr Molotov was at pains to assure the outside world that its meaning was purely defensive, and that Russia's desire for peaceful co-operation with her wartime allies was as strong as ever. In the present state of war fever there is a tendency in the west to dismiss these assurances wholesale as insincere talk. Will not history say one day that this was the most tragic fault of inattention ever committed by statesmen?

of the intelligent. Feeling that their own officials, with their rigid honesty and conscientiousness, gave better value than their Burmese rivals, the Karens made serious efforts to secure special treatment in the allocation of posts. Through the writings of Sir San C. Po, they first voiced their conviction that their only hope of real advance lay in territorial separation from the Burmese. Thus, in 1928, the idea of "Karenistan" was born. Perhaps unwisely, our administration ignored it as too controversial.

Then came the war. With the advancing Japanese was a ruffianly horde of Burmese hangers-on, looting, burning, murdering Indians, British, Karens and their fellow Burmans with equal impartiality. They were responsible for savage massacres of Karen men, women and children, undoing in a few weeks the work of half a century. Though the Japanese-sponsored Burmese government sent out a "Karen Peace Mission," it was unable to still the wave of bitterness and despair that filled all Karen hearts.

Meanwhile some 15,000 Karens were armed by the British to fight the Japanese. In 1945 they launched an attack which rivals the deeds of any guerillas in any theatre of the Second World War, and established at long last a sense of national manhood, a feeling that they were able to master their enemies and fight their own way to their national goal. For the first time Karen requests became Karen demands. Backed by this new-found confidence, the "Karenistan" issue became serious.

Cold Welcome in London

Karen agitation was intensified by the first suggestions that Britain would not object if Burma opted to leave the Commonwealth, a prospect wholly repugnant to most Karens. Their earliest claims, published in July, 1945, were very ambitious, and included Karen settlements in Siam. They argued that victorious Siam had annexed large slices of the Shan States as its reward for helping Japan, and therefore it was logical to exact a *quid pro quo* by carving out of defeated Siam any areas populated by Karens.

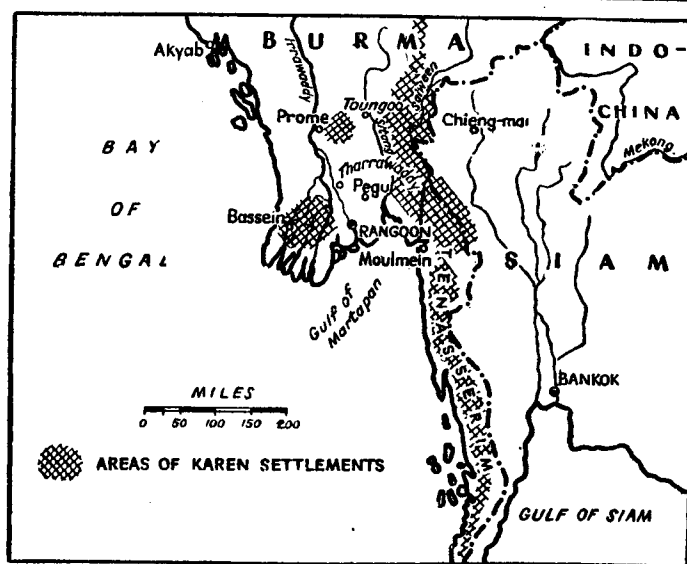
To all suggestions that the division of so small and weak a country as Burma was dangerous, the Karens replied that in a separate state peopled by peace-loving Karens, with an outlet to the world through the port of Moulmein, there would be far greater security than could ever be found in co-existence with the Burmese, whose history was one long tale of strife, anarchy and unrest. To protests that they could not expect the large Talaing, Burmese and Indian groups in Tenasserim to accept Karen domination, they replied that since the Burmese expected Karens in the Delta and elsewhere (there was never any talk of mass migrations) to accept Burmese domination even where Karens were in the majority, they should concede a similar privilege to the Karens in Tenasserim. To doubts about the economic viability of such a state, they pointed to the assets of Tenasserim and the Karen hills—wolfram, tin, salt, timber, rubber, hydro-electricity, and spoke of developing the Ataran and similar valleys for rice export.

In their anxiety to secure the gift of territorial freedom from

a still-grateful Britain, the Karens completely ignored the need to associate other dwellers in the proposed Karen State with their plans, and thus ruined their hopes of securing official attention from the start.

Their goodwill mission to England returned discomfited by its reception, and in due course the Karen National Union, formed by the fusion of the Karen National Association and the Karen Central Organisation, repudiated the Attlee-Aung San agreement. The elections for the new Constituent Assembly were boycotted by all except a group of young men who had thrown in their lot with the Burmese leaders. All the Karen representatives eventually "elected" were Burmese nominees. The Burmese cannot be blamed for this manoeuvre, for they feared that any obvious breakdown in the election machinery might jeopardise their own chances of freedom. No one now knows where the Karens stand, or what is the strength of the opposition to the new regime to which the nominated delegates have given their assent.

The present proposals are that the Salween district and certain other contiguous Karen areas, together with the Karenni States (which have now agreed to join) should be formed into a Karen State with limited autonomy, and that the interests of other Karens living among the Burmese (e.g., in the Delta) should be given special protection. This is substantially the 1945 official proposal, then turned down by the Karens as not going far enough, and by the Burmese as going too far. It is not perfect, but it does give the Karens a homeland to call their own, and on which they can lavish their keenly felt desire to build up an



administration and a way of life conforming to their own ideals. If its boundaries are not restricted to the unproductive hill country it may achieve material progress, and so take the heat from Karen-Burmese relations elsewhere.

Freedom to go to "a better 'ole" would do much to still the panic in isolated Karen communities in Burma during the periodic Burmese outbursts of xenophobia. With goodwill on both sides the proposals can work; without it there is no hope for peaceful relations.

The initiative rests with the Burmese and must be sustained. British success with Burma's hillmen was not fortuitous. It came because we were determined to get to know and to love them. In spite of setbacks, of treacherous attacks, even of prolonged warfare, we never lost the will to be friends. The Burmese must seek mutual understanding with equal patience and forbearance. The Karens, on the other hand, must relax their over-suspicious isolationism and show greater willingness to mix on tolerant terms. In accusing the whole Burmese race of being in effect a "nation of spivs," they forget that sanctimoniousness can be as exasperating as any other human frailty.

Britain, too, must play her part. The Karens gave the British unswerving loyalty; they must never lose their affection. Since Britain is committed to setting Burma free and can no longer give the Karens her protection, she must look to their material progress. She must establish trade contacts with their newly formed co-operatives, and offer them a share in British interests in Burma and in training facilities in England. Only by improving their worldly wisdom and by standing on their own feet can the Karens ever hope to achieve their just ends.

Soviet Stakes in Hungary—II

The Three Year Plan

BY A CORRESPONDENT

THE Hungarian Three Year Plan contains certain indications as to the percentage share of the joint companies in Hungary's total economy. The Three Year Plan provides that altogether 6½ billion forint will be employed for investments. According to this plan the Soviet Union will contribute 150 million forint for investments in the joint companies. This is about 2½ per cent of the total capital investment foreseen by the plan. As the Soviet Union owns 50 per cent of the joint companies' shares, the same amount for investment will have to be produced by Hungarian capital. Thus, the total investments of the joint companies represent not quite five per cent of the sum which the Three Year Plan provides for the Hungarian economy. This figure more or less confirms the assessments based on the participation of prewar German capital. Soviet control through the joint companies affects 5 per cent of Hungary's economy of which, however, only 2½ per cent are actual Russian holdings. One can assume that another 2½ per cent of capital invested in other Hungarian companies, banks and trading corporations, represents the balance of Russian capital interest in Hungarian economy.

Even if one assumes that Russia's present share does not exceed the former German share, her influence is more intensive. German influence was scattered among a number of financial groups and investors; the Soviet Union exercises her influence as a single shareholder.

Hold on the Credit Bank

Russia's economic hold on Hungary has been also strengthened by her participation in the Hungarian Credit Bank, by taking over shares formerly held by the Dresdener Bank, representing altogether 18 per cent of the capital. Again, in the past, foreign capital, first French and later German, which had this same share in the Credit Bank was satisfied by representation on the Board; now Russian capital also demands full representation in the Bank's actual management, by the appointment of a Russian deputy governing-director.

The Hungarian coalition government is now preparing a bill for nationalisation of the National Bank as well as the two largest banks, the Credit Bank and the Commercial Bank, which together have a controlling interest in about 60 per cent of Hungarian industry. The nationalisation will not affect, however, the participation of foreign capital. The banks will remain independent limited companies. Only the shares owned by Hungarian investors will be taken over by the state, whereas the foreign holdings remain unaffected. The majority of the share capital will of course be held by the Hungarian state; nevertheless foreign capital will continue to exercise a certain influence. In the case of the Credit Bank there will be an interesting combination of three partners: the majority of the shares, about 70 per cent, will be held by the Hungarian state, the second largest shareholder will be the Soviet Union with a holding of about 18 per cent, and the third partner with about 12 per cent will be the British Rothschild group.

New Reparation Claims

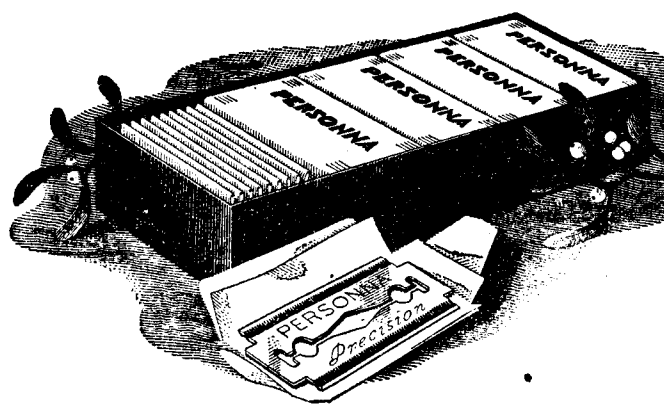
At the beginning of this year a new Russian claim based on the Potsdam agreement was made for about \$230 million, exceeding the nominal Russian reparation claim.

During the war Hungary had a clearing agreement with Germany. At the time of her collapse Germany owed over \$600 million to Hungary, whereas Hungary's liabilities to Germany amounted to about \$200 million. Thus there was a credit balance of about \$400 million in favour of Hungary. According to the provisions of the peace treaty Hungary had to renounce all her claims from Germany. It was naturally understood that this referred to the Hungarian credit balance on the clearing account. The Russians, however, had a different interpretation. They tried to revive this so called German asset of over \$200 million, notwithstanding the fact that it was wiped out by German liabilities. The recognition of the Russian claim would have meant the perpetuation of reparation payments to the Soviet Union. As a result of negotiations in Moscow in July and August the Soviet Union reduced its original claim to less than a quarter. The matter has not been settled yet, and a new Hungarian delegation, which is at present in Moscow, is trying to obtain further concessions. The object of these negotiations is to settle if possible all aspects of transfer of former German property in order to end the present state of uncertainty.

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THE BUSINESS WORLD

The Tax Changes

IN the detail as well as in the broad shape of his Budget, Mr Dalton has fulfilled all too faithfully the pessimistic forecasts advanced in these columns last week. He has wholly ignored the inflationary "gap" which already exists, and has focused exclusively upon the "new situation"—the additional inflationary pressure—which will result from the declining volume of consumption goods available to the home market. He has therefore wholly escaped the thorny problem of presenting a *pro forma* national balance sheet; there is no attempt to estimate the prospective balance between savings and investment, nor even the extent to which, on Sir Stafford Cripps's programme, the gap between them will be widened. The task which the Chancellor set himself was simply to produce a "considerable" additional revenue, without attempting either to justify or explain the particular sum at which he aims.

The result is a prospective additional revenue of only £33 million in the current financial year and £208 million in a full year. To the first figure, however, there must be added a possible £15 million from accelerated collection of existing tax arrears in consequence of the imposition of an interest charge of 3 per cent. The £208 million expected in a full year comes from five main groups of taxes. A doubling of the rates of Profits Tax is to produce £47 million after allowing for the resultant loss in income tax; a penny on beer and moderate increases on wines and spirits provide £56 million; purchase tax provides £80 million; a new tax on tote dog-racing and pool betting, £15 million; and an indirect tax on advertising, £10 million.

Purchase Tax

Most surprising, perhaps, of Mr Dalton's detailed proposals are those relating to Purchase Tax. It had been generally assumed that it would be impossible to secure any really large additional revenue from this source without a wide extension of the range of the tax, principally because the existing tax did not affect significantly goods normally regarded as necessities, and because the supply of many categories of taxable goods will in any case be drastically reduced by the new export quotas. But in fact the range of tax is not changed at all. The Chancellor expects to secure a substantial sum by indiscriminating increases in the existing rates, as follows:—

Existing Rates (% of Wholesale Value)	New Rates (% of Wholesale Value)
16½	33½
33½	50
66½	75
100	125

From these additions £10 million is expected in the current year, and £80 million in a full year; the large disparity between the two figures naturally arises from the fact that the increases, although taking effect last Thursday, will not operate fully until stocks already delivered by registered manufacturers and wholesalers have been exhausted. The increase assumed in a full year, it is interesting to note, is the same as that for which Mr Dalton budgeted last April (on the basis of unchanged tax rates), because of the increase in available supplies of goods by comparison with 1946/47. Presumably at least the equivalent of that expected increase in supplies will now be lost as a result of diversions to export, and one is left in doubt whether the additional revenue for which the Chancellor now budgets is gross or net gain.

It will be noted, however, that the biggest proportionate increase in duty occurs in the lowest tax bracket, so that the burden of the changes falls upon categories of articles which may be presumed to have the minimum elasticities of demand.

Evidently, the changes are designed in the hope of producing revenue rather than of checking consumption, for though the scope of the tax has not been extended, its centre of gravity is shifted perceptibly nearer to the "necessary" groups. But, even granted this objective, it is surprising that an attempt has not been made to use the tax, in selected cases, as a specific instrument to divert particular goods to export. Not only are the changes quite unselective, but in the luxury categories—which, presumably, include some important potential earners of dollars—there is the minimum additional impost. If people were already prepared to pay the price dictated by 125 per cent. In the detail of its tax proposals, as well as in the timidity which they show in general, the Government is plainly seen to be counting still upon the efficacy of its physical controls and quota systems to deprive the consumer of the goods which must now be exported. Yet, given the failure to use this Budget as a means of mopping up any really large volume of purchasing power, there was the greater need to pay close attention to the problem of mere diversions of spending power. To the extent to which these purchase tax increases do succeed in restraining demand for the taxed articles, there will simply be a greater pressure on the huge range which remains tax-free.

Profits Tax

The market's estimate that the Chancellor might double the existing rates of Profits Tax proves to have been accurate. The rates are to be raised, with effect from January 1, 1947, to 10 per cent on undistributed profits, and to 25 per cent on distributed profits. This decision had already been fairly well discounted in share prices.

TABLE I—LOW GEARING

Profits :—£100,000 gross all distributed, less tax at 9s. (£45,000) = £55,000 after tax.
Capital :—£1,000,000 5% Pref. and £1,000,000 Ordinary.

(i) Pre-April Budget :—			
Pref. div. (net).....	27,500		
Ord. div. (net).....	27,500 = 5% gross		
	55,000		
(ii) April Budget :—			
Profits tax (12½%)....	12,500		
Income tax on balance....	39,400		
Total.....	51,900	Pf. div. (net) 27,500	%
Balance.....	48,100	Ord. div. (net) 20,600	3½ gross
(iii) November Budget :—			
Profits tax (25%).....	25,000		
Income tax on balance....	33,750		
Total.....	58,750	Pf. div. (net) 27,500	%
Balance.....	41,250	Ord. div. (net) 13,750 = 2½ gross	

The incidence of the increased rate of profits tax on ordinary shares will vary according to dividend policy and also according to the relation between the issued preference capital and ordinary capital. The higher rate of tax is levied on all distributed profits, irrespective of the class of capital. It follows,

therefore, that for companies which have to meet comparatively large preference dividend payments, the incidence of the increased rate on ordinary share earnings and dividends will be proportionately greater. Table I. shows the effect of the new rate on a set of simple assumptions. The effect of the increased rate of Profits Tax on these assumptions is to reduce the earnings on ordinary share capital from 3½ per cent to 2½ per cent gross—a proportionate reduction of 33 per cent—leaving the position of the preference capital quite unchanged.

The next example shows the effects of high capital gearing:—

TABLE II—HIGHER GEARING

Profits :—£100,000 gross all distributed, less tax at 9s. (£45,000) = £55,000 after tax.
Capital :—£1,500,000 5% Pref. and £500,000 Ordinary.

(i) Pre-April Budget :—			
Pref. div. (net).....	41,250		
Ord. div. (net).....	13,750 = 5% gross		
	55,000		
(ii) April Budget :—			
Profits tax (12½%)....	12,500		
Income tax on balance....	39,400		
Total.....	51,900	Pf. div. (net) 41,250	%
Balance.....	48,100	Ord. div. (net) 6,850 = 2½ gross	
(iii) November Budget :—			
Profits tax (25%).....	25,000		
Income tax on balance....	33,750		
Total.....	58,750	Pf. div. 41,250	%
Balance.....	41,250	Ord. earnings Nil	

In this case, the increased rate of Profits Tax absorbs the whole of the surplus of profits after meeting the preference dividend requirements, and earnings on the ordinary shares fall to zero.

A company with a straight equity capital which distributed the whole of its profits would have paid out 9.62 shillings out of every pound of gross earnings, after meeting 12½ per cent Profits Tax and income tax. The same company will in future pay out 8.25 shillings in every pound, after paying 25 per cent Profits Tax and income tax.

These guiding principles can be given some contact with reality with the assistance of the following table of industrial profits, for 2,004 companies whose reports appeared in the year to June 30th last.

	PRECEDING YEAR		LATEST YEAR	
	£'000s	%	£'000s	%
Interest.....	20,185	6.1	18,849	4.8
Preference dividends....	56,147	16.9	58,239	15.0
Ordinary dividends.....	176,684	53.2	207,456	53.4
Reserves.....	65,658	19.7	86,435	22.2
Other savings.....	13,441	4.1	17,734	4.6
	332,115	100.0	388,713	100.0

These figures are expressed before deduction of standard income tax, but after EPT and NDC. They are not, therefore,

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a wholly reliable indication of what profits may look like in 1947, though they should be tolerably representative of the calendar year 1946. If the latest figures are used as a datum, however, the application of the old and new rates of Profits Tax and the deduction of income tax gives the following illustrative results:—

	(£ Mn.) No Profits Tax	12½% Profits Tax	25% Profits Tax
Profits tax.....	Nil	38.3	76.8
Income tax.....	175.0	157.6	140.4
Interest.....	10.4	10.4	10.4
Preference dividends....	32.0	32.0	32.0
Ordinary dividends.....	114.1	93.2	71.9
Reserves.....	47.5	47.5	47.5
Other savings.....	9.7	9.7	9.7
	388.7	388.7	388.7

In sum, the lower the gearing, the lower will be the incidence of the increased rate. The general principle, therefore, would be to favour shares of relatively low gearing (like Courtaulds or Imperial Chemicals) and to look more critically at shares with a higher gearing, like the unfortunate Debenhams. It is indeed this very factor that makes the distributed profits tax so inequitable as a fiscal weapon. It falls exclusively on risk-bearing capital, and with proportionately sharper effect on highly geared ordinary capital. But this is only a very broad rule. It is subject to every conceivable qualification in respect of relief from EPT and of general earning capacity.

Beer

The Chancellor having brought himself to the very edge of increasing the tobacco duty, finally left it unchanged. This very fact will make the penny a pint increase in the beer duty quite a tolerable burden—indeed, burden is too strong a word for it, since it will hardly be noticeable in the budget of the average drinker. The prices which are now being freely paid for non-proprietary and "black market" whisky suggest that the Chancellor has missed an opportunity for strengthening the revenue and of circumventing some of the more dubious channels of trade in spirits.

Betting Tax

On betting, a much-advocated avenue for tax experiment, the Chancellor has had second thoughts. Last April he felt that a tax on bookmakers was impracticable, and still feels that it would be uneconomic to "go after them"—that would mean "too few tax collectors chasing too many bookmakers." But the huge expenditure of manpower and paper in the football pools has dictated a discriminatory approach. As from January 4th next, there will be a tax of 10 per cent on the stake money on all pool betting except totalisator betting on horse-race courses, including a tax on the football pools. In both cases the

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Gilt-edged speculators were quick to observe that undue leniency in financial policy as a whole by no means implies a return to the aggressive techniques of promoting cheaper money. The Chancellor, so far from promising or threatening a renewed fall in interest rates, merely "hopes" that the recent improvement in prices will continue. By past precedent, he should now have stated definitely that the £300 million of 3 per cent Conversion stock will be called for redemption on March 1st, the earliest optional date. But Mr Dalton merely said that by the beginning of next month he would "make an announcement as to how this stock will be dealt with"—phrasing which strongly suggests that he is not, even now, quite certain whether the operation ought to be undertaken at this stage. In the circumstances, the resultant reaction in gilt-edged prices—the irredeemables dropped by three-quarters of a point on Thursday morning—seems more moderate than the situation deserves. But perhaps the market is counting on further support as the war damage monies, disbursed last Monday, filter through.

* * *

Silver Lining?

Mr Dalton, ignoring by the timidity of his budget the lesson of the savings figures, none the less admits them to be "very disappointing indeed." And the latest figures are particularly so. Hopes that the autumn season—normally a good period for savings, because people are then trying to recover from the financial strain of holidays—would go far to redress the dismal performance of the first six months of the year have not materialised. The figure of gross weekly savings is actually lower than for any week at the height of the holiday season, and although the amount of withdrawals and encashments was a little smaller, the week's net saving was only £1,573,000, easily the worst since mid-August. So far, the only result of the ending of the holiday period has been a reversal of the trend of net dis-saving. Whereas in June and July the year's cumulative net total was reduced from £58.8 to £51.6 million, in the past three months it has been laboriously raised to £79.9 million. But this total is not much more than one-third of the target figure for the period: although thirty-one weeks have passed, only £80 million has been found towards the year's target of £366 million.

Obviously, this figure is now a forlorn hope. To achieve it would require weekly net saving at the rate of £13.6 million for the rest of the year. In fact, the weekly average to date has been only £2.6 million, and—most depressing feature of all—this has also been the average rate of the past ten weeks, since the summer dis-saving ceased. At the corresponding date last year—when, however, Mr Dalton had made great play with his spurious "last-chance" tactics and his increases in the limits upon individual holdings—the cumulative total stood at £186 million, well over twice this year's achievement. Even if the rate of saving for the remainder of this year were to be as large as in the similar period of 1946-47, the final total would still be 40 per cent below target.

The depressing performance of recent weeks naturally reflects the wave of spending in anticipation of the Budget, and to this extent may not fairly represent the prospect for the coming months. But it is noteworthy that the latest savings, though "reported" last week, in fact relate to the week to November 1st—to a period before the Budget date was announced. This autumn has indeed brought a silver lining drive—but it is the public's pockets and purses that have been lined.

* * *

Coal Output Spurt

A quick and gratifying increase in coal production has followed the introduction from the beginning of this month of longer working hours in most of the pits. Provisional figures for the week ended November 8th show an output of 4,243,400 tons (deepmined and opencast) compared with 4,092,900 tons for the previous week. Production from opencast sites continues to decline—this is a seasonal matter—but deep-mined coal output more than made up the loss by rising from 3,867,200 tons to 4,025,700 tons.

The largest increase in production was in the North Midland and Wales regions where the longer week is working most effectively. In Wales, for instance, 209 pits opted to work a Saturday shift. But there are still areas where the men have to make a decision. In the North West region, for example, 65 pits are still undecided on the question of the longer working week. And there are, of course, the few inevitable pits scattered up and down the country which have elected to do no overtime at all.

The longer week has made an auspicious start, but two factors

still have to work themselves out. It is clear in the first place that a further expansion in production ought to be achieved, when the scheme has been working longer and more pits are supporting it. But this is a short-term view, and it has yet to be shown whether Saturday working, which is more favoured so far than an extra half hour a day (the main exception being in the Northern region) will begin to encourage mid-week absenteeism when the first flush of enthusiasm has worn off.

On balance, even if absenteeism does increase, production ought to remain distinctly above 4,000,000 tons a week. The Minister of Fuel and Power based the winter coal allocation programme for industry and the domestic consumer on an estimated production of 3,900,000 tons each week, apart from statutory holidays. There ought to be a margin of at least 300,000 tons a week above the output on which industrial and domestic requirements have been fixed. A margin of this order would leave no answer whatever to the already powerful arguments for resuming coal exports to Europe possibly by the end of the year, and for maintaining the stocks at Atlantic bunker depots, where 24,000 tons are now to be shipped to save dollars. It happens that one of the main coal exporting areas, South Wales, has made a particularly promising start with overtime working.

* * *

Sterling Payments Agreements

A number of monetary and payments agreements are now being renegotiated between Great Britain and non-sterling countries. In no case, however, has official announcement of results been published this week. In two of these negotiations it is evident that success is near and that publication of the results may be expected in a matter of days. The first of these is an agreement between the National Bank of Persia and the Bank of England, by which certain current sterling receipts by Persia will become convertible again, while any sterling accumulated by Persia is to carry a guarantee which will probably be expressed in terms of gold. The most important item of sterling revenue flowing to Persia is the oil royalty income which runs at the rate of about £20 million per annum. Oil payments also figure largely in the negotiations which have begun with the Dutch West Indies. The delegation from Curaçao which is now in London is demanding dollar payments for future sales of oil, a request which is not altogether unreasonable given the proximity, both geographical and economic, of the territories concerned to the dollar area. Discussions with the Netherlands are expected to begin before the end of the year. The Swedish agreement is almost ready and is now being drafted. The main problem involved in this agreement is the extent of the sterling balances Sweden is prepared to hold and the terms of the guarantee that will attach to this sterling. As this issue goes to press, the terms of the trade and financial agreement with Eire are announced. They provide for increased supplies of food (at higher prices) in exchange for coal and machinery exports to Eire, which will have the right to draw £14 million in dollars up to June next year.

News of the talks with Argentina comes almost exclusively from Buenos Aires. It is unlikely that any official announcement will be made until after the arrival of the supply mission which will be discussing the volume and prices of future shipments of commodities from Argentina to Britain. Argentina appears, however, to have been conceded a very generous exchange guarantee in respect of any current accumulations of sterling. This guarantee will not be merely of strict bilateral character but will carry protection against the possibility of depreciation of sterling in terms of gold. Among the more difficult negotiations that will have to be tackled before the end of the year are those with India and Egypt. In each case the provisional arrangements made in the summer were of short-term character and a more formal agreement will have to be negotiated to take effect from the beginning of 1948.

* * *

New Union Disclosures

The New Union Goldfields debacle is complete. A report from the judicial managers as well as an auditors' statement and balance sheet as at June 30, 1947, have appeared this week; they leave no doubt of the magnitude of the collapse of the Erleigh group or of the painful repercussions which are likely to ensue for the South African mining industry. The salvage work of the judicial managers is likely to be prolonged, possibly for some years, owing to the complicated nature of the inter-company shareholdings and the unmarketability of the group's assets. Certainly, shareholders will have to be patient, for even an assessment of the true position of the group will take a long

time, quite apart from saving something from the wreckage.

The judicial managers' revelations of the activities of Mr N. S. Erleigh and Mr J. Milne unmask a sorry tale of men in a position of trust playing with other people's money. It is somewhat surprising to find that Mr Milne is implicated equally with his co-managing director who had until now generally been assumed to be primarily responsible—an impression which was engendered at the time of the first public disclosure of trouble by his secession from New Union to form the Union New Free State group and by the persistent reports of his disagreements with Mr Erleigh. These two men, up to June 30, 1947, borrowed £470,000 from New Union without the consent of the board, for financing purchases on their private account of shares in associated companies. Admittedly they lodged the shares so purchased with the company and these still remain deposited with it, and it is impossible at this stage to read into the facts the full measure of their intentions. But there is no room for doubt about their designs in respect of some £270,000 profit made by them from share dealings financed out of the resources of the company but credited to their personal accounts. The auditors made it quite clear that, in their opinion, these profits belong to the company.

Even these acts are not the most insidious in the judicial managers' recital of irregularities unless they are linked with the practice, which runs through the whole record, of issuing shares to directors at prices only a fraction of the current market prices. Thus Messrs Erleigh and Milne bought 80,000 shares in Coronation Syndicate at 5s. a share compared with the market price of around 25s., and 40,000 shares in Natal Portland Cement at 5s. a share, about 4s. below the price of a parcel of the shares sold to an outsider. As the auditors point out, no proper consideration appears to have been received by the company for these options. In the case of British New Union Investment Corporation, the two men received an improper advantage by acquiring shares in the concern at cost, after arranging a deal for the payment of coal royalties which raised the value of the shares; concurrently with this, another profitable and equally reprehensible deal was successfully carried through in the shares of Free State Development Corporation. It is obvious that the ramifications of the share dealings carried through during the

year will provide the judicial managers with many other ingenious tangles to unravel. Nor have Mr Erleigh and Mr Milne forgotten to spread their cynical patronage to relatives and staff by letting them purchase shares "on the cheap" at a "saving" of £12,000 in 1946-47.

* * *

What are the Assets Worth?

The balance sheet of the company at June 30, 1947, is of only limited assistance in assessing the true financial position of New Union. In the first place, the balance sheet figure of £3,537,590 for cash has been arrived at by the spurious method of calling in aid money belonging to associated companies. This procedure has inflated the figure of amounts due to associated companies to a total of £7,378,414 but this has subsequently been reduced to around £5,000,000 and cash has since fallen to no more than £400,000 partly as a result of the repayment of cash after the date of the balance-sheet. The liabilities of the company, excluding capital and reserves, amount to £8,445,107 against which the largest asset held is £4,535,801 for shareholdings and mining properties. But the value of this asset, as the auditors point out, has been considerably reduced since June 30th. Quoted securities, which had a balance-sheet value of £2,651,389, have also been reduced by the sharp fall in security values since June, and the auditors further state that the value of £1,884,412 given for unquoted securities could not now be realised.

It is difficult to make an estimate of the value of the other assets held. These include £470,453 owing by Mr Erleigh and Mr Milne and about £5,000,000 due by associated companies on loan and current account. It is hardly likely that the first amount will be readily repaid, and the value of debts owed by associated companies can only be a matter of conjecture, which must await the full unravelling of the position by the judicial managers. In any case, it would be unwise to place more than a nominal value on the shares of the company, although the market has apparently withstood the shock of this week's news fairly well. On Wednesday jobbers were prepared for dealings on a nominal basis around 2s. 6d., but support was forthcoming, and the net fall of the day was merely from 7s. 6d. to 6s. 3d. with a further decline to 6s.

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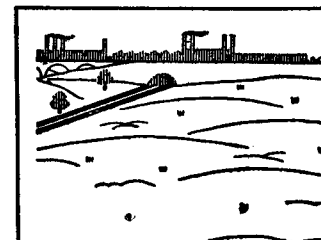
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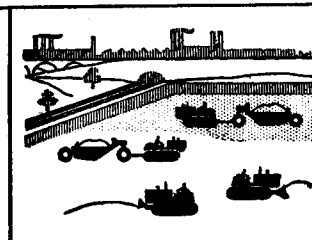
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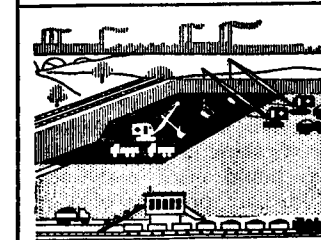
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on Thursday. This is obviously only a national quotation for a share of wholly hypothetical value. Shareholders, some of whom have seen their shares fall from around 30s. earlier in the year to the present price, seem largely determined to see the matter through to the end. They must expect some further unpleasant surprises.

* * *

Record Steel Output

Steel production reached an annual rate of 14,316,000 tons in October—a higher rate than for any previous monthly period. Pig-iron production has leaped ahead to reach an annual rate of 8,352,000 tons, compared with 7,805,000 tons for September. Comparative figures with the previous month and with October, 1946, are given below:—

PIG-IRON AND STEEL PRODUCTION

(In Tons)

	Pig-Iron		Steel Ingots & Castings	
	Weekly Average	Annual Rate	Weekly Average	Annual Rate
Oct., 1946....	155,800	8,102,000	254,300	13,226,000
Sept., 1947....	150,100	7,805,000	266,200	13,841,000
Oct., 1947....	160,600	8,352,000	275,300	14,316,000

If current levels of steel production could be maintained for the rest of this year, the output target of 12½ million tons set out in the *Economic Survey* would be met with ease. But pig-iron supplies are below current requirements, and coke, to quote the words of the British Iron and Steel Federation, "is substantially below the allocation figure." Low stocks of pig-iron and other materials are causing justifiable anxiety, for steel works have increased their production over the last few months largely by using up their stocks of raw materials quite freely. These are now dangerously low—pig-iron stocks, for example, are in some cases below one week's consumption, which if not dangerous is certainly too low for comfort. The blowing-in of the new blast furnace at Colvilles has been held up for want of coke—at the very moment when the industry is seeking desperately to increase its pig-iron output to about 9½ million tons a year.

Nothing, it would seem, promises to upset the achievement of next year's target of 14 million tons save shortages of raw materials. The coming winter may be affected by interruptions to transport and lack of wagons. The scrap position, too, is causing much anxiety. An increase of 1½ million tons of scrap, compared with the supplies available in the first half of this year, will be required to meet the 14 million ton target. Supplies are running down—there is less government scrap available, and labour for the scrap-yards is difficult. Negotiations are afoot to get a million tons of scrap from Germany (the only present source of imports) and to obtain increased supplies of shipbuilding scrap. But, as the recently introduced campaign for more rapid clearing of scrap emphasises, the position can only be eased by the turning out of every ton of scrap to the scrap merchants. These are days when the price mechanism is at a discount, and doubtless a higher scrap price would have consequential effects on steel prices. But is the supply so completely independent of price considerations as the industry seems inclined to suppose, or so inelastic that even a large increase in scrap prices would evoke only a small addition to supplies?

* * *

Labour Relations in Iron and Steel

The main factors which are contributing to the high rate of steel output are the length of the working week and the long tradition of good industrial relations in the industry. The 48-hour week now being worked in steel is above the average for industry as a whole, and while there is some feeling, particularly among day wage workers, that they should share in the general reduction of hours, there is no immediate prospect of a move in this direction. For blast furnace workers the 48-hour week represents a reduction from the 56-hour week worked until January of this year, and any further shortening at this stage would upset the rhythm of production and the continuous shift system which is now working so satisfactorily. Under their agreement, the blast furnace men work in teams of six, with a seventh man "resting" for two or three shifts, in a cycle of seven weeks. The penalty for absence without good reason is the deduction of a quarter shift's pay, but any man who has to work during his rest period beyond the 48 hours is paid an extra quarter shift.

Incentive schemes operate and apply to about 85 per cent of

the men in the industry. In addition to the daily basic rate, there is a shift bonus and a cost-of-living sliding scale. Average earnings in a typical furnace on the north-east coast are about £6 18s. 6d. a week. In some furnaces there is a healthy spirit of competition between shifts, which contributes to higher output. Productivity would no doubt be higher than it is today if the men had more to eat. Although there is some demand for extra meat, on the lines of the miners' scheme, the blast furnace union leaders are not pressing for it. They would prefer to see more use made of canteen facilities, which at present are used by only about one in three of the employees. The tradition of the "piece" dies hard.

The steel industry has been remarkably free from industrial discord, and there has been no major strike within living memory. This is attributed by union leaders to the excellence of the long-established negotiating machinery, under which every man has direct access to the management through his elected representative. Local grievances are thus settled rapidly. Blast furnace union leaders are opposed to the introduction of joint production committees, which, they fear, would upset the traditional negotiating machinery, but the Iron and Steel Confederation is more favourably disposed to the idea. It is clear that in output performance and in respect for their own negotiating machinery, there is much that the miners and other industrial workers can learn from the steel workers.

* * *

IMF and European Convertibility

One of the few disappointing features of the Harriman report was the curt refusal of the committee to consider and recommend a grant of free dollars to Europe to be used for the twin purposes of aiding monetary reconstruction and restoring the mechanism of multilateral trade and payments within Europe. The committee of European Economic Co-operation had suggested that a sum of \$3,000 million might be appropriated for this purpose. The Harriman Committee comment is that these tasks should not fall within the scope of American assistance but should be tackled by the International Monetary Fund in whose province they obviously lie. The committee further states that if the articles of agreement of the Fund do not allow this particular task to be tackled they should be accordingly amended. There is, of course, much to be said for the view that in the international organisation set up and to be set up, as little overlapping as possible should be allowed to occur. Such overlapping would unquestionably take place if a separate organisation were to be set up to put into effect a new clearing machinery for inter-European payments.

The difficulty is that the regional approach to the problems of convertibility is not one which the International Monetary Fund is at present well equipped to undertake. Under the terms of agreement of the IMF, convertibility is unconditional except where the scarce currency clauses are invoked. This exception apart, the duty laid upon members of the Fund is to make their own currencies available for current purposes in any currency area in the world. The exception from this commitment which is provided for the transitional period of 3 to 5 years is an exception expressed in general and not in discriminatory terms. It remains to be seen whether the articles of agreement can be amended sufficiently to allow the IMF to sponsor a strictly inter-European convertibility scheme which could later be dovetailed into wider multilateral convertibility—the only kind of convertibility which the articles of agreement now recognise. This problem may lose much of its urgency and present intractability if American assistance for Europe is forthcoming on the suggested scale. This assistance, however "tied" the loans may be, must lubricate the whole machinery of multilateral payments and may ultimately make the setting up of special inter-European clearing mechanism unnecessary. It is, however, a problem to which the IMF authorities in Washington should give immediate consideration.

* * *

Dollar Arithmetic

The confusion surrounding the exact arithmetic of the expenditure of dollars in the US line of credit has been heightened by the apparent conflict between the figures given by the Chancellor in his speech on October 24th (quoted on page 729 in *The Economist* of November 1st) and the information given last week in answer to a Parliamentary question and reproduced on page 772 of *The Economist* of November 8th. In the earlier of the statements the Chancellor had announced that the whole of the sterling area dollar purchases outside the

Western Hemisphere (mainly in Europe) amounted to only \$150 million between July 15, 1946, and August 23, 1947. In the answer to last week's Parliamentary question the Chancellor gave details of conversions of sterling into US dollars by a number of countries which included some in the Western Hemisphere and others in Europe. Excluding the former, namely Argentina and Brazil, these conversions amounted to nearly £70 million for the period January 1 to August 20, 1947. Since the European countries were not selling dollars to Britain in the second half of 1946 these figures could not be reconciled with the \$150 million figure in the earlier statement. The discrepancy is, in fact, explained by errors on the part of the Chancellor of the Exchequer in defining certain items of dollar expenditure in his October 24th speech. Two items are involved. The first is the \$620 million which he said represented sterling area purchases, other than those of Britain, in the Western Hemisphere. The figure in fact refers to dollar expenditure by the sterling area other than Great Britain throughout the world and not only in the Western Hemisphere. It therefore includes dollar payments to European countries and helps the reconciliation of this item with the figures of sterling dollar conversions by European countries divulged in the Chancellor's later answer in Parliament.

The second item which is in need of correction is the \$150 million defined in the October 24th speech as being the dollar expenditure of the whole sterling area outside the Western Hemisphere, mainly in Europe. This should in fact be attributed to the dollar expenditure of the United Kingdom outside the Western Hemisphere, mainly in Europe. The revised account of the \$3,115 million expended from the US line of credit between July 15, 1946, and August 23, 1947, should, thus, read as follows:—

	(In \$ Mn.)
Direct UK purchases from US (net).....	1,350
Direct UK purchases in rest of Western Hemisphere	960
Direct UK dollar expenditure outside Western Hemisphere (mainly Europe).....	150
UK subscription to international bank.....	35
Total direct UK dollar expenditure.....	2,495
Rest of sterling area's dollar expenditure in and outside Western Hemisphere.....	620
	3,115

* * *

Banking with Inconvertible Sterling

The effect of the suspension of convertibility of sterling on international banking business transacted through London has already begun to make itself felt. The symptoms, which are discussed in some detail in an article in the *Annual Banking Survey* published with the current issue of the *Records and Statistics Supplement*, include the decline in Clearing Banks' acceptances. It is, however, the merchant and foreign bankers in London that have felt the impact most immediately. There is no question that there has already been a considerable reduction in the demand for credit facilities provided by London for the finance of trade with or between non-sterling countries. Since the suspension of convertibility a considerable volume of trade between non-sterling countries, which until August 20th was invoiced, paid for and financed in sterling, has been conducted on a dollar basis. It is interesting to note, however, that even where this

has taken place the facilities of the London market are in some cases still being used. London banking houses are in effect extending dollar credits, working in some cases with their own dollar resources, in others with dollars provided by the Exchange Control. So long as there is assurance that the dollars paid out will be reimbursed, there can be no quibbling about the interposition of a London house in the transaction—a compliment to the mechanism of the London market, though at the same time an unwelcome, but inevitable, reflection on sterling.

The August 20th developments have had no effect on credits used to finance sterling area trade. These are still handled largely through London houses, whether the transactions are inter-sterling trade operations or those in which one of the parties is in a sterling area and the other in a non-sterling country. The greater part of the international credit facilities provided by London now takes the form of sight credits, payments being made against delivery of shipping documents. The acceptance credit has suffered some decline in international trade. The volume of commercial paper circulating in the London market has been steadily increasing recently but largely as a result of increasing use of acceptance credits for financing domestic trade. The future of the London credit as an instrument for financing international trade clearly depends on the return of sterling to effective convertibility and automatic transferability over a large part of the world.

* * *

Europe's Breadgrain Deficiency

The severe winter and a rainless summer were expected to cause a serious decline in the European breadgrain harvest—wheat and rye. But a number of countries have reported that their crops are even smaller than was originally anticipated when the Marshall Report was drawn up. According to the Paris Conference, the breadgrain requirements of the fifteen participating countries (excluding the United Kingdom) were estimated at 38 million tons for 1947-48. Home production was put at 21 million tons, leaving an import balance—which was not assured—of 17 million tons. These requirements permitted the existing level of consumption to be maintained, but no allowance was made for an increase in stocks. The difficulty facing Europe is that whereas domestic production has been reduced by at least 500,000 tons, there is little likelihood of even the original import balance of 17 million tons being met.

It is, of course, difficult to give an accurate assessment of the exportable surpluses of the chief grain producing areas, as much depends on the quantity consumed internally, which has lately been rising. Also, in the United States wheat is being used as a livestock feed owing to the shortage of maize. But an idea of the quantity available to Europe can be obtained from the following estimates. It is generally thought that American wheat and rye exports to Europe this season will total 10 million tons, while Canada, after meeting her obligations to Britain under the long-term wheat contract, will only have about 1,000,000 tons of breadgrains available for export to other countries. No official estimate of the Argentine harvest has yet been published, but in view of the reduced acreage, it is improbable that exports will exceed 2,000,000 tons, and even this figure is optimistic. From Australia it may be possible to export 1,500,000 tons if shipments to the Pacific area are drastically reduced and on the assumption that a similar quantity is being purchased by the



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United Kingdom. These estimates give a total exportable surplus available to Europe of 14½ million tons compared with an import requirement of 17½ million tons. This deficiency of 3,000,000 tons represents four weeks' supply. On this basis, Europe will have sufficient breadgrains to feed itself until the end of May, 1948.

The prospects, however, for 1948-49 are not very encouraging. Poor germination of winter sown wheat in the United States and the disappointment of the Canadian farmers over the new wheat contract price suggest that wheat production may be less than this year's total. And Europe will be unable to accumulate stocks to meet it. If the supply of breadgrains next season is shorter than this season's, Europe can only be saved from severe privation by the introduction of an effective international rationing scheme, which would reduce domestic consumption in the major grain producing countries.

* * *

Rayon for Export

In rayon manufacture, as in other textile industries, emphasis has changed from supplying the home market to searching for export markets, especially in hard currency areas. Two weeks ago, the minimum allocation of rayon production for export was raised to 50 per cent for the period January to April next year. But the prize gymnastic exercise for earning hard currency has been kept for this week. It requires a little preliminary explanation.

Although all three sections of the rayon industry—filament yarn, staple fibre and piece-goods—are expected to make a contribution towards achieving the export target of £3,630,000 a month by the end of next year, special interest attaches at present to the position of staple fibre. Production of staple fibre can be increased more rapidly than filament yarn and it also has better prospects of earning dollars. The American textile industry's requirements for staple fibre are well in excess of the American rayon industry's capacity to supply them at present. In its October issue, *Rayon Organon*, the American rayon trade journal, estimated that in the first eight months of this year the United States imported 17½ per cent of its staple fibre needs. This gap in the American market is likely to persist for some time or until the United States industry can complete its expansion programme which is now under way.

The Board of Trade have decided to divert British staple fibre from the Lancashire textile industry to the American market, since raw staple fibre will earn dollars while its capacity to earn hard currency in the form of piece-goods is more problematical. But the weaving industry must not be starved, so the argument goes, for it too has a valuable if less certain contribution to make to the export drive. So staple fibre is being imported experimentally from Holland to feed Lancashire's looms with rayon, at a price rather higher than the British product.

This is one instance—there will probably soon be others—of the contortions to which industry must now be subjected in an effort to pay for essential dollar imports. It will have the more salutary effect of bringing home to consumers in this country the increased prices which now have to be paid for ever-dwindling supplies—a blunt truth from which they were shielded when the textile allocations for export were cut last March in order to maintain supplies at home. It will involve some nice calculations of gain and loss. In particular, at what point is a gain in dollar earnings counterbalanced by an increase in sterling costs for imported substitute supplies? A few schemes of this sort will show the measure of the real depreciation of sterling against the dollar as it is measured at Millbank.

* * *

Flash-back to Gilt-edged Rigging

Twelve months ago, when pressed to disclose the amount of the national debt held internally by Governmental agencies, in order to clear up the controversy about official operations in the gilt-edged market, the Chancellor replied that the information regularly made available was adequate, and he did not propose to add to it. In fact, the only information is that extracted by the persistence of certain Parliamentary questioners, who each year since 1939 have obtained from the Chancellor two figures—the amount of floating debt and of "other" debt so held at the preceding March 31st. Such information is not only grossly inadequate; it is also, as *The Economist* pointed out some months ago, hopelessly and perhaps deliberately misleading. The nature of these totals is not usually defined, but from a supplementary

statement by Mr Dalton two years ago, listing the "principal" departments concerned, it is evident that the Bank of England Issue Department was not included—although it certainly ranks with the National Debt Commissioners as the biggest holder. Hence the figures raise more problems than they solve.

This is particularly true of the latest release, showing that at March 31st last the departments held £695 million of floating debt and £3,152 million of other debt. Although the Bank of England Issue Department is even more clearly a Governmental agency than it was in 1945, it is still excluded. Yet the total holding shows a huge increase over the year—by no less than £649 million, easily the biggest annual movement in the series. The expansion in 1945-46 was only £290 million.

* * *

Departments "Go Long"

The annual changes in the two categories of debt are shown in the first two columns below. In addition, an adjustment has been made for known issues of "other" debt to the National Debt Commissioners (column 3), since these issues generally comprise special securities such as terminable annuities, representing investments held on behalf of the Post Office Savings Banks. It is reasonably safe to presume that the bulk of the residual "other" debt (column 4) comprises marketable securities; this, therefore, is the item which has most relevance to the gilt-edged market.

DEPARTMENTAL HOLDINGS OF SECURITIES
(£ Mns.)

Change in Years Ended Mar. 31	Floating Debt	Other Debt			Total
		Total	Issues (net) to Nat. Debt Commissioners	"Marketable" Securities	
1940.....	+ 91	+ 49	Nil	+ 49	+ 140
1941.....	+ 193	+ 173	+ 76	+ 97	+ 366
1942.....	+ 43	+ 256	+ 167	+ 89	+ 299
1943.....	+ 187	+ 311	+ 240	+ 71	+ 498
1944.....	+ 137	+ 330	+ 357	- 27	+ 467
1945.....	+ 196	+ 429	+ 468	- 39	+ 625
1946.....	- 265	+ 555	+ 296	+ 259	+ 290
1947.....	+ 77	+ 572	+ 218	+ 354	+ 649

Apart from the known issue of £50 million to the National Land Fund (which apparently was still intact at end-March last), the sources of the £360 million additional absorption in 1946-47 (compared with the previous year) can be only surmised. Conceivably, the bulk represents accumulations of trading and miscellaneous surpluses and of receipts from sales of surplus stores which at the date of the statement had still to be directly absorbed into the central Exchequer. The speed with which the "clawing-back" process proceeded and the "revenue" from sales of surpluses accrued immediately after the April Budget strongly suggests that large sums were awaiting transfer at the end of the last financial year. Pending such transfer, and their consequent appearance in the Revenue Return, they would have been "lent" to the Treasury against various forms of internally-held debt. There is also a possibility that any holdings of the now redeemed Local Loans stock were not included in the 1946 figures on the ground that it was not technically an obligation of the Government; whereas the successor stock, the ill-fated "Daltons," was certainly largely held in March last, and naturally figures in the total.

From the gilt-edged market standpoint, the figures, so far as they go, strikingly support the assumption that the cheaper money drive necessitated a major offensive by the "departments." In the two years to end-March last, a period which covers the whole of Mr Dalton's drive, the floating debt holdings actually declined by £188 million, whereas the longer-term portfolio expanded by no less than £1,127 million. In this second category, £514 million represented known net issues of non-marketable securities to the Debt Commissioners; but, even after allowing for this, the "marketable" longer-term securities rose by £613 million. If the Bank of England's portfolio had shown changes which substantially counteracted this huge switch—in other words, if the Issue Department had on balance been taking in floating debt while releasing other securities—Mr Dalton would surely have thought the time ripe to bring the Bank figures into the reckoning. Unless and until he sees fit to give more information, the presumption must be that the departments were obliged to "go long" on a very large scale indeed, because the public in face of enforced interest cuts was determined to "go short"—so short, indeed, that it demanded cash.

THE SPIRIT OF ENQUIRY



"The Devil's in it", they growled...

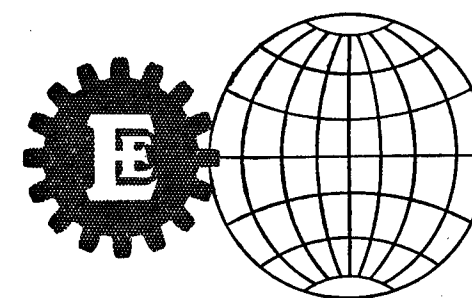
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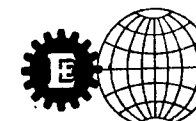
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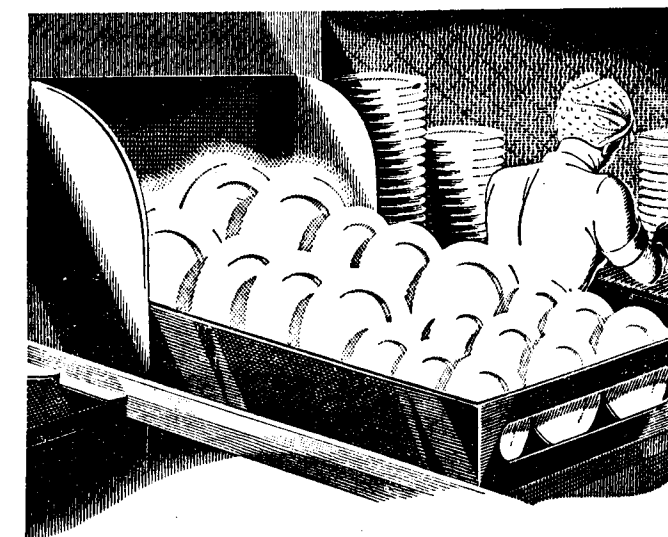
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THE territories blacked-out on the two hemispheres shown above give an approximate idea of areas already covered, or influenced, by planned demonstration tours of "Bristol" Freighter and Wayfarer aircraft. To demonstrate "Bristol" aircraft and British export enterprise in this practical way, over 62 countries have been visited to date; aircraft have flown approximately 96,000 miles for approximately 630 hours flying time; 192 towns have been visited and the total population of all areas covered so far amounts to over 900,000,000.

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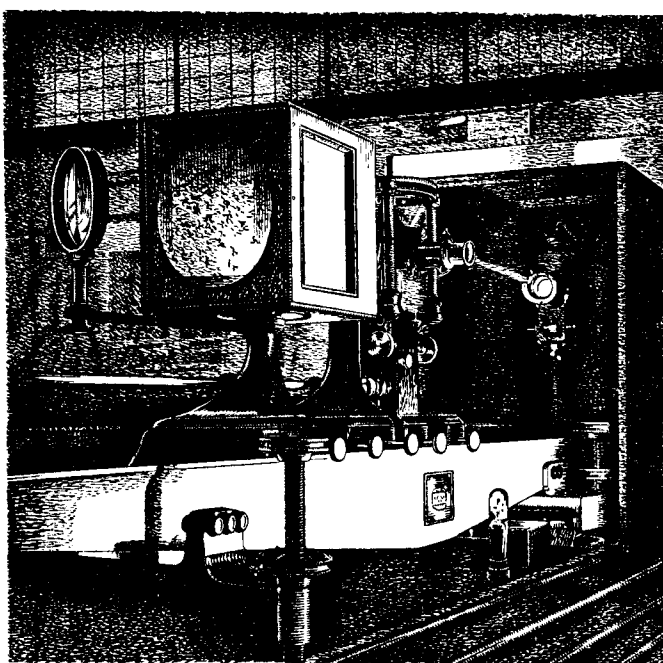
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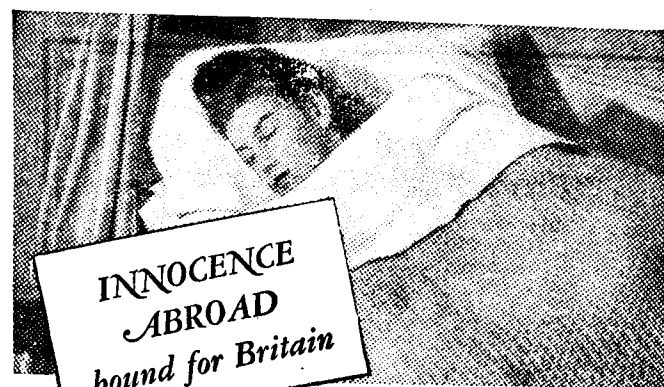
Year Ended 31st July, 1947.

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CONSOLIDATED ACCOUNTS show

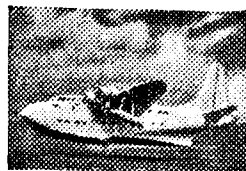
Issued Capital—		£
£1 Preference Shares 5%	55,000	
4s. Ordinary Shares	355,000	
Premium on Shares	506,221	
Reserves and undistributed Profit	157,220	
Surplus (including Net Current Assets of £364,959)	1,073,441	
Profit	175,900	
Taxation and Deferred Repairs	99,633	
Net Profit	76,267	
Dividends (net)	40,562	
Earned on Ordinary (before taxation)	48%	
Paid on Ordinary (15% plus bonus 5%)	20%	



Sweet Sixteen—and sweet dreams, too, as the giant Short boat flies through the air with the greatest of ease. What will her relatives in England think of her—"our cousin from New Zealand"—and what will she think of them? How easy and pleasant it is, how clean and comfortable, how *romantic*, to fly by flying boat!

Tea was fun, too, watching the clouds go by. Of course, it was rather unkind of daddy to spend so long upstairs in the lounge last night, talking economics to that Professor, but it did leave her the whole of the evening to herself in that lovely cabin. If only this pleasure cruise could go on for ever! But then, there's England, too....

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Discrimination in Tin

America's dislike of discriminatory practices, as adopted by other countries, has once more taken the form of a proposed international agreement. This time, the proposal—which was recently discussed at Geneva—covers the abolition of discriminatory export duties; the result of these discussions will be made known next week when the full tariff agreement is published. Until then, it will not be known how far the proposals have been translated into specific undertakings which might have a serious effect, in particular, on the Malayan tin industry. For many years past, an export duty has been levied on Malayan ores and concentrates shipped for smelting in countries outside the Empire. This duty is admittedly discriminatory; its intention has been to foster local tin smelting. The same objective of assisting local smelting has been pursued in the United States by the provision of a government subsidy for the recently-built tin smelter at Longhorn in Texas.

Here is scope indeed for argument about discrimination. The duty on exports of Malayan ore is an admitted case, but would its abolition be fair if direct subsidies for tin smelting continued elsewhere? The output of the Longhorn smelter in the first nine months of this year was only 24,500 tons compared with 36,000 tons in the corresponding period of 1946, but the reduction was due more to a lack of supplies of ore rather than to American Government policy. The fact is that the low-grade Bolivian ores which feed the smelter require an admixture of high grade ores from Malaya and Indonesia for sweetening and to make operations at Longhorn economical. Thus, even if the Texas smelter were operating close to its rated capacity of 70-90,000 tons (compared with current American tin consumption of about 60,000 tons a year), the United States would be even more dependent on supplies of richer tin ores from Eastern sources. Such a demand, if it were projected on to a free Singapore market, might be sufficiently large to force local Malayan smelters to close down through a lack of supplies. If, therefore, the abolition of the tin export duty is contemplated, it should be coupled with the abolition of the subsidy to the Longhorn smelter, so that Malayan smelters could then compete on an equal footing.

Malaya obviously would not wish to lose the American market for tin ore, and an intransigent stand about the export duty which was intended to force the United States to purchase tin-metal might well lose both the tin-metal and the tin-ore market—with the consequent loss of important dollar earnings. The American Government has already purchased fairly large quantities of concentrates from the Netherlands East Indies and reports suggest that a long-term agreement is being arranged with the Dutch authorities. If, therefore, American policy intends to keep the Longhorn smelter in operation, Malaya might have to make a one-sided concession—merely to assist the uneconomic process of shipping tin ore and concentrates half-way across the world when it could be smelted at the source.

Employment in September

The Ministry of Labour's manpower figures for September are more than usually interesting, because they begin to show the effects of the emphasis on production for exports. If the figures are to be believed, the number of persons directly working on exports increased by 131,000 during the month and is now 74 per cent above the mid-1939 figure. In previous months, the increase had been at the rate of 10-15,000 a month only. The September figure, however, is difficult to accept at its face value. There is no doubt that more workers are now employed on exports, but the difficulty of determining the boundaries between home and export production is often considerable, particularly in industries manufacturing components. Equally there can be little doubt that many firms, on whose voluntary returns the Ministry has to rely, tend to push up their export manpower figures—at least to give a good impression of how well they are doing and perhaps to support their claims for fuel and materials.

With this qualification, however, the manpower trend seems broadly satisfactory. The total working population of 20,363,000 has increased over the middle of the year, as a result of the addition of 20,000 women, although it will drop again before the end of the year. The number employed in industry is now 18,676,000, more than 750,000 above that of 1939. The increase of 17,000 in the number of women in industry last month is particularly encouraging, for it suggests that the response to the Government's recruitment campaign has exceeded expectations. The bulk of the increase is accounted for by part-time workers, the number of whom increased by 30,000 during the month. This is clearly the solution to the problem of employing married women. The slight increase in employment in building and civil engineering, which is now above its prewar strength, and in the distributive trades is not so auspicious, though it cannot be called serious. There should be a downward trend in building during the winter months, while distribution is still at only 81 per cent of its prewar level.

The Government is now trying hard to recruit agricultural workers, and aims at an increase of 85,000 by the middle of next summer. Just over half of this total, it is expected, will be made up of European volunteer workers, Poles and German prisoners of war who elect to stay in Britain as civilians, leaving the balance to be found from British sources. Unless the schemes to give priority for house building in rural areas are expedited, it is doubtful whether any campaign to recruit farm workers or any use of the powers of direction will succeed very far. The effect of the switch over to exports is not yet reflected in the unemployment figures, which increased by 19,073 between mid-September and mid-October. This still represents only 1½ per cent of the insured population, although the proportion is considerably higher in the development areas of Wales and Scotland.

SECURITY PRICES AND YIELDS

A fuller list containing 370 securities appears weekly in the *Records and Statistics Supplement*. Notes on the following company reports also appear in the Supplement: British Sugar Corporation; Wm. Doxford and Sons; Singer Motors; Imperial Smelting.

Prices, Jan. 1-Nov. 12, 1947		Name of Security		Price, Nov. 5, 1947	Price, Nov. 12, 1947	Net Yield, Nov. 12, 1947 (%)	Gross Yield, Nov. 12, 1947 (%)	Prices, Jan. 1-Nov. 12, 1947	Last Two Dividends	Name of Security	Price, Nov. 5, 1947	Price, Nov. 12, 1947	Yield, Nov. 12, 1947 (%)
High	Low							High	Low				
British Funds													
103½	100½	Conversion 3½, March 1, 1948-53...	101½	101½	£ s. d.	£ s. d.	113½	99½	(a)	Australia 3½% 1965-69...	106½	107½	£ s. d.
103½	100½	War Bonds 2½, August 1, 1949-51...	101½	101½	0 5 5	1 11 4e	105½	89	(d)	Birmingham 2½% 1966-71...	96	97	2 13 7½
102½	98½	Exchequer Bonds 11% Feb. 15, 1950...	100½	100½	0 10 9	1 8 2	102	100½	(d)	Argentine 3½%	101	101	3 10 2
105½	98½	War Bonds 2½, March 1, 1951-53...	101½	101½	0 18 5	2 2 2e	142½	113½	(a)	Anglo-American Corp. 10s...	136½	141½	3 10 10
105½	98½	War Bonds 2½, March 1, 1952-54...	101½	101½	1 2 7	2 6 1e	232½	118½	5 a	Anglo-Iranian Oil £1...	162½	165½	3 12 9
105½	97½	War Bonds 2½, April 15, 1954-56...	103½	103½	1 2 2	2 12 6e	80½	56½	10 c	Assoc. Port. Cem. Ord. Stk. £1	63½	65½	4 12 4½
108½	101½	War Bonds 3½, June 15, 1954-56...	103½	103½	1 5 9	2 8 10½	42½	25½	40 c	Austin Motor 'A' Ord. Stk. 5s.	35½	35½	5 14 3
106	99½	Funding 2½, June 15, 1952-57...	102½	101½	1 5 10	2 10 0½	95½	73½	7 b	Barclays Bank Ord. 'B' £1...	78½	78½	3 11 10
108½	99½	National Def. 3½, July 15, 1954-58...	103½	104	1 6 1	2 13 0½	245½	167½	15 a	Bass Ratcliffe Ord. £1...	200½	198½	2 10 4½
109½	99½	War Loan 3½, Oct. 15, 1955-59...	103½	103½	1 6 8	2 13 4½	115½	80½	12 b	British Oxygen Ord. £1...	95½	96½	4 3 1
108½	97½	Savings Bonds 3½, Aug. 15, 1955-65...	103½	103½	1 9 3	2 16 3½	58½	40½	2½ a	Courtaulds Ord. £1...	44½	44½	3 9 1
105½	95	Funding 2½, April 15, 1956-61...	103½	103½	1 9 6	2 16 2½	29½	22½	8 c	Dorman Long Ord. £1...	26½	27½	5 17 5
109½	98½	Funding 3½, April 15, 1959-69...	113½	114½	0 19 7	2 13 0e	81½	57½	12 c	Dunlop Rubber Ord. £1...	69½	71½	4 3 7
122½	109½	Funding 4½, May 1, 1960-70...	102½	102½	1 10 4	2 17 2½	53½	40½	7 b	Imp. Chem. Ind. Ord. Stk. £1	48½	48½	4 3 4
110½	97½	Savings Bonds 3½, Sept. 1, 1960-70...	97½	101½	1 10 1	2 12 11½	49½	39½	7½ c	Lanes. Cotton Ord. Stk. £1	45½	45½	4 7 8
104½	92	Savings Bonds 4½, Sept. 1, 1920-76...	115½	116½	1 10 4	2 15 10½	67½	45½	5 c	Lever & Unilever Ord. £1...	51½	51½	3 18 1
123½	109½	Savings Bonds 3½, Aug. 15, 1956-75...	103½	103½	1 10 4	2 16 9e	77½	48½	10 c	London Brick Ord. Stk. £1...	48½	51½	4 17 6
111½	96½	Consols 4½, (after Feb. 1, 1957)...	110½	111½	0 19 5	2 14 7e	84½	73½	(d)	M.S. 4½, 1st Pref. Stk. £1...	78½	78½	5 3 3
117½	106	Conversion 3½, (after Apr. 1, 1961)...	107½	107½	1 16 3	2 16 7e	36½	27½	4½ b	N. Eastn. Elec. Ord. Stk. £1	33½	33½	4 3 7
110½	80½	Treas. Stk. 2½, (after Apr. 1, 1975)...	89½	90½	1 11 4	2 18 4½	68½	47½	20 b	P'chin J'nson Ord. Stk. 10s.	55½	56½	4 18 2
110½	95½	Treas. Stk. 3½, (after Apr. 5, 1966)...	101½	101½	1 10 6	2 15 0½	39	29½	169-58c	Prudential 'A' £1...	54	54	2 3 8½
117½	97½	Redemp. Stk. 3½, Oct. 1, 1986-96...	105½	105½	1 9 10	2 15 7e	63½	44½	12½ c	Stewarts & Lloyds Def. £1...	51½	52½	4 15 3
80	80	Consols 2½%	89½	90½	1 10 6	2 15 7e	108½	74½	12½ a	'Shell' Transp. Ord. Stk. £1	77½	75½	1 19 8½
							147½	108½	12½ b	Tube Invest. Ord. Stk. £1...	117½	117½	3 16 11
							96½	68½	8½ b	Turner & Newall Ord. Stk. £1	71½	74½	3 7 7
							107½	71½	55 b	Woolworth (P. W.) Ord. 5s.	85½	84½	4 3 4

Redemption yields on stocks optionally or finally redeemable within the next five years are worked out on the assumption that they will be repaid at the earliest date. Redemption yields on other dated stocks assume that stocks paying over 3 per cent will be redeemed at the earliest date (these are marked 'c'), and those paying 3 per cent or less will be repaid at the latest date (marked 'f'). (e) Net yields are calculated after allowing for tax at 5s. in the £. (f) Flat yield. * Assumed average life 17 years 6 months.

(a) Interim. (b) Final. (c) Whole year. (d) Int. paid half-yearly. (e) To earliest redemption date. (f) Also a capital bonus of 2½ per cent free of income tax. Yield worked on 15 per cent basis. (h) Fifteen months to March 31, 1947 (yield basis 7-6 per cent). (i) To latest redemption date. † Free of tax.

Standard Motor Prospects

When the Standard Motor Company issued its preliminary statement several weeks ago, shareholders were astonished to learn, without a word of explanation, that net profit for the year ending August 31, 1947, had been reduced by some 30 per cent from £283,499 to £198,915. Despite much conjecture about the real earnings position of the company, the actual reason for the fall in net profit remained hidden until the full accounts revealed that trading profit had in fact increased by 31 per cent, and that the reduction in net profit was brought about by the increased provisions for taxation and depreciation. The next instalment in this serial was provided at the meeting last week with its indications that shareholders should await the final chapter with fair confidence—the marketing of the new “Vanguard” car and of the Ferguson tractor, in which £3,000,000 has been invested on capital account during the last two years. *

The “Vanguard” will go into production early in 1948 and at the same time double shift working on the Ferguson tractor will begin. The company's total output of vehicles, including the Standard and Triumph cars and the tractor is at present in the region of 8,000 vehicles a month. The originally planned output of Ferguson tractors has already been reached, and the company is confident that it will be able to make a substantial contribution to the Government's planned increase in exports of agricultural machinery from £1,500,000 a month at the end of 1947 to £4,500,000 a month at the end of 1948.

As yet no figure has been given for the contemplated output of the Vanguard to replace the present Standard and Triumph models, although the chairman stated at the meeting that orders for the new car ran into hundreds of thousands. There can be no doubt of the ambitious intentions of the Standard Motor Company and it is to be greatly hoped that shortages of power, steel and other raw materials in the coming months will not interrupt their plans. But it will not be forgotten that, about this time last year, equally optimistic forecasts of prospects were being made by the motor industry, which did not foresee that it was on the brink of the calamities of the ensuing February and March or of the later diversion of an increasing proportion of its output to foreign markets. No signs of apprehension were heard at the Standard Motor meeting. The company has taken the plunge, scrapped its old models, and is launching what is virtually a new product. For that willingness to take so high a degree of risk it

deserves success, but the market, overseas and at home, will be the final arbiter.

* * *

Payment by Results

The Ministry of Labour Gazette has filled a gap in industrial statistics with a timely survey of the proportions of time and pieceworkers in manufacturing industry. Both sides of industry have declared their readiness to co-operate with the Government in extending systems of payment by result, in order to secure increased output, and more factual information about the adoption in practice of piecework systems is, for this reason alone, particularly valuable, especially if it can be published at regular intervals.

The proportion of workers on piece rates varies widely from industry to industry. Of the 5,750,000 workers covered by the survey last April, pieceworkers accounted for only 26 per cent—only 1 per cent more than in October, 1938. The proportion of women employed on piece rates is considerably higher than for men—38 per cent compared with 23 per cent, though there was a drop of 8 per cent compared with October, 1938, in the proportion of women working on piece rates. Nearly two-thirds of the individual industries covered by the survey had relatively fewer women pieceworkers in 1947 than in 1938. In the range of engineering and general manufacturing industries, the proportion of pieceworkers is fairly high. In the metal, engineering and ship-building group as a whole, no less than 46 per cent of the men were working on piece rates, and in a few individual industries, including iron and steel manufacture, electrical engineering and motor vehicle production, the proportion was over 50 per cent. Such industries as transport (2 per cent) and public utilities (1 per cent) do not lend themselves easily to systems of payment by results, but the recent agreement reached in the building industry should lead immediately to a large increase in its present negligible proportion of 2 per cent. In the textile group, 43 per cent were pieceworkers, and the proportion of women pieceworkers was as high as 58 per cent.

The fact that only one quarter of the workers covered by the survey are working on piece rates cannot be regarded as satisfactory, at a time when the most rapid and effective incentives to increased output are needed. It would certainly be an advantage if the representatives of each industry could examine their methods of wage payment, to see how far in practice systems of payment by result can be extended.



By appointment
Suppliers of Aga Cookers to H.M. The King

The Aga Cooker for Farmers

NEW PRIORITIES SCHEME

IN VIEW OF the great demand for Aga Cookers and Water Heaters, both in this country and abroad, and in accordance with “National policy”, Aga Heat Limited have decided to inaugurate a system of priority deliveries.

(1) Exports (2) Farmers (3) Doctors

In this time of National crisis, when the country bitterly needs all the foreign exchange it can get, it is obvious that exports must take first place. The reasons why the next priority has been allocated to farmers are also simple.

Freedom from worry: When the

nation is making a special effort to make itself more nearly self-sufficient in food, it is important that farmers should be given every facility by way of modern equipment.

Just as tractors are replacing horses, so should the farmer's kitchen be equally up to date. The Aga cooks more food and heats more water to each cwt. of fuel than any other appliance of any description. It is not, as some people seem to think, a luxury toy for the well-to-do, but a fuel-saving invention of national importance. Besides directly saving solid fuel, the

Aga also relieves the load on gas and electricity undertakings: this is particularly important in rural areas.

Freedom from unnecessary work: The Aga requires only a couple of minutes' attention a day. By saving labour, and also by improving general domestic working conditions, the Aga enables the farmer and his wife to give more time and energy to their work as producers.

Aga Heat Limited believe that, by giving first priority at home to Farmers, they are benefiting the country as a whole.

AGA HEAT LTD. (Proprietors: Allied Ironfounders Ltd.)
20 NORTH AUDLEY STREET, LONDON, W.1. MAYfair 6131
The word AGA is the registered trade mark of Aga Heat Ltd.

COMPANY MEETINGS

IMPERIAL SMELTING CORPORATION, LIMITED

A MARKED IMPROVEMENT

The annual general meeting of this company was held, on the 12th instant, in London, Mr John R. Govett, the chairman, presiding.

The following is an extract from his statement circulated with the report:—

The net profits for the year ended June 30th last showed a substantial increase. Two factors are in the main responsible for the marked improvement, viz., a wider margin between costs of raw materials and operation charges on the one hand and realised prices on the other, and the effects of the rigidly conservative policy followed by the board during the past few years. It would be unwise to anticipate a continuance of the former. After payment of the dividend on the 6½ per cent. Preference shares the directors recommend a dividend of 5 per cent., plus a bonus of 1 per cent., less income-tax, on the Ordinary shares of the Corporation. The carry forward to the current year has been increased by £42,252 to a total of £103,354.

The revenue received in the way of dividends from our wholly and partly owned subsidiaries and investments in associated enterprises continues to be satisfactory. Orr's Zinc White Limited, Fricker's Metal and Chemical Company, Limited, National Alloys Limited, Cuprinol Limited, British Titan Products Company, Limited, Fisons Limited, Capper Pass and Son, Limited, The Wolverhampton Metal Company, Limited, etc., all show good trading results.

PRODUCTION MAINTAINED

Fuel and power shortages and dislocation of services last winter interrupted production at each of our principal works, the most serious being at Widnes, where production of lithopon: stopped entirely for three weeks and could only be resumed at about 75 per cent. capacity for several months. Notwithstanding this setback, average production over the whole period was well maintained. Zinc production exceeded that of the previous year, largely due to a record output from, and improved efficiency in, the operation of the vertical retort plant. The production of sulphuric acid was the highest in the history of the Corporation. These achievements in the face of unfavourable conditions resulted from the efficiency and high morale of our works management and operatives. The difficulties caused by shortages of fuel and other supplies were minimised by the helpful co-operation of regional officials of the various Ministries. Shortages of constructional materials and delays in delivery have slowed up our programme of modernisation and expansion.

Throughout the year the products of our works—all of national importance—continued to meet a heavy demand from essential industries. Under the officially controlled distribution of our lithopone, the home paint trade has absorbed 75 per cent. of our production, leaving only 25 per cent. for other trades and export. The high performance of our latest type of vanadium catalyst (N.P.7) in Government acid plants during the war has confirmed the excellence of this I.S.C. product. It is now being adopted by leading sulphuric acid manufacturers in this country and abroad. While business continues at a high level and absorbs practically all our supplies, the obvious uncertainties now developing prevent any reasonable prediction of results for the current twelve months.

The report and accounts were unanimously adopted and a special resolution was passed approving an alteration to the Corporation's Articles of Association, amending Article 99 to enable the board to appoint a person who might, or might not, be a member of the directorate, as president of the Corporation.

GENERAL CEYLON RUBBER AND TEA ESTATES, LIMITED

MR. J. GILROY ANNAN'S STATEMENT

The fiftieth annual general meeting of this company was held, on the 11th instant, in London, Mr J. Gilroy Annan, the chairman, presiding.

The following is an extract from his circulated address for the year 1946: The net profits, as compared with 1945, are less by some £19,300. Revenue from tea was more by about £21,900, partly on account of increase in crop secured during the season, and also to a small increase in selling price. Revenue from rubber shows a decrease of about £21,000, almost entirely offsetting the increased tea revenue. The crop of cardamoms was considerably reduced, and despite an increase in selling price of about 11½d. per pound, the revenue from this product was less by approximately £1,150.

Costs of production have continued to rise during the year, tea by 1.83d. per pound, rubber by 3.06d. per pound, and cardamoms by 28.74d. per pound, as compared with the 1945 average costs. The excess of current assets over commitments, including provision for taxation, shows an improvement of £5,496 over the corresponding figures for 1945. Your directors recommend the restriction of the distribution in dividend to 5 per cent., less income tax.

The estimates for 1947 are framed to deal with a crop of 2,608,000 lb. of tea and 1,464,000 lb. of rubber, the crop harvested to September 30th being 1,928,932 lb. of tea and 826,831 lb. of rubber, compared with 1,829,234 lb. of tea and 970,674 lb. of rubber at the corresponding date in 1946.

The visiting agents continue to report favourably on the company's properties and the agricultural condition of the estates. The report was adopted.

MALAYALAM PLANTATIONS, LIMITED

RECORD FIGURES

The twenty-sixth ordinary general meeting of Malayalam Plantations, Limited was held in London, on the 13th instant, Mr H. J. Welch, the chairman, presiding.

The following is an extract from his circulated statement for the year to 31st March, 1947:—

The figures in the accounts show high records for net profits, for net liquid assets, for surplus and reserves, and for cash investments and funds. The year proved to be a more satisfactory one for tea which showed a profit of £13 19s. per bearing acre as against £11 2s. 3d. in the previous year. Rubber production, however, was disappointing as its profit per mature acre fell from £7 8s. 9d. to £3 10s. 7d. Consequently, the trading profit showed only a slight advance and the much increased net balance available for dividend was made possible by reductions compared with last year of £16,000 in the sum provided out of revenue for expenditure on buildings, machinery, etc., and of £58,000 required for Excess Profits Tax and Profits Tax.

The dividend paid by this company last year was 12½ per cent. and it was 10 per cent. for each of the previous nine years. The net profit available was the highest for nineteen years and, in view of this, and the apparently satisfactory prospects for the company, the board decided to recommend an increase to 15 per cent. of the total dividend for this year.

If adequate labour forces are maintainable and climatic conditions are not too unfavourable, we estimate to produce during the current year 14,691,000 lb. of tea and 5,493,000 lb. of rubber. The current year again promises to be a satisfactory one for stockholders and the company's financial position is one of great strength.

The report was adopted.

RAPHAEL TUCK AND SONS LIMITED

HOME EXPORT PROBLEMS

The forty-sixth annual ordinary general meeting of Raphael Tuck and Sons, Limited, was held in London on the 14th instant.

Mr Desmond Tuck (chairman and joint managing director) in the course of his speech, said: The satisfactory results before you have been achieved in spite of a continuation of many of those obstacles to which I referred last year, and which can be summed up under that unpleasant word controls. One important factor which has helped to offset our difficulties is that we are fortunate in possessing a world-renowned name as a background to our activities. It is an Open Sesame wherever we operate. It conjures up an immediate thought of Christmas, birthday and other greeting cards, of picture postcards, calendars, and of picture and other illustrated books which are of such delight to the younger generation.

Those of us who are so closely in touch with the Christmas card, and realise how deep-rooted it is in the hearts of every section of the public, can only join issue with unimaginative people who care to regard it as an article of luxury. Nothing could be further from fact. We claim it to be a necessity in so far as any intention still remains of preserving the fabric of human society and of maintaining traditions which are the fundamentals of civilised people. Failure, by restricting necessary supplies of paper, to recognise and accept this proven truth, can only be classed as an instance of ill-advised policy which should be rectified at the earliest possible moment.

Whilst the demand for our publications at home continues to show a liveliness which, due to the shortage of the supply of material we are unable to satisfy, we have, in response to the general call made upon industry, been devoting our especial attention to the extension of our export markets. This entails the employment and maintenance of a chain of highly trained and skilled personnel to carry the work through from its initial to its final stages. Export orders, the moment they are received, have an immediate call upon their services.

PRICE HANDICAP

We face an immediate price handicap, because our hands are manacled. If you are dealing with a monopoly article, or with one whose entire output export can absorb, you might perhaps, in your calculations, be justified in divorcing export from home trade. But when it is a case of a manufactured commodity, the like of which is produced abroad even though not as good but nevertheless passable, and, at a pinch, still acceptable there, a wholly different consideration should be given to such cases, instead of inflicting on manufacturers the suicidal policy of having their home supplies of material cut down or cut out simply because the order has gone forth to “clear the decks” for export.

Our recent experience has shown us that although our friends overseas are more than ready and willing to buy from us, in some cases they find themselves confronted with barriers which greatly restrict, and sometimes prevent, importation. I hope that our legislators have taken these conditions into due consideration when planning the high export targets which they have set.

The more distant future will depend upon how long and to what extent industry as a whole is doomed to remain shackled and with the Sword of Damocles hanging over its head. Let wiser counsels prevail than are at the moment apparent. Let the essential partnership of home and export trade be officially recognised, and then British Industry, ourselves included, will render a good account of itself.

The report was adopted.

STANDARD MOTOR COMPANY, LIMITED

LARGE CAPITAL EXPENDITURE

MR C. J. BAND ON THE OUTLOOK

SIR JOHN BLACK ON NEW PRODUCTION POLICY

The forty-fourth ordinary general meeting of this company was held, on the 7th instant, in Coventry, Mr C. J. Band (chairman of the company) presiding.

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

It will be seen that the general lay-out of the accounts is on entirely new lines and the directors anticipate that the figures will provide stockholders with a clearer picture of the financial position of the company.

The interest of stockholders together with reserves appear in the top section of the balance sheet, and the lower portion shows how this interest is made up between fixed assets and net current assets.

The general reserve has been increased by the sum of £200,000 transferred from contingencies reserve, the directors being satisfied that the contingencies for which the reserve was created are not now likely to mature.

During the year additions to the fixed assets less sales have amounted to no less a sum than £1,867,527.

£3,000,000 IN CAPITAL ASSETS

During the two years ending August 31st last, over £3,000,000 has been invested in capital assets to provide for "Vanguard" and tractor production.

Expenditure on the adaptation of factories leased from the Government is being written off over the terms of the leases.

The value of stock and work in progress has increased by nearly £2,000,000, and this accounts for the large rise in trade liabilities. I can assure stockholders that this is quite in keeping with the large increase in the company's turnover.

In consequence of the policy adopted by the directors there has been a substantial reduction in the bank balance due to the capital expenditure I have already referred to.

The 10-year bond shown in the accounts will mature early next year and the sum payable to the company will be approximately £130,000.

The tax reserve certificates are adequate to cover the company's liability for current and future taxation.

PROFIT FIGURES

If you refer to the profit and loss account you will see that the actual trading profit is substantially in excess of that in the previous year, but the net profit is less due to the incidence of taxation and the large sum required for depreciation of fixed assets, the sum being £346,860, compared with £152,670 last year.

It may be of interest when I tell you that all prewar plant has now been completely written off the company's books. Having regard to certain comments made in the press, I must emphasise that the charge of £346,860 for Depreciation represents pure depreciation for the year and that this figure has not in any way been increased by the Taxation Equalisation (Initial Allowances) Reserve referred to in the Directors' Report. The substantial purchases of new plant in the two years ended August 31, 1947, have given rise to exceptionally high initial tax allowances for the purposes of income tax, the effect of these being that a greater allowance for wear and tear has been given for income tax than the amount written off in the accounts as depreciation.

If full credit were taken for these allowances in arriving at the provision for income tax, a false position would result. To correct this the directors have created a Taxation Equalisation (Initial Allowances) Reserve, shown on the balance sheet as £200,000, and

it is their intention to draw upon this reserve in future years to take care of the position when wear and tear allowances are less than the depreciation charged against profits.

I feel bound to warn stockholders that if the depreciation policy adopted by your directors, as I think wisely, is continued in the future, the depreciation charge next year may be in excess of the amount which we have had to provide in the accounts now under review. Long-term stockholders will, of course, appreciate that this policy is for their ultimate benefit.

DIVIDEND PROPOSAL

I now turn to the directors' report, which I am asking you to confirm. It is proposed to pay a dividend of 25 per cent., less tax, and to transfer the sum of £50,000 to the employees' special fund.

Very frequently speeches are made by more or less irresponsible people about excessive dividends being paid by various companies, and, therefore, I wish to emphasise the point that, although the issued capital of this company is a little less than £1,000,000, the actual net capital of the company after making provision for all liabilities is nearly £4,000,000. It is this latter sum that must be considered in relation to profits made or distributed. I had some comments to make in my speech to stockholders at the annual meeting held last year about the employees' special fund. In the light of present conditions your directors are still of the opinion that it is essential to continue the building up of this fund, and thus ensure that our employees are, as far as possible safeguarded should unforeseen circumstances arise. As I have stated on previous occasions, the fund is administered by a committee, who give careful consideration to all cases brought before them. You are well aware that Sir John Black takes a keen interest in the welfare of all employees of the company, and I can assure you that the proposed allocation to the fund has his wholehearted support.

THE OUTLOOK

With regard to the future, I can state with confidence that our equipment is such that the company is in a position to expand its activities far beyond anything that has been achieved in the past. I have purposely said nothing about the company's production because I am going to ask Sir John to second my proposition and, I have no doubt, he will give you information that will be of the greatest possible interest.

Once again I ask you to join with me in expressing our appreciation and thanks to Sir John Black, his executive staff and all employees for their services during the past year. I have on numerous occasions expressed my appreciation of their good work—on this occasion I will only add that so long as Sir John remains the skipper, with his uncanny foresight, outstanding genius for administration and production, and with his loyal and efficient crew, stockholders of the company can rest secure in their berths with the knowledge that the course taken will bring them through any storm into calm and safe waters.

I have great pleasure in proposing the adoption of the balance sheet and accounts for the year ending August 31, 1947, and of the directors' report for that year.

SIR JOHN BLACK'S VIEWS

Sir John Black (deputy-chairman and managing director) said: Mr Chairman, ladies and gentlemen,—Before I second the adoption of the balance sheet and accounts, and the directors' report, I want to thank the chairman for all his advice and help

during the past year. I would also like to congratulate him upon his analysis and appreciation of the company's progress as displayed in the balance sheet.

The chairman has suggested that I should tell you something of the company's production, and I propose to deal with this under two main headings.

Firstly, the present output from our factories. The combined production of Standard and Triumph cars and Ferguson tractors is now approaching 8,000 units a month. The tractor output fulfils the original planned programme.

Secondly, the programme in hand for the immediate future.

ALTERATION OF POLICY

The company has recently made an important announcement in connection with the production of Standard cars for the future. It is a major alteration of policy, because it means the eventual termination of the existing range and the concentration of all production facilities on one model—the Standard "Vanguard." This car, designed in 1945 for the world's markets, regardless of domestic legislation then in existence, has had a remarkable reception from all countries.

Production will start early in 1948 and the "Vanguard" will contribute materially to the country's exports. Some hundreds of thousands of orders have already been received.

Concurrently with the production of the new car, the tractor programme will be stepped up by the introduction of a double shift. This will enable the Banner Lane works to increase its output substantially. Agricultural implements are an essential contribution to the company's tractor activities, and the manufacture of implements is increasing weekly. Arrangements are being completed to ensure that they will match the tractor figures.

The Ferguson system of farming is of major importance to the country's agricultural policy. In addition, the Board of Trade have recently announced a substantial increase in the export target for agricultural machinery, which is to be raised from one and a-half million pounds' worth a month at the of 1947 to four and a-half million pounds' worth a month at the end of 1948. You may be assured that the company will make its full contribution towards achieving this vitally important export objective.

REVISION OF PRODUCTION METHODS

Stockholders will appreciate that the change to one type of Standard car and the Ferguson tractor, both on a tremendous scale, has involved a radical revision of production methods, and great capital expenditure. As a result of these changes substantial economies will be effected in the future.

The benefit of all the hard work of planning the rearrangement of manufacturing facilities is only just beginning to be felt—in fact, the overall unit production is increasing month by month, and with the continued co-operation of all the splendid employees of the company, output will rise steeply during the coming year.

I trust that the directors' recommendation to allocate £50,000 to the employees' special fund will receive the unanimous approval of stockholders.

I take this opportunity of thanking all employees, as well as suppliers, and distributors and dealers both at home and overseas, for their enthusiastic co-operation during the past year, and I trust that they will share with us any success we may achieve in the future. I have great pleasure in seconding the chairman's proposition.

The resolution was carried unanimously. The retiring directors, Mr C. J. Band and Mr A. S. Dick, were re-elected, and the auditors, Messrs Thomson, McLintock and Co., having been reappointed, the proceedings terminated with a vote of thanks to the chairman for presiding.

GOVERNMENT RETURNS

For the week ended November 8, 1947, total ordinary revenue was £29,247,850, against ordinary expenditure of £40,655,851 and issues to sinking funds £440,000. Thus, including sinking fund allocations of £9,589,891 the surplus accrued since April 1st is £243,474,548 against a deficit of £498,558,830 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1947-48	Receipts into the Exchequer (£ thousand)			
		April 1 to Nov. 9, 1946	April 1 to Nov. 8, 1947	Week ended Nov. 9, 1946	Week ended Nov. 8, 1947
ORDINARY REVENUE					
Income Tax	107,300	475,765	438,707	6,141	5,269
Sur-tax	80,000	18,772	21,905	440	450
Estate, etc., Duties	155,000	86,619	98,699	4,055	2,300
Stamps	57,000	20,165	30,380	200	800
N.D.C.	202,000	20,717	22,570	425	950
E.P.T.	202,000	208,754	159,309	4,285	7,292
Other Inland Rev.	1,000	168	115	...	...
Total Inland Rev.	156,800	830,960	772,685	15,546	17,061
Customs	736,960	362,583	480,496	16,639	22,265
Excise	643,040	357,700	375,400	17,465	25,853
Total Customs & Excise	1,380,000	720,283	855,896	34,104	48,118
Motor Duties	50,000	12,414	12,911	1,303	1,196
Surplus War Stores	95,000	74,818	128,877	89	156
Surplus Receipts from Trading (Net Receipts)	55,000	10,000	30,175	10,000	...
Post Office (Net Receipts)	...	3,750	2,580	500	1,800
Wireless Licences	11,000	4,200	5,170	...	...
Crown Lands	1,000	610	650	...	...
Receipts from Sundry Loans	21,000	21,017	18,861	11,770	1,156
Miscell. Receipts	270,000	22,322	188,435	1,380	462
Total Ord. Rev.	345,100	1,700,374	2,013,240	74,693	69,948
SELF-BALANCING					
Post Office	144,230	73,900	82,200	3,000	1,900
Income Tax on E.P.T. Refunds	49,000	123,203	14,349	1,101	332
Total	364,420	1,874,777	2,109,789	78,794	72,180

Expenditure	Estimate, 1947-48	Issues out of the Exchequer to meet payments (£ thousand)			
		April 1 to Nov. 9, 1946	April 1 to Nov. 8, 1947	Week ended Nov. 9, 1946	Week ended Nov. 8, 1947
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	525,000	307,808	318,493	2,387	3,889
Payments to N. Ireland	23,000	10,593	13,110	696	764
Issue to Nat. Land Fund	...	50,000	...	...	...
Other Cons. Fund Services	8,000	3,911	3,761	...	2
Total	556,000	372,312	335,364	3,083	4,656
Supply Services	263,511	133,592	142,481	44,700	36,000
Total Ord. Exp.	319,111	220,824	176,015	47,783	40,656
SELF-BALANCING					
Post Office	144,230	73,900	82,200	3,000	1,900
Income Tax on E.P.T. Refunds	49,000	123,203	14,349	1,101	332
Total	338,344	240,537	185,724	51,884	42,888

After increasing Exchequer balances by £16,331, to £3,111,950 the other operations for the week decreased the gross National Debt by £17,142,406 to £25,779 million.

NET RECEIPTS (£ thousand)

Land Settlement (Facilities) Acts, 1919 and Housing (Temporary Accommodation) Act, 1924	12
Sec. 8 (3)	842
Total	854

NET ISSUES (£ thousand)

P.O. and Telegraph	400
E.P.T. Refunds	406
Overseas Trade Guarantees	10
Housing (Scotland) Act, 1944, Sec. 4 (2)	570
Local Authorities Loans Act, 1945, Sec. 3 (1)	6,300
Housing (Financial Provisions) (Scotland) Act, 1946, Sec. 13 (2)	25
War Damage: War Damage Commission	2,000
Finance Acts, 1946 and 1947, Post-war Credits	2,836
Total	12,547

CHANGES IN DEBT (£ thousand)

NET RECEIPTS	Nov. 8, 1947	Nov. 8, 1946	NET REPAYMENTS	Nov. 8, 1947	Nov. 8, 1946
Treasury Bills	5,924	...	3% Def. Bonds	2,580	...
Nat. Savings Certs.	1,150	...	Tax Reserve Certs.	1,939	...
24% Def. Bonds	789	...	3% Ter. Annuities	1,252	...
Other Debt	...	...	Other Debt	...	...
Total	7,863	...	Total	5,771	...

* Including £1,891,000 paid off on maturity.

FLOATING DEBT (£ million)

Date	Treasury Bills		Ways and Means Advances		Treasury Deposits by Banks	Total Floating Debt
	Tender	Tap	Public Depts.	Bank of England		
1946						
Nov. 9	2040-0	2479-0	426-6	...	1743-0	6688-5
1947						
Aug. 2	2180-0	2470-4	317-7	2-5	1400-5	6371-0
" 9	2180-0	2424-0	348-4	3-5	1400-5	6356-4
" 16	2180-0	2428-2	336-7	1-75	1380-5	6337-1
" 23	2180-0	2467-9	336-9	9-75	1350-5	6345-1
" 30	2190-0	2428-5	339-8	4-75	1325-0	6286-1
Sept. 6	2190-0	2466-4	369-6	4-75	1304-0	6334-8
" 13	2190-0	2499-9	357-1	4-25	1296-5	6347-7
" 20	2190-0	2533-0	327-7	8-0	1299-0	6357-6
" 26	2190-0	2557-1	322-3	...	1292-5	6361-9
Oct. 4	2200-0	2534-8	363-9	19-3	1287-0	6385-4
" 11	2220-0	2561-7	343-2	20-3	1255-5	6398-6
" 18	2230-0	2584-7	362-8	2-0	1253-0	6432-5
" 25	2230-0	2561-5	332-6	...	1252-5	6376-6
Nov. 1	2240-0	2543-4	354-8	1-75	1252-5	6392-5
" 8	2250-0	2539-3	337-7	...	1252-5	6579-4

TREASURY BILLS (£ million)

Date of Tender	Amount			Average Rate of Allotment %	Per Cent. Allotted at Min. Rate
	Offered	Applied for	Allotted		
1946					
Nov. 8	160-0	293-4	160-0	10	1-32
1947					
Aug. 8	170-0	276-6	170-0	10	1-48
" 15	170-0	235-6	170-0	10	2-34
" 22	170-0	258-4	170-0	10	1-58
" 29	170-0	251-9	170-0	10	3-14
Sept. 5	170-0	276-8	170-0	10	2-54
" 12	170-0	269-7	170-0	10	2-85
" 19	170-0	253-5	170-0	10	3-10
" 26	180-0	277-4	180-0	10	2-66
Oct. 3	190-0	299-9	190-0	10	1-39
" 10	180-0	291-3	180-0	10	1-36
" 17	170-0	258-9	170-0	10	1-87
" 24	170-0	251-0	170-0	10	1-62
" 31	170-0	289-3	170-0	10	1-38
Nov. 7	170-0	285-4	170-0	10	1-49

On November 7th applications for bills to be paid on Monday, Tuesday, Wednesday, Thursday and Friday were accepted as to about 45 per cent. of the amount applied for at £99 17s. 6d. and applications at higher prices were accepted in full. Applications for Saturday were accepted at £99 17s. 6d. and above in full. £170 million (maximum) of Treasury Bills are being offered for November 14th. For the week ended November 15th the Banks will be asked for Treasury deposits to an amount of £40 million maximum.

NATIONAL SAVINGS (£ thousand)

	Week Ended		Totals at Mar. 31st
	Nov. 2, 1946	Nov. 1, 1947	
Savings Certificates:—			
Receipts	2,900	2,500	128,900
Repayments	2,550	2,300	86,200
Net Savings	350	200	42,700
Defence Bonds:—			
Receipts	2,090	800	44,760
Repayments	682	795	23,686
Net Savings	1,408	5	21,074
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Receipts	13,226	11,241	389,768
Repayments	10,312	9,873	373,602
Net Savings	2,914	1,368	16,166
Total Net Savings	4,672	1,573	79,940
Interest on certificates repaid	382	414	16,518
Interest accrued on savings remaining invested	2,202	2,262	65,504

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RETURNS

NOVEMBER 12, 1947

ISSUE DEPARTMENT

Notes Issued :		Govt. Debt...	11,015,100
In Circin....	1360,239,009	Other Govt.	
Bankg. De-		Securities...	1438,299,428
partment...	90,008,824	Other Secs....	672,933
		Coin other	
		than Gold...	12,539
		Amnt. of Fid.	
		Issue	1450,000,000
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		oz. fine).....	247,833
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Circus Place, London Wall, E.C.2. November 5, 1947.

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The Economist

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November 22, 1947

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Peace in our Time

IF the events of the last nine months have proved anything about international politics, it is that neither the Soviet nor the American government wants war. The opportunities to start war, or to issue the kind of challenges that lead to war, have been lavishly presented. There have been manoeuvrings for strategic position, interventions in the business of neighbours, exchanges of threats and discourtesies, appeals to passion and prejudice sufficient to provide fuel for a conflagration. The pile of fuel has grown higher and higher, until Americans and Russians can hardly see one another over the top. But still there has been no one willing to strike a match. Why, then, is there still so much talk of war in Europe? Why can Budapest be seized with panic for forty-eight hours at the rumour that war has started?

Disappointment has played a large part in the creation of this mood, disappointment that Great Power unity has been proved an illusion and that power politics have been with us all the time. Hope, too, has played its part, the hope of the discredited quislings and reactionaries of Europe that America's decision to stay in Europe means for them a new lease of life. Fear has played an even greater part, fear lest a Power with so mighty a weapon as the atom bomb might take the short cut to world domination, becoming suddenly arrogant in its youth and inexperience. Publicity, too, has made its contribution, bringing the applause of mass audiences to the ears of statesmen who should have been negotiating instead of cheer-leading. And Soviet diplomatic methods have added their quota of exasperating stubbornness, puzzling tactlessness and one-track realism. Yet to say all this is to make more inexplicable than ever the fact that tension has never been dangerous, and that there has not been an incident that had even the appearance of danger since Marshal Tito's men shot down an American aircraft in August, 1946.

Why—to use Mr Lippmann's phrase—has the war stayed cold? The answer can be found by asking another question: why, nowadays, do wars—large-scale wars between Great Powers—get started? In the old days, and even, perhaps, as late as 1914, wars could start almost by accident, because somebody's trigger-finger slipped, or because somebody was careless about smoking in a powder magazine. But it is hardly so today. The existence of the United Nations and the repeated demonstrations of the appalling risks of war, not least of its risk to the individuals who are in power when it begins, will be sufficient in future to prevent the purely accidental wars. War will break out only because some Great Power wants it. And a Great Power can want war for one of two reasons: either because, like Hitler in 1939, it believes not only that it can get its way by war, but also that it can do so easily and quickly; or because it is so badly frightened by the warlike preparations of others that it decides to strike while it still has time.

The reason why there is no risk of war now is because no Great Power is either confident enough of the results of war or frightened enough of the consequences of peace. This is not to say that the Americans and the Russians are not pursuing diametrically opposite ends. But they are pursuing them, and will, at least in the short run, continue to pursue them, by

non-warlike means. For two years—a short time by normal diplomatic standards—each has been marking out its sphere of influence in the no-man's-land left by the defeat of Germany and Japan, and by the weakness of Britain, France and China. Now the process is reaching its culmination, since the Foreign Ministers cannot any longer postpone the taking of decisions about Germany. The prospects of agreement are small; but there is no good reason why disagreement on this occasion should be any more catastrophic than on previous occasions.

It is true that there are noisy warmongers in the United States and aggressively nervous persons in the Soviet Union. Each group plays on the fears and ambitions of the other. But there is no sign that their governments, the handful of men in both countries who really decide policy, want war. They clearly prefer the "other means"—nowadays not formal diplomacy, but the use of money, goods, parties and ideas. The struggle between these other means is now joined: the Zhdanov directive to Communist parties and the Marshall Plan for the western democracies will be in sharp conflict throughout the winter. Each is admirably calculated to test the other. But there is no evidence that the rulers of Soviet Russia intend to back their stake with war. They are neither sufficiently scornful nor sufficiently frightened of American military strength to run the risk. They know that if they started a war now, they might in the end win it or lose it, but it would certainly be a long, hard war—and that they dare not face. On the contrary, Russian policy, though offensive in tactics, is defensive in purpose and tone. In the two chief scenes of struggle, France and Italy, it is evident that the new tactics of the Communist parties reflect an acceptance of the fact that they will not gain power. As for American policy, those who think that it could ever lead to an unprovoked declaration of war are simply exhibiting their ignorance of America.

There is then no present risk of war. But what of the longer run? Unfortunately it is not sufficient to demonstrate the foolishness of the prophecies of imminent war. The pessimists will come back with the assertion that in the long run war between two aspirants to world power is inevitable. The case for this is twofold. First, it is argued that the Russian way of life and work and the American cannot live side by side; secondly, that Soviet expansion—as inevitable, for historical reasons, as Romanov ambitions—must come into direct conflict with American and British interests either in Europe, or in the Middle East, or, indeed, in the Far East. It would be foolish to be very optimistic about the long-term prospects of peace. Mankind has never succeeded in keeping the peace for very long and the available evidence does not suggest that the present generation is so much more intelligent or fortunate in its circumstances that it will be able to succeed where all its forefathers failed. But this at least can be said, that no war ever has been inevitable, and that this particular one seems to be less inevitable than most. Nowhere in Europe—nowhere probably in the world—is there a likelihood of straight Americanism and straight Communism growing up side by side. They will be separated by any number of strange and various compromises. Moreover, it is highly probable that re-equipment and technological progress in the west will go faster than in the east, so that what is by all odds the less aggressive system will have the material attraction and advantage.

It is true enough that there will continue to be a severe conflict of interests, ideological, economic, political and territorial. If the prophets of woe would limit themselves to predicting that there will be no real peace, their case would be proven up to the hilt. But armed war will not break out unless the rulers of Russia—for the contingency of American aggression can really be ruled out—want it to break out; and that means, until they either think they can win quickly

or they really become as badly frightened as their propagandists try to make them out to be. It follows that the right long-term policy for the Anglo-Americans is to aim to produce a psychology in Moscow that is neither over-confident nor over-fearful. To do that they must stand quite firm against encroachments, while rejecting no opportunity of proclaiming and demonstrating that their ultimate aim is agreement with the Russians and not their destruction.

Both halves of this policy are equally necessary. But at the moment it is, perhaps, the second that most needs re-emphasis. At the moment there is no doubt whatever about the strength and firmness of American determination or of the impressive backing that Mr Marshall enjoys among his own people. So impressive is it that there may be some risk that the Russians, shut up in the Kremlin with their ideologies, their suspicions and their unfailing misunderstanding of all other countries, will begin to have some real fear of being overwhelmed by triumphant American policies. It is not yet time to soften the American policy of firmness, or to talk about softening it. It has already produced results, and to produce the final result at which it is aiming, it will have to be kept up for many years to come. But there is nothing more dangerous, in diplomacy as in warfare, than the temptation to follow up a retreating enemy too fast and too far—particularly when he is a Russian.

It is unlikely that there will be much opportunity for showing the other side of American policy round the conference table next week, even though Mr Marshall and Mr Molotov will be meeting again in the one European capital where there is little serious talk of war. The discussions of the Foreign Ministers' Deputies have shown no sign that their masters will meet half-way. Indeed, the situation is now worse than it was in Moscow last March: it is very doubtful whether any agreement on the economic unification of Germany could now be executed without striking at the roots of the Marshall Plan, which is the major interest of three out of the four Ministers.

But if the Foreign Ministers Conference itself provides no opportunity for anything other than acrimonious disagreement, Mr Marshall's visit to England may possibly do so. The great enterprise of the Marshall Plan was launched by a speech at Harvard—and Mr Marshall is to receive an honorary degree at Oxford. He can ignore the wilder Communist attacks upon his motives and his good faith—he knows that he is under no necessity of answering them before British public opinion. But he cannot afford to disregard the almost universal wish to know with more precision where the limits of American interest lie, and whether he really believes that security can be organised by the collective effort of the United Nations. Mr Marshall would much strengthen his following in this country if he would use his visit to give a glimpse of his vision of the future.

There is then a special task for Mr Marshall to perform in Britain, particularly in a Britain that has a Socialist Government. There has been an enormous slump in the Russian stock in this country since the end of the war. But certain illusions die hard, and among them are the wishful thoughts that agreement with Russia will come quickly, that trade will establish links that diplomacy cannot forge, that the rulers of Russia feel an affinity to Social Democrats. These illusions cannot safely be left merely to wither away in the unfriendly atmosphere of events. Nor can the Left Wing's ideological suspicion of capitalist America be left to disappear under the impact of the Marshall Plan. There is a much greater disposition in Britain today than there has ever been before to face all the implications of the view that the best way to be friends with Russia is to be firm, and to accept partnership with America in such an enterprise. But to transmute a disposition into a settled policy requires the chemistry of statesmanship.

Tariffs and Trade

WHATEVER the mountainous labours of the Geneva Conference on Trade and Employment have brought forth, it does not have the appearance of a mouse. The Report of the Conference, with its annexes and schedules, must be one of the longest and most complicated public documents ever issued—and one of the hardest to comprehend. A later article in this issue attempts to summarise what has been done and some more extensive extracts are printed in this week's issue of the *Records and Statistics Supplement to The Economist*. But even those who have studied the document in some detail would be hard put to it to pronounce upon its significance. It is possible to say what was, in 1938, the volume of trade affected by the rates of duty that are comprehended within the agreement. But nobody can say by how much that volume of trade would have been different with the different rates of duty now prescribed, and still less what it will actually be in the next few years. Altering tariff schedules must always be a matter of guesswork, and never more so than in the conditions of today.

For what they are worth, the figures of 1938 trade can be easily summarised. The United Kingdom has reduced its tariff duties on goods of which £30.4 million was imported in 1938, and has undertaken not to increase the existing rates on a further £63.1 million. Further, the United Kingdom has agreed to the reduction—and in some cases to the elimination—of the preferential margin it has previously enjoyed in Commonwealth and Empire markets for £36 million of its sales. It can, therefore, be said that the British concessions affect £100 million of 1938 trade, about three-fifths of them taking the form of facilitating the sale of foreign goods in the British market and the remaining two-fifths that of surrendering a competitive advantage for British goods in Empire markets. In return for these concessions, the other 22 parties to the agreement have made concessions in their turn. The amount of British trade in 1938 that would have been affected was £92 million, of which £44 million would have been affected by actual reductions and £48 million by undertakings not to increase the existing rates. Of these foreign concessions, of course, by far the most important are those made by the United States; some £23 million of British exports to the United States in 1938 are affected, about £13 million of them substantially. The United States has also made concessions to the Colonies, from which the United Kingdom will benefit indirectly.

Different people will interpret these figures according to their different preconceptions. The *Daily Express*, for example, headlines its report "Britain Forks Out 6d. For 4d." and goes on to declare "The Big Bad Bargain is sealed! The Big Black Pact is made! The citadel of Imperial Preference is breached." One suspects that the *Daily Express* would have

said this about the agreement whatever its content. For whether or not the Bargain is a Bad one, it is certainly not a Big one, as the above figures show. And though some reductions have been made in imperial preference, the "citadel" is still substantially intact; 70 per cent of the imperial preferential rates are completely untouched and only 5 per cent of them eliminated. Lord Beaverbrook's lieutenants were presumably caricaturing their absent master. Other people, who have had a hand in tariff negotiations in the past, will be full of admiration for the immense labours that must have gone into the negotiation of agreements between each pair of no less than 20 separate customs units. They will remember how completely such attempts have always failed in the past and in their applause for the quality of the achievement at Geneva they are already tending to exaggerate its magnitude.

Where between these two extremes would the unbiased observer settle his judgment? He would take due note, in the first place, that for many of the countries involved—and not least for the United Kingdom—customs tariffs are at present without any influence on the volume of trade. The British customs tariff is a mere fiscal formality and if it were abolished in its entirety, the effect on the volume of British imports, which is determined by quantitative licensing, would be imperceptible. In the future this may not be so; the Agreement contains an article providing for the removal of quantitative restrictions, followed immediately, however, by another granting exemption so long as balance-of-payments difficulties remain. But for the present reductions in the British tariff, and in many other tariffs, are no more than symbolic gestures. The observer might permit himself the cynical reflection that this may partly explain why success was possible in 1947 where it was impossible in 1927.

To this generalisation, however, there is one important exception. Imports into the United States are still limited by tariff duties only—apart, that is, from the importer's ability to sell the goods in the American market. If this agreement makes it possible to sell more British goods in America, that is of very real and immediate importance. On categories of British exports to the United States valued at £2,500,000 in 1939, the American duty is to be halved; on a further £10 million or so, it is reduced by between one-third and one-half. Some of the goods affected are linen piece-goods, woollen goods, knit goods, whisky, some machinery items and metal manufactures, including bicycles. Some examples are given on page 850. But it is very difficult to know what the effect of the reductions

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will be. If the 1938 rate was prohibitive, the halving of it may permit a great increase in trade—or it may still be prohibitive. Most of the items mentioned seem to be those that did not sell in the United States before the war, mainly on the score of cheapness, so that the increase in trade to be expected from reductions of duty will be small. Much depends on whether the British manufacturer is able and willing to exploit his opportunities or whether he will continue, as he has done so often in the past, to ignore divergences in taste. Bicycles are a case in point. To a British eye the American product is a monstrosity, an imitation motor-cycle, with huge tyres, unwieldy frame and even a sham petrol tank. But in a land of cheap cars, a bicycle is generally a child's toy and the utilitarian British bicycle is not popular, at any price. Unless there is a real willingness to fit the product to the market, the tariff reductions will have little effect; though that will hardly be the fault of the American Government.

It is a matter of the greatest difficulty, therefore, to assess the increase in dollar earnings that the Agreement will make possible. But it must inevitably be small. Indeed, this is a comment that must be made about the whole agreement. The £63 million of British imports on which concessions have been made were only about 7 per cent of the total of British imports. The £44 million of British exports on which tariff reductions have been secured were less than 10 per cent of British exports. And as for the dollar-earning concessions, even if it be assumed that the £23 million of British goods affected have doubled by now in price and are about to double again in volume as a result of these concessions, the total gain is still not much more than a fortnight's dollar deficit at the present rate. It would be a great pity to decry the devoted work put into this Agreement by those who have spent many months upon it. But it would be naïve to suppose that it makes more than a very small dent in the towering structure of restrictions on trade or that it contributes very much to the solution of Britain's export problem, by which the nation lives or dies. There is, after all, something mouse-like about the offspring—a welcome mouse,

a white mouse, one well worth putting on show, but definitely *mousey*, not even big enough to be the black rat that the *Daily Express* would have the public believe.

The solution of the problem of world trade—and in particular the solution of the problem of British exports—must therefore clearly be sought elsewhere than at Geneva (or Havana) and by methods other than the negotiation of multilateral pacts for the reduction of tariffs. It is most unlikely that the circumstances will ever again be as favourable as they have been this year, with the United States using all the leverage that Articles Five and Nine put in its hand and with import licensing deferring until a comfortably remote future the impact of most of the concessions offered. Other methods must now be sought. Some of these can be purely national. The British Government, for example, might well begin to take with all the alarming seriousness it deserves the great and rapid rise in the costs of production and in the selling prices of British exports. The index of these prices has been carried from 199 to 234 in a single twelve-month and it is still rising rapidly under the pressure of rising wages and shorter working weeks. It is true that the prices of imports have risen even more rapidly; but they will also come down more easily when the time comes. Costs will have to be cut if the export drive is not to fail.

Purely national action, however, cannot get very far in anything as mutual as trade must necessarily be. Over and over again, in these columns and elsewhere, the point has been made that something much more deliberate and purposive is needed to get the necessary increase in world trade than merely to remove the barriers, especially the symbolic barriers. Hitherto all such attempts have been impossible because of the theological straitness of American doctrine. There have been some signs of a loosening of ideas in that direction recently, and perhaps now that a demonstration has been given of the limited possibilities of achievement along the road that the State Department has hitherto been pursuing, it will be possible, both there and in the Board of Trade, to divert some energies into the exploration of alternative avenues.

India: Is it Working?

IN the recent debate on the Address in reply to the King's Speech Mr Churchill made the quitting of India one of the main counts of his indictment of the Government. After declaring that Burma had been "cast away" and that India had been plunged into the first of the long series of sanguinary battles which he had repeatedly predicted would follow the departure of the British, he quoted words used in the House of Commons nearly forty years ago by John Morley: "When across the dark distances you hear the sullen roar and scream of carnage and confusion, your hearts will reproach you with what you have done."

Should they indeed reproach us? That question cannot now be answered; perhaps it never will be; the alternative "might-have-beens" are too hard to calculate. But there is a more practical and immediate question to which some answer can already be given. Is it working?

There is no doubt that a very widespread impression prevails in this country that the sequel to India's Independence Day has been an almost unmitigated disaster. Yet this impression is very largely an effect of the selective character of news presentation in the daily press, especially under conditions of newsprint shortage. Unfortunately murders and massacres are always news, whereas most kinds of constructive political achievement are not. It is not that the horrors of communal warfare have been exaggerated, but that so many things

have been omitted from the other side of the account. In a sense, indeed, the values involved are incommensurable; for anyone who believes in the ultimate value of the individual human life, there can never be a merely mathematical calculation of gain and loss which counts individuals simply as units in an aggregate—that way lies the totalitarian ideology. Nevertheless, in all social and political affairs it is well to keep a sense of proportion; the fact that there are now and then terrible train accidents involving death or irreparable injury for a number of people does not prevent us from appreciating the general efficiency and security of railway transport.

The communal explosion in the Punjab has certainly been an appalling catastrophe. Though exact figures of the dead will probably never be known, a well-informed estimate puts them at 100,000, made up of 70,000 Moslems and 30,000 Sikhs and Hindus. Some 7,000,000 people have been uprooted and have migrated from India into Pakistan or from Pakistan into India, whether by forcible expulsion or in fear of further outbreaks of violence. The economic dislocation has inevitably been very great; even when immigrant families can be resettled on lands vacated by refugees of the other community, there has been a serious interruption of agriculture and in the towns the destruction of buildings and property through arson and the disruption of established business undertakings have produced a confusion which it must take years to remedy.

But when all this is recognised, it should also be appreciated that the very scale and intensity of the catastrophe imposed on the two new Governments in their first days of full power and responsibility a strain which would certainly have been too much for any men of straw. If Indian political leaders had been indeed as unfit for power as they have often been represented to be, the situation would at once have passed entirely beyond control; either the army units on both sides would have been involved in the fighting and the two Dominions would have been at war with each other, or else at least the outbreak would have been the signal for all disruptive forces everywhere in both territories to have defied the central authorities, bringing about a general disintegration.

But nothing of this kind happened. Not only did the Governments of India and Pakistan, in spite of bitter words and acute tension, aggravated by the dispute over Kashmir, avoid any resort to direct military action against each other and maintain discipline over their troops on the newly created frontier; they also co-operated with each other to a degree remarkable in the circumstances in grappling with the emergency of the vast movements of refugees. It must be remembered that provincial Governments of West and East Punjab did not exist before August 15; there had previously been only a single Government for the whole Punjab, and the new administrative authorities, in the midst of their reorganisation, were faced with a situation of sudden and overwhelming confusion. It is no wonder that there was an administrative breakdown; the wonder is that it was not worse and that the trouble was successfully kept localised—with certain minor exceptions—in the Punjab. Such an outbreak as took place in the Punjab in August and September tends to produce a vicious circle of reprisals without limit; refugees percolate everywhere with their stories of atrocity, which are never minimised in the telling. The danger was that the killing would spread to every part of India where the communities were territorially intermingled—that is to say, to practically the whole of the sub-continent, for there are Hindus in East Bengal and Moslems in Madras. But the authorities outside the Punjab showed generally both the will and the capacity to keep the peace.

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Nor was it a question only of preventing a disintegration of that state authority which, subject to the India-Pakistan partition, had been handed over intact by the British Raj. The new Dominions also had to grapple with the task of somehow integrating in their territories for federal purposes the 564 princely states which by the abolition of British "paramountcy" had been left legally free to do as they pleased. Although it had been clear that the smaller principalities could not aspire to an independent existence, there were several of the larger states which, with their millions of subjects and armies of their own, might hope to exercise sovereignty and form combinations of the lesser states. On paper they had the right to do so, and here was a fertile field for intrigue and ambition. This situation was fraught with great danger for the stability of the new Dominions, especially of India—for few of the states were within or contiguous with Pakistan territory; had Hyderabad, Mysore and the principal Central Indian and Rajput States all refused to link their destinies with the new regime in Delhi, the territorial unity of India would have been so disrupted that effective central control would have become virtually impossible and the country would soon have drifted into a condition as chaotic as that which prevailed in the eighteenth century after the break-up of the Mogul empire.

In fact, however, all the states, with the single exception of Hyderabad, have acceded to one or other of the two Dominions. This result has not come about without statesmanship of a high order, for several of the Princes or their ministers had other

plans and it required much political skill in Delhi to prevail over the centrifugal movement; had the Indian Government shown itself weak or if, on the contrary, it had recklessly attempted coercion, the outcome might have been very different. But a policy at once firm and conciliatory, which attracted the more far-seeing political minds in the states, has brought about in a peaceful and orderly manner a great political unification which did not at all follow automatically from the transfer of power in what used to be British India. The new Indian leadership has not only averted a disintegration which would have been far more serious than the secession of Pakistan; it has achieved a unity with the states more organic than existed under British paramountcy, for representatives of the states now participate in a national parliament instead of having merely external relations with the Central Government. Within the states, democratic reforms have been introduced with great rapidity during the last few months, so that the former political contrast between the states and the British Indian Provinces has been very greatly reduced. Hyderabad still remains outside, but by itself it has now little prospect of permanent independence in its land-locked isolation. Kashmir's accession to India has indeed brought acute tension between India and Pakistan and its ultimate attachment is still undecided; nevertheless, its geographical position is such that it belongs to the fringe and not to the centre of Indian affairs.

In another way the situation in India has developed so as to justify a reasonable hope for the future, not merely for a diminution of the Hindu-Moslem strife, but even for the entry of India and Pakistan into some form of joint unity at no distant date. Despite the large-scale exchange of populations in the Punjab and the flight of many individuals elsewhere to their respective "homelands," there remain large minorities of each community on the wrong side of the border, especially of Moslems in India. What is to be the policy of each Dominion towards these minorities? Pakistan has been set up frankly as an Islamic State to save Moslems from Hindu Raj. But Congress has always claimed to be super-communal and to aim at an Indian national citizenship in a secular state without discrimination between Moslem and Hindu. Unfortunately Congress, particularly in the lower levels of the party organisation, has not always practised what it preached, and it was the anti-Moslem bias widely demonstrated after the Congress victories in the Provincial elections of 1937 which gave the main impetus to the Moslem desire for Pakistan. With the crescendo of communal riots and massacres in recent months, it was inevitable that the anti-Moslem sentiment among Congress Hindus should be intensified, and that the influence of the Mahasabha—the Hindu counterpart of the Moslem League—should increase.

But the higher Congress leadership—and particularly Mr Nehru and Mr Gandhi—has set itself firmly against the attempt to turn India into an officially Hindu State. The new Indian constitution strictly rules out religious discrimination, and it appears that Moslem minority rights are not being asserted on paper only, but are being actively sustained by Government policy in spite of bitter communal feeling. If this policy can be continued and strengthened over a period of years, if it can be demonstrated practically that Congress really is devoted to an ideal of Indian nationality transcending communal loyalties, then the effect will certainly be felt in Pakistan, and the reconstitution of an All-Indian unity by free negotiation will no longer be outside the sphere of practical politics. "There is only one way wherein India can save herself," said Mr Nehru recently, "and that is by keeping the religious and the political ways apart." That is easier said than done in the conditions of India's heritage, but the degree of success with which Mr Nehru has already grappled with the task indicates that Indian nationalism has a greater capacity to prevail over division than the sombre news of the last three months might suggest.

Agriculture and Food

THE report of the Lucas Committee on the working of the Agricultural Marketing Acts (HMSO, 2s.) has a much wider importance than its title suggests. Its recommendations could have a profound effect on both food and agricultural policy. There are four distinct stages in the supply of home-grown food. First, food is produced on the farms; secondly, it is transported from the farms to collecting centres or grading and packing stations; thirdly, it is processed in slaughter-houses, flour mills, bacon factories, and canning factories (this stage is missed out for some commodities); and fourthly, it passes through the hands of wholesale and retail distributors. Narrowly conceived, agricultural marketing is concerned only with the second of these stages, with a contingent interest in the third stage; the first stage belongs to agriculture, the fourth to food distribution. But from the viewpoint of the consumer, who purchases the finished article, and of the taxpayer, who at present subsidises the whole transaction to the tune of £400 million annually, the four stages are only parts of one gigantic supply operation. The pivotal point of this operation is marketing control, and it is with agricultural marketing in this wider sense that the committee has concerned itself.

The system of marketing control introduced by the Agricultural Marketing Acts in the early 1930s was explicitly designed to give farmers monopoly powers over the sale and disposal of their produce. The producers of each main commodity were permitted, on the decision of a two-thirds majority, to set up a Board which could obtain powers to reorganise distributive channels, limit production and dispose of surpluses, and regulate prices right down the line to the consumer himself. These enormous powers were rarely sought or used in full. Each Board's main aim was to increase and stabilise the price received by its producers, either by restricting production (as in the case of potatoes and hops) or else by controlling wholesale and retail prices (as was done with milk).

The Acts were passed at a time of considerable agricultural distress. Even so, their conferment of monopoly powers of restriction and sale on a single interested section of the community is impossible to justify. The only important safeguard which they left to the consumer was the existence of overseas competition, which was neither uniform (for it did not extend to all commodities) nor unlimited (for it was subject to increasingly severe import controls). At the outbreak of war, the English Marketing Boards were absorbed into the Ministry of Food—except for the Milk Marketing Board which acts largely as the Ministry's agent—and their more important powers are at present in abeyance.

The position of British agriculture has now changed so radically—for the better—that there can be no case whatever for reviving the Boards' powers. The chronic prewar excess of the supply of foodstuffs over the effective demand for them has been reversed with a vengeance—and, in this country, will stay reversed for a considerable time. But over and above this change in farming fortune is the fact that the Government, by guaranteeing prices and assuring permanent markets to farmers, has become the sole purchaser of three-quarters of farm output. As the Lucas committee points out, the taxpayer is "in effect" the purchaser of these commodities and he has to bear any loss arising from their sale and disposal. The National Farmers' Union argues that, having got their guarantee, the farmers' only interest in the matter is to reduce distributive margins and thus to establish their prosperity the more firmly; but this, if true, is beside the point. It would be, in the words of the committee, "utterly wrong," that any

sectional interest—however well intentioned—should exercise monopoly rights in the disposal of public property. The farmers would count themselves fortunate to have such an unprejudiced guarantee, instead of reaching for the moon.

But, more than this, the nation, having bought the farmers' produce has an imperative and inescapable interest in seeing that it is efficiently utilised. The scope for improving the efficiency of distributive channels, all the way down the long line from the farm gate to the consumers' larder, is as enormous as it is disturbing. The producer-controlled Marketing Boards did very little (considering their powers) to rationalise distributive channels—a fact which hardly helps their claim to do the job now. Since assuming control, the Ministry of Food has taken a few steps in the right direction—for instance, by concentrating the slaughtering of livestock in 800 in place of 16,000 establishments—but it has gone no further than the imperatives of wartime required. The picture of prewar conditions which Mr Thomas Shaw gave to the Lucas committee, under which the movement of cattle to the slaughter-house cost from 25s. to 30s. per head and a further 15s. per head was wasted in unused by-products, is by no means outdated. The marketing and slaughtering of livestock is a particularly black spot; but further down the line, in the wholesale and retail trades, there is equal waste and redundancy. The truth is that only the fringe of the whole marketing and distributive problem has so far been tackled.

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It is, however, of vital interest to taxpayer and consumer—who between them must foot the bill for this inefficiency—that it should be tackled speedily and effectively. The only question is who should act for them in this matter, and the obvious answer at first sight is the Minister of Food, who already supervises the entire chain of marketing and distribution. But the Lucas committee, very rightly, says not—for two potent reasons which have already been pointed out in these columns. In the first place, the Ministry of Food has been recruited largely from the distributive trades, and "inevitably it has become distributive minded." This is a fatal defect for the job in hand, which is already reflected in Ministerial policy. True, the composition of the Ministry might and should be changed—but it would be a difficult political operation. In any event, the second objection is decisive.

The marketing of the crops, meat and milk of Britain is a huge commercial undertaking, and the very nature of a Civil Service makes it unsuitable for the executive functions of commerce. . . . Enterprise and initiative entail willingness to risk mistakes. Civil Servants cannot afford to take these risks."

The solution propounded by the Lucas committee is to set up an appropriate number of Commodity Commissions, conceived along the lines of public utility corporations, which will act as the "business executives of the taxpayer." Each Commission's purpose will be to dispose of the produce which the nation has bought in the most profitable and efficient manner. To this end it will have complete powers of control. While it will be able to hold stocks and to operate transport and processing units, its aim may very well be best realised in most cases by the regulation, rather than by the actual ownership, of distributive channels. For instance, it might be best to specify the location and standards of equipment of abattoirs, while leaving their operation to private enterprise. These are matters which the Commission ought to be left free to decide for itself. It can be safely predicted, however, that a thorough

rationalisation of processing units and distributive channels will be found necessary; and some Commissions would probably find it advisable to test the efficiency of private enterprise by competing with it on equal terms.

These Commissions cannot, however, be exclusively concerned with saving the taxpayers' money. Their relations with the producer, on one side, and with the consumer, on the other, will be of prime importance. As regards the former, it is suggested that producer-elected Marketing Boards should not be wholly disbanded but should be allowed to control marketing channels down to the point of delivery at which the guaranteed price is payable. This is eminently sensible, for up to whatever delivery point is chosen, producers will have every incentive to keep down marketing costs which will have to be paid by them out of the guaranteed price. The global sum received by the producers of each commodity must continue to be settled annually by the Minister of Agriculture, but it clearly ought to be decided in consultation with the Commodity Commission concerned. Moreover the detailed split-up of this total sum, according to different grades of quality and to seasonal factors, is the legitimate responsibility of the Commission, who in this way could bring home to producers the preferences of consumers.

As regards the consumer, the Lucas committee assume that the Commodity Commissions will be selling their produce in an open, uncontrolled market in competition with overseas supplies. The trading deficit of the Commissions, which will be paid to them by the taxpayer, will therefore represent the total cost of subsidising British agriculture and will contain no element of consumer subsidy. If, however, it is desired to reduce the cost to the consumer of certain foods such as milk—as it almost certainly will be—then these subsidies should be paid and shown separately. This separation of producer and consumer subsidies is essential for measuring the economic

efficiency of British agriculture, and making appropriate adjustments in the aid given for each commodity.

The report of the Lucas committee does not give a complete blueprint of the future relations that should prevail between producer and distributor on one hand and consumer and taxpayer on the other. It suffers from large omissions in the field of policy—for instance, on co-ordination between home and imported supplies; and it speaks only in the barest outline of the technical problems of the reorganisation of distribution which must be faced. But its importance is that it does offer concrete remedies for a half-baked and economically vicious policy—or rather lack of policy—into which Britain has drifted as the result of war. At present, farmers are paid on a cost-plus basis for the food which they produce; and a long chain of distributors are paid on a cost-plus basis for the services which they (sometimes) render. The consumer, it is true, gets rationed foods cheap. But there is hardly a shred of competition left in the whole system, there is no market mechanism for translating the consumer's likes and aversions back to the producer or for limiting the taxpayer's liability in terms of his capacity to pay. The consumer is spoonfed and disregarded, the taxpayer is mulcted and ignored. The wheels turn primarily in the interests of producer and distributor.

It will not be easy to displace these beneficiaries of the system from their feather-bed. The probability is that the Lucas report will be ignored—whereas a satisfactory policy needs to be more, not less, radical than the report. For instance, instead of letting the members of the proposed Commodity Commissions be appointed jointly by the Ministry of Agriculture—the producers' Ministry—and the Ministry of Food—the distributors' Ministry—it would be best to give the Treasury some say in the matter. If the Treasury under Sir Stafford Cripps develops as is hoped, it might prove the right hammer for driving some economic sense into agricultural and food policies.

NOTES OF THE WEEK

The Royal Wedding

The ceremony of marriage at Westminster Abbey between Princess Elizabeth and Philip Mountbatten, now HRH the Duke of Edinburgh, has stood out, in its magnificence, in sharp contrast to the drab days of a November in which the cold winds have not all been of meteorological origin. The Royal Wedding has been an occasion.

The relation between the British Royal Family and the British peoples defies analysis. It is so much a compound of the real and the artificial and yet it is impossible to define accurately what is real and what is artificial. A King may see all and yet experience nothing of the things that are essentials in the lives of his subjects. He may understand much and yet know that in so many things he is condemned to be always a spectator. A ceremonial is built around him, in form one of obedience, in substance one of imprisonment. The tyranny of princes has been replaced by a tyranny of their peoples. And yet, in the case of Britain, these captive Kings have given their captors many gifts. They have, by their own initiative, helped and fostered activities that need encouragement from above if they are to achieve success. The foundation stones laid by the Kings of Britain are not only cold slabs entombed in public buildings. They have also become warm impulses that have energised many corners of public life.

A wedding is a very human experience, whatever the status of the man and woman concerned. It is that fact which underlay the response of British people to Thursday's ceremony, for in a sense marriage is the highest common denominator in the lives of King and Commoner. There both can talk the same language and meet over the same experiences. In the very real delight which this marriage has assured there is the emotion of loyalty to all that the Crown symbolises, of very natural concern over the personality of the future ruler of the Commonwealth, of gratitude for all that the Crown has done and, certainly not least, the emotion of good will that all men and women of sensibility feel towards two young people starting together on a relationship which can make

or mar their own private lives. When the bells have stopped ringing and the celebrations are over and the crowds are gone, one may hope that to the loyalty and affection which London and the whole Empire have been demonstrating there will be added an element of delicate consideration for that private life to which even Princesses and their consorts are entitled.

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Mr Dalton's Resignation

Mr Dalton's indiscretion on Budget Day last week, and his resignation from the Exchequer next day, form one of the most extraordinary episodes in the history of Parliament. Never before has anyone imagined that a Chancellor would give away his own Budget secrets. And rarely, if ever, before has a Minister been tumbled so suddenly from so high to so low. To wake up on Wednesday morning Chancellor of the Exchequer, secure in office, and to go to bed on Thursday evening a private citizen, is a remarkable performance. It is no wonder that many rumours were in circulation at the end of last week and that the ordinary man suspected something deeper behind a published story which seemed to be too egregious to be believed.

Actually, the simple explanation appears to be the whole explanation. Mr Dalton, keyed up for a great occasion, said too much to a friendly correspondent—a momentary example of badly suppressed inflation. The correspondent, trained to seize a "scoop" and knowing that the unwritten rules of the lobby permitted him to use anything that had not been specifically given him in confidence, telephoned it at once to his paper without stopping to reflect on what the consequences for the Chancellor would certainly be. And the newspaper, presumably not knowing where the report came from and treating it as one more intelligent anticipation, printed the report in an edition which was just ready to go out—with the result that the news was on sale half an hour before the Chancellor told the House of Commons.

No harm was done. But the indiscretion was nevertheless a

startling one, and Mr Dalton had no alternative but to tender his resignation. Nor had the Prime Minister any option but to accept it, so recently and emphatically has the House of Commons reaffirmed its condemnation of breaches of confidence. There is an authentic Greek touch about the inevitability with which, step by step, the initial fault leads to the final catastrophe. And Mr Dalton, by his Roman bearing in adversity, has earned a great deal of public sympathy. Nothing in his conduct of his office became him like the leaving of it. *The Economist* has never attempted to conceal its view that Mr Dalton has been the worst Chancellor of the Exchequer of modern times—that is, in respect of his major policies, for in some of the minor matters, such as university finance or the preservation of natural beauties, he has, as Mr G. M. Trevelyan has pointed out, set a high standard. His financial policies, however, in our view, have been disastrous and we would not have supposed, ten days ago, that there could be any circumstances in which his departure from office would not be an occasion for rejoicing. But in the face of so great a personal tragedy, we cannot cheer. On the contrary, we are sorry that Mr Dalton has had to resign and we trust that he will soon be restored to office—though not at the Treasury.

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Sir Stafford Cripps was the only possible choice to fill the vacancy. An article on a later page attempts to assess the likely consequences of the change on financial policy, and reaches the conclusion that, at least for the time being, they will be few. Sir Stafford is as much by temperament a deflationist as Mr Dalton is an inflationist, and in the long run this will have some effect. But it is very difficult for any sincere Socialist to go any further than an ineffective toying with the doctrine of disinflation, and still more difficult for him to convert his colleagues even if he could convince himself. Moreover, Sir Stafford will be aware of the mutterings against him in a party that likes neither austerity nor intellect, and will be anxious to go as slow as his temperament permits, at least until he has consolidated the position of great power at which he has arrived.

One great gain from his appointment to the Exchequer is that it has put an end to the pretence that financial policy can contract out of general economic policy. The central position of the Treasury in the British machinery of government has long been a stumbling block to those who want to achieve a properly coherent policy in economic affairs. The Treasury, as the senior department—senior not only in status, but also as having powers over the others—could not be subordinated to any save its own chiefs; but to put it in control of economic policy has hitherto seemed to mean running the risk of too narrowly budgetary an outlook on economic policy. The arrival at the Exchequer of Sir Stafford Cripps, with his economic, non-financial outlook, is from one point of view a satisfactory solution of the dilemma. But it has other disadvantages, since the Chancellor of the Exchequer carries a very heavy burden of duties both in the House of Commons and in his department.

There is really only one fully satisfactory solution, which has been proposed in these columns on more than one occasion in the past. This is that the office of First Lord of the Treasury should be detached from that of Prime Minister and occupied by Sir Stafford Cripps and by his successors in the role of chief economic minister. The Chancellor of the Exchequer could remain in the Cabinet, as does the President of the Board of Trade, but, like the President, he would be the lieutenant of the First Lord. This would achieve the three requirements—that financial and economic policy should be co-ordinated, that the Parliamentary and departmental duties of the Chancellor of the Exchequer should be adequately performed, and that the fullest use should be made, for the purposes of economic policy, of that primacy of the Treasury that has long been recognised to be vital for sound finance.

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The Budget Debate

If there were any who expected the new Chancellor of the Exchequer to foreshadow any divergence of policy from his predecessor, they must have been disappointed. Sir Stafford Cripps expressly made it clear to the House of Commons that he was in full agreement with Mr Dalton's proposals and almost went out of his way to defend the policy of cheap money from the charge of extending the inflationary gap. On the main issue raised by the debate, the reduction of Government expenditure by the cutting or abolition of the food subsidies, he was adamant, and he was content to confine the significance of the Budget to the wholly inadequate aim of making some immediate contribution to

the problem of decreasing inflationary tendencies. Indeed, his view of the nature of inflation was a trifle peculiar; he appeared to conceive it as being due, not to the existence of too much money, but rather to the incontinence of the holder, who spends on capital and consumer goods what he might be investing in national savings certificates. Nor can it be regarded as a very valuable contribution to the understanding of the present problem to declare that the inflationary tendency is largely in that area where the money is available for capital goods.

It is perhaps a little ungracious to criticise too meticulously a new Chancellor on his accession in such peculiar circumstances to a heritage not of his own making. But on both sides of the House there was an undercurrent of dissatisfaction, a feeling that the measures proposed were quite inadequate to counteract the existing inflationary pressure. This was expressed most strongly from the Labour benches by Mr Benson, who called for something far more drastic in the way of taxation, though not, of course, for any reduction in food subsidies. While there was thus general agreement that the inflationary gap needed closing there was no acceptance from the Labour side of the possibility that Labour could make any contribution to this vital object. Yet when account is taken of the redistribution of the national income involved by the present line of taxation, it is indeed hard to see where any Chancellor of the Exchequer is going to find the necessary means except by reducing substantially this item of public expenditure.

The White Paper on national income and expenditure 1938-46 (Cmd. 7099) shows that of the total of private incomes in 1945, at the disposal of individuals after deducting income and surtax at 1945-46 rates, over £5,000 million was accounted for by incomes below £500 a year and only £1,400 million by incomes above that level. There is little room for doubt whence a substantial proportion of the present excess of money chasing after the restricted supplies of goods is derived, or where the cut should be applied. The elimination of the food subsidies would, of course, entail, as Mr Thorneycroft recognised, an increase in the provision made at the bottom end of the income scale for old age pensions, sickness benefit and family allowances. But the amount involved would be comparatively small and it would render possible a sorely needed reduction in expenditure of close on £400 million, thus greatly reducing the manifold distortions exerted by the existing inflationary pressure on the whole economic system. Politically this might appear to be asking too much of a Government inevitably subjected to the paralysing influence of trade union dogmas, but the fact remains that unless something really drastic is done quickly to curb inflationary tendencies there is real danger that the whole mechanism of the measures elaborated during the war to protect the under-privileged may in the end break down.

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Marshall on Germany

The Harriman Committee having reported emphatically in favour of giving Germany a bigger role in the working of the European Recovery Plan, it was tactful of Mr Marshall on Tuesday to produce reassurances for France and other worried neighbours of Germany. He said he would work for an arrangement which would ensure the resources of the Ruhr being used for the benefit of Europe as a whole, and which would not leave them under the "exclusive control of any future German government." What exactly the Americans may have in mind is not clear; but they are aware that the French will not take very seriously the proffered forty-year pact against German aggression until its drafters suggest specific methods of supervising the processes and products of German industry. There are plenty of expert memoranda on the matter in the pigeon-holes of the British and French ministries, and it should be possible to get experts working on them without delay. So long as control is not seriously discussed on a practical basis, so long will some governments suspect that the main object of the Marshall Plan is to build western Germany into a political "third force" in the middle of Europe.

In this same Chicago speech Mr Marshall made far more direct replies to Russian attacks than he has ever done before, rebutting vigorously the charge that the United States has "an imperialist design, aggressive purposes and . . . a desire to provoke a third world war." And his brief analysis of the quarrel with Russia went straight to the roots: the British and the Americans, he said, were working for the recovery of western Europe—the Russians were not. Once, therefore, Europe had become "a solvent and vigorous community," one of the main bones of contention with Russia would have been removed. That is the sane way to look at the European Recovery Plan. But there remains one important thing to be done in the presentation of

the plan to the British public: that is to reveal with what reluctance and lack of expansive zeal American business men regard any suggestion that they will need to expand their productive capacity in order to feed the European markets. If big business imperialism lurks behind the plan it is a very timid monster.

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Ardennes Offensive?

That disorder and industrial strife would develop simultaneously and on parallel lines in France and Italy was to be expected, once the Zhdanov instructions had been read, digested and reproduced by the Communists of both countries. The battle is really to be fought over the Marshall Plan, but there is more than enough inequality, distress and bad feeding among Frenchmen and Italians to give it here and there the character of a genuine workers' revolt against the politicians. The winter of discontent has started and the battle may sway backward and forward for months. The prospects in Italy are examined by our Rome Correspondent in an article on page 844; in France the situation is just as complex and explosive.

The tragedy is that France had already a firm foothold on the slope towards recovery. It is that foothold which the Communists are now trying to cut away. When the French workers stay at work their productive effort is remarkable. In the Department of the Nord, for example, production in all the principal industries had come close to prewar levels, in spite of shortages of fuel, power, raw materials, labour and food. When strikes occur they seem to be due more to the effective discipline of the trade union leaders than to the will of the majority. The Socialists in the trade unions have failed in their first challenge to the Communists in the CGT, and in the past week Paris workers have been receiving copies of the resolutions passed by that body in favour of united action against all the Government policies—economic, social and foreign.

Faced with the threat of insurrection and discouraged by the intrigues of his own party's secretary, M. Ramadier has given up the attempt to strengthen his government and has resigned after ten months' gallant struggle. The men who might have helped him have shown just that factious spirit which General de Gaulle condemns, and M. Blum is left to create an interim government which may at least be able to instruct M. Bidault at the conference on Germany. A strong hand will be needed if the initiative in French politics is not to slip steadily towards General de Gaulle. It is to be hoped the Paris politicians understand that the Communists have begun their Ardennes offensive, that if it fails they will be far weaker than at any time since the war. It is more than doubtful whether the extremists could mobilise solid support from the workers; and if a general strike fails it cannot be tried again. Western Europe is passing into a most critical period. Sooner or later a test of strength had to come, in France as well as Italy; and the odds are that the Communists, in their nervous impatience, have chosen the wrong time and the wrong issue for the struggle.

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The Next Dominion

The Ceylon Independence Bill, before the House on Friday, is the climax of one of Britain's happier experiments in liberal imperialism. The needs of defence and safeguards for minorities have been nicely blended with the natural desire for independence of a hitherto subject people. From 1865, when Britain first encouraged the Ceylonese to develop their own local government, until 1946, when the Soulbury Commission laid down the basis for an autonomous constitution, there has been gradual progress towards complete independence. That Ceylon should now freely choose to remain within the Commonwealth is as much to the credit of Britain's careful guidance as it is to Ceylon's good sense.

The Soulbury constitution, embodied in an Order in Council of 1946, reserved the right for Britain to make laws for defence, external affairs and minorities. This right, unacceptable to Mr Senanayake, the Prime Minister, as incompatible with the offer of fully responsible self-government, will be abolished by the Bill. Instead Agreements have been made between Ceylon and the United Kingdom which provide for mutual defence and for co-operation in foreign affairs. There have been some difficulties over defence. The naval base at Trincomalee, and the air stations which were built on the islands during the war, form a unique strategic asset in the Indian Ocean. To leave the control of these bases to nothing more than a fairly loose Agreement would appear

to be irresponsible; but Ceylon's desire for protection, particularly from its nearest neighbour, is as strong as Britain's desire for strategic bases. So tighter control by Britain is thought unnecessary, and it will gain much prestige in Ceylonese eyes by leaving so much to mutual trust. For the same reason it is unlikely that the Ceylonese will amend the section of the Order in Council which prohibits discriminatory legislation against minorities. By far the largest minority in Ceylon are the Tamil Indians, who form about one-sixth of the island's population. The close bond between the Tamils and the south of India should be a sufficient guarantee that they will not be penalised.

The larger question—whether Ceylon is ripe for self-government, with one-third of its population still illiterate and liable to be swayed by irresponsible demagogues—is now academic. National pride has been aroused, and it was inevitable that the examples of India and Burma would affect Ceylon. All the Ceylonese are not politically conscious, but the virus of nationalism is potent and Britain could not have long withstood their demand for independence. The new Dominion will start off properly. The first Governor-General will come from Britain, and with the civil servants who have chosen—or been chosen—to stay on in office, it should be possible to guide Ceylon safely through the first difficult stages of self-government.

* * *

Coal Miners' Wage Increase

In any consideration of wage increases for miners there are only two questions which really matter. The first is will the increases help to raise output, either by encouraging the individual miners to work harder or by encouraging more men to enter the pits? The second is—how will the increase affect the price of coal, and through that the whole price structure of British industry? If the National Union of Mineworkers accept the Coal Board's offer of £5 15s. (instead of the present £5) for underground workers and £5 (instead of £4 10s.) for surface workers as the basic minimum wages, what answers can be expected to these two questions?

There is no doubt that the Coal Board's offer makes the best of a difficult situation. To refuse an increase might have resulted in disastrous stoppages, which, after the Grimethorpe losses, the nation can less than ever afford. And if the miners are to be treated as the elite of the industrial population there is nothing exaggeratedly unreasonable about a £5 10s. minimum. But it must be remembered that these wages are minima, and that the coal hewers at the face may be earning twice as much or more on piece-rates. It is on these men that the burden of increasing output falls, and they are mostly unaffected by the new offer. The increase will serve, therefore, to improve the wage position generally rather than to provide an incentive to output.

So far as recruitment is concerned, the higher minimum will do something to improve the attractiveness of the industry. At the present time this is extremely important, for the numbers in the mines, which rose steadily from 692,000 in January to 719,000 on August 2nd, have been falling ominously since. It is this situation which has forced the union to agree to admit 30,000 adult and 10,000 juvenile foreign workers during the next twelve months. With these, and a vigorous campaign for recruitment at home, it is hoped to make up the deficit, and higher minimum wages will play their part in this campaign.

On costs the position is more serious. No exact calculation of the costs of the increased minimum wages is available, but it is estimated that something between £12 million and £13 million will be required, costing about 1s. 4d. a ton. This is very unwelcome, coming as it does on top of the increases in coal prices announced by the Board last August. And even these did not take account of the overtime payments involved in the extra half-hour a day or Saturday working. Together these are likely to add a considerable extra burden on industry—not least on exports.

* * *

Will Output be Maintained?

That the miners can deliver the goods, if they set their hearts on it, is proved by the coal output figures for last week, and this improvement will be greeted with a sigh of relief by Cabinet Ministers, Coal Board and the country alike. It now looks as if the target of 200 million tons may, at least very nearly, be achieved. Last week when 4,258,200 tons were produced, not all the miners were yet working the longer week: the target will be achieved if 4,300,000 tons are produced each week until the end of the year. There is no doubt that the miners could achieve

the target very largely by a further drop in voluntary absenteeism which now stands at 5.96 per cent for face workers compared with 6.29 per cent a month ago. Output per man shift at the face is now at last back to—indeed, very slightly above—what it was at the outbreak of war, though still below the figures for 1935-37. This has enabled an increase to be made in the amount available for bunkering, with a small but appreciable saving in dollars, and it is understood that no more American coal will be imported by South Wales, which this year imported to the tune of over one and a half million dollars.

These are very properly matters for congratulation. But they are still very far from what is needed. As Mr Gaitskell pointed out, the target for next year must be 211 million tons if the very modest promises of coal exports under the Marshall plan are to be honoured, and this figure allows for very little improvement in the allocations for industrial and domestic users. There can be no relaxation of effort until output rises well over the 220 million ton mark.

While improvements in organisation and mechanisation can achieve these results in the long run, the immediate burden lies heavily on the miners' shoulders. It is interesting to observe that last week's output of 4,049,500 tons of deep mined coal is only 205,000 tons more than was achieved last May in the first flush of victory over the five-day week. Unless the extended week results in a sustained output well above the present level, it can be argued that the nation is paying heavily in overtime for very little more than the miners could produce in five days if the agreement were fully honoured. As it is, the extra hours may only result in greater absenteeism. It is for the miners to prove during the winter months that they can beat the five-day week agreement on its own conditions.

From Colliery to Como

It is understandable that British miners should hear with some suspicion reports that the real objective of their longer hours is to send coal out of Britain. The evidence that there is not yet enough coal in Britain is still more obvious than the political and economic benefit of exporting it to Europe. But it will be interesting to see what comes of the Italian suggestion that the reward for higher production should be a trip abroad. Three Italian Ministries have accepted in principle the idea that, for every 500,000 tons of coal allotted to Italy, 11,000 British miners and their wives would enjoy twelve days' free holiday on the Italian Riviera or by the lakes. They would be invited from areas and pits achieving high output, and would have their board, lodging, entertainment and travel inside Italy paid for by the *Compagnia Italiana di Turismo*. The scheme would be paid for out of the saving of roughly \$3 a ton which would result from Italy's buying British instead of American coal.

Before the war Italy imported 12 million tons of coal, the greater part (until Sanctions) from Britain. Mr Bevin, who might have held his cards for use in trade negotiations, gave Count Sforza during his recent visit to London a cautious undertaking that there would be some coal to spare next year. Count Sforza played back not only his travel invitation, but the suggestion that 5,000 miners from Sardinia and Sicily should work in British mines. It is known that the Mineworkers' Union would accept them, but it is not known whether Whitehall is yet giving serious thought to the friendly and imaginative invitation from Rome.

Anglo-Soviet Negotiations

The rather caustic comment made by *Pravda* last week-end on Mr Harold Wilson's statement that last summer's trade negotiations with Russia broke down because of Russia's insistence on payment in dollars was not very surprising. Admittedly the words Mr Wilson chose were apt to be misleading—to those who wanted to be misled. But neither was the *Pravda* version the complete story, although it is undoubtedly true that had Britain been able to guarantee export deliveries the negotiations would have had a greater chance of succeeding.

In the initial stages of the talks Russia, not wishing to hold sterling balances for any length of time, wanted a straightforward barter agreement. This was not possible, as Britain had no export control organisation. But when the possibility of converting currently earned sterling into dollars arose (after July 15th), the Russian authorities agreed to accept sterling in payment for their grain and timber. To the British Treasury, however, such purchases from Russia had to be considered as equivalent to dollar purchases, particularly as the type of goods Russia wanted from Britain, such as heavy electrical equipment, would not have been available for

export for three or four years. These payments in convertible sterling, when added to the financial concessions made to the Russians on their outstanding debt, made the cost of the Russian goods too high for Britain to pay. The Russian delegation, of course, objected to the inclusion of the financial concessions as part of the cost, and as neither side was prepared to give way, the talks were brought to an end.

The bitterness of *Pravda* may be due to the realisation that had the Russian Government reached an agreement last June, it would have been able to convert at least some of its currently earned sterling into dollars. In any future trade discussions between the two countries, sterling will have to be considered on its own value. Britain can hardly expect all countries to hold sterling indefinitely, in the hope that, at some future date, goods which these other countries want may be available for export. Bilateralism clearly aggravates Britain's trade problem, but if there is no alternative to it for the next two or three years, every effort should be made to make bilateralism work, including the guarantee of export delivery dates—a difficult but not impossible task.

The price which Britain would now have to pay for Russian wheat in any new agreement would be about \$3 a bushel, rather than the \$2.50 suggested last June. If both governments realise that they have lost rather than gained by not settling their differences last summer, conditions may be more propitious for another attempt—in spite of acid recrimination on both sides. But there will be little chance of success unless both Britain and Russia are willing to make substantial sacrifices. Britain must obviously be prepared to guarantee delivery of exports; Russia must be equally prepared not to exact the highest possible price for its goods.

Purse Strings of Uno

With the British opposing and the Americans agreeing, the General Assembly of Uno voted last week in favour of holding its next session in Europe. Whether the delegates will in fact be removed from the atmosphere of the Presidential elections is still not certain, because the increased budget appropriation has to be voted by a two-thirds majority. A session in Geneva would cost over \$1,860,000, in any other European capital nearly \$2,100,000; New York costs less than \$1,000,000. But the delegates have had in mind the more austere setting that Europe would provide and the savings to their pockets in dollars.

There is a lot to be said in favour of a move, but it is alarming to see Uno expenses liable to rise again. There is no doubt that Uno could be run with less money and more efficiency. The difference between its budget estimates for 1948 and those of the League for 1937 is startling even when the enormous rise in world prices is taken into account. The Secretary-General, Mr Trygve Lie, originally asked for a grand total of \$39,403,792, including the cost of the International Court of Justice, but excluding that of the specialised agencies. He has since agreed to reduce this by just over 20 per cent, and the Budget Committee have got it down to \$32½ million. The League estimates for 1937 amounted to about \$6,000,000, including the ILO.

The budgetary requirements of Uno are a reflection of its commitments and organisation. It has shown a rather frivolous tendency to undertake too many diverse commitments, to establish too many committees and commissions, and to translate all new work into requirements for extra staff, too often more distinguished by their number than by their quality. The staff of the League grew to about 700 after 20 years. After only two years the staff employed by Uno has risen to nearly 3,400, and next year a rise to over 4,000 is proposed. The total staff employed by the Department for Trusteeship and the Division of Information from Non-Self-Governing Territories reached 100 in 1947, and a rise to 143 is contemplated next year. The Mandates Division of the League, with more territories to look after, although admittedly fewer obligations, employed a total staff of nine, including secretarial staff. It spent about \$53,000 in 1937 as compared with a proposed budget for the present Trusteeship Department of nearly \$927,000.

One department of Uno upon which criticism has been concentrated is the Information Department, whose needs in 1948 amount to nearly \$4½ million. This department, with the aid of the press, films, the radio and exhibitions, carries on worldwide publicity in the best American style. Its printing costs in 1948 are estimated at \$538,000, while the League's information department was content to spend less than \$90,000 on printing publications and periodicals. Yet it is almost impossible for students of foreign affairs to get detailed summaries of what is said and done in Uno meetings.

No Nearer to Partition

The working group of the American, Russian, Canadian and Guatemalan delegates has submitted to the Assembly an agreed plan to execute the majority plan of the Special Committee on Palestine. This plan is meaningless unless the Assembly can devise a way of carrying it out. The direction in which that body is heading is not the fault of the British delegation, which has been ready with advice and information. There has been contact between British and American experts all through, and the Americans have been reminded persistently that partition has not yet been accepted by the Arabs. Our special correspondent in Palestine in fact reports that the Mufti is preparing to step over the borders from Syria as soon as possible, in order to declare non-recognition of, and armed resistance to, a United Nations regime of partition. He has been raising a good deal of money for arms purchase by voluntary taxation; in Palestine alone £22,000 had been raised by July, and more keeps coming in.

The attention paid by American statesmen to the Jewish vote is leading directly to a situation like that in Greece. It is easy to see the American, or United Nations, commission becoming an advisory mission to a Jewish government waging ineffective war against Arab guerillas maintained and directed from neighbouring countries. The Americans will find themselves once more in the position of directing the operations of non-American soldiers—with the additional inconvenience that the governments supporting the "rebels" will themselves be under American influence. The staffing of such a mission by Guatemalans or Brazilians might free the United States from embarrassment, but not from ultimate responsibility. An immediate victim of this refusal to face facts will be the United Nations partition scheme itself. The boundaries of the Jewish "state" will be not those the United Nations thinks just but those the Zionists can defend. These will be very much smaller than those so extravagantly drawn by the pro-Zionist majority of the Committee, and they will have to be continuous—or at any rate the areas they enclose will have to be connected by sea. So many Jews will be busy policing these zones, which are bound to contain many hostile Arabs, as well as manning their frontiers that, as was pointed out to Mr Ben Gurion at a recent Jewish meeting in Jerusalem, it is difficult to see who will be left over to maintain the economic life of the country.

Abdulla versus The Mufti

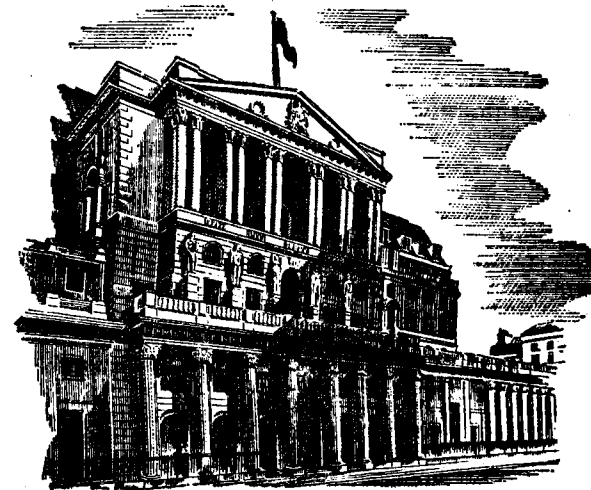
Meanwhile the Arabs are still comforting themselves with the delusion that the British are just playing a deep game and have no real intention of leaving them in the lurch. The big start already made with withdrawal has no results that are visible to the ordinary Arab. The Army's relinquishment of 200 buildings and camp sites, the reduction of forces in the same proportion as at home, the stoppage of recruiting to the British element of the Palestine Police, the failure of the Administration to issue a new budget—having been simply instructed to repeat last year's figures—and the cessation of work on all permanent military camps, such as Gaza—all this is less noticeable to Arabs than the return to Palestine of a few evacuated British wives.

Of crucial importance for the future of Arab resistance are the relations between King Abdulla of Transjordan and the Mufti. One half of the Arab Legion forms part of the British security forces in Palestine. If it is left behind when the British withdraw, even if it were ultimately to be deprived of its British officers and its British finance, it would not only involve King Abdulla in some responsibility for security in Palestine, but it would be a powerful instrument in support of his Greater Syria policy. Yet any attempt by King Abdulla to annex the purely Arab parts of Palestine to Transjordan would bring him into direct conflict with the Mufti. These are old enemies, and such an attempt would also be resisted by the great majority of Palestine Arabs, who do not like Abdulla, and would regard such a move as an appeasement of Zionism and a recognition of partition. King Abdulla is not noted for prudence; but he knows that his only hope of winning support among the Palestine Arabs is by helping them against Zionism. A successful action by the Arab Legion against the Zionists could make Abdulla a hero overnight.

It is by no means impossible that some working agreement on common action in Palestine might be reached between King Abdulla and the Mufti. The report that Suleiman Bey Tuqan, the Mayor of Nablus, leader of the only faction in Palestine which supports Abdulla, has visited the Mufti in Beirut, is therefore of some interest. There is still in Palestine a large block of Arabs who support neither the Mufti nor King Abdulla and who would much prefer a quiet life, and it is these whom America and the United Nations have done nothing to conciliate or encourage.

METAL WINDOWS

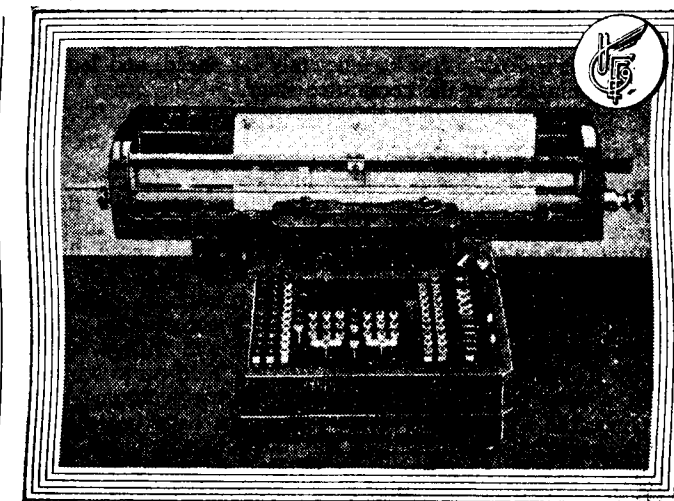
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The Exchequer and the Rates

Mr Aneurin Bevan outlined the three virtues of his Local Government Bill to the Commons at its second reading on Tuesday. It centralises valuation machinery, thus making it possible to estimate the true resources and needs of the different local authorities; it reduces the average level of rates throughout the country by the substantial sum of 2s. 8d. (on last year's figures); and, by substituting an Exchequer Equalisation Grant for the discarded Block Grant, it concentrates Government assistance where it is needed most—on the poorer authorities. This last point is convincingly illustrated by a statistical White Paper on the effects of the Bill (Cmd. 7253, HMSO, 3d.), which shows that 12 counties and 21 county boroughs get a net relief to the rates of over 5s., and that this gain rises to 13s. 6d. for the county of Cardigan and 15s. 8d. for the county borough of Merthyr Tydfil. Mr Bevan was able to tell Wales that it will be a major beneficiary.

Despite these admitted advantages contained in the Bill, the Opposition moved its rejection, mainly on the grounds that it did not provide local authorities with a sufficiently flexible source of income, and that its valuation proposals discriminate unfairly between different classes of householder. The first point is very pertinent. The White Paper's figures allow for the re-organisation of the health services, the transfer of out relief, and the recalculation of the education grant. But they ignore the rising expenditure which will fall on local authorities during the next decade under the Education Act, the Fire Services Act, and the National Assistance Bill. Experience suggests that the transfer of some services will lead local authorities to spend all the more lavishly on those developing social services which are left in their care. Therefore the national gain to the rates will probably be fairly quickly wiped out by new expenditure; and, when this point is reached, local authorities as a whole will suffer from the fact that the Exchequer aid which is freely at their disposal for general purposes (namely, the total sum payable in Equalisation Grants) will be a great deal less than in the old Block Grant days. Moreover it is interesting to note that, despite the general gain, five counties and eight county boroughs would suffer an actual loss, were this not made good by the payment of transitional grants which will last for five years only.

The Opposition's second criticism also has some weight—although precisely how much it is impossible to tell, until the practical differences in the new bases of valuation are made plain. The Bill has many good points and should certainly not be rejected; but it does not look sufficiently far ahead, and it needs careful examination at the committee stage.

* * *

Breakdown of Rationing?

Potato rationing has now been in force for a fortnight, and already there are all the familiar complaints that show that a rationing scheme is not working as it should. But this time the complaints are also symptoms of something far more fundamentally wrong with the rationing system in this country than has been the case hitherto. Until the last year or so, people on the whole approved of rationing. It ensured them a certain supply of the commodities they wanted. Rationing was trusted, and it worked. The continental black markets were held up to scorn.

With every new cut that has been made in British rations, however, since the war, the rationing regulations have become less and less respected. Quite simply, the rule is that rationing works only when there is enough to ration. When the guaranteed amount falls below a certain minimum, and people feel the pinch, then they will try to augment their supplies illegally, whether in the black market proper or not. The British people are no more moral in this respect than their continental neighbours. They have only been more fortunate because so far they have not been hungry.

This does not mean that the growth of the black market in this country can be regarded with equanimity. But what can be done to stop it? The Ministry of Food, which is the Department most concerned, unfortunately always gives the impression in public that it is quite complacent, whatever its private alarm. In a recent debate on the adjournment Dr Summerskill gave a quite inadequate and unconvincing answer to a member's charges about the illicit slaughtering of pigs. The trouble is that the present Government is so wedded to a policy of equal rations for all, even when, as is the case with bacon, there is virtually nothing to ration, that it cannot take the logical step of freeing such commodities from price control and rationing. Mr Bevan said last week-end, in one of his many excursions into food policy, that the one fundamental principle of the Labour Government was

share and share alike whatever was in the national larder. If that involves irksome rationing and things of that kind, I would rather

have irksome rationing than go through what . . . I witnessed at the end of World War I.

But this high-falutin' principle becomes ridiculous if, as a result of a too rigid adherence to it, more and more food is diverted to the black market so that the amount officially distributed gradually dwindles away. It is quite impossible to defeat the black market administratively. The only way to deal with it is to take away its *raison d'être*. If the Government would confine its rationing system to commodities which, though in short supply, nevertheless can provide an adequate basic ration—bread and sugar are examples—and free others from all control, it would find its task made easier. Which does it prefer? That the weekly bacon rasher should remain as a symbol of equality, or that the law should once more be brought into respect?

* * *

World Court Without Work

The United Nations Assembly on November 14th passed by 46 votes to 6 a recommendation that all organs of Uno should make much more use of the International Court of Justice, and in particular that it should be asked to interpret disputed clauses of the Charter. This movement towards providing Uno's constitution with a means of interpretation other than the arbitrary political decision by the organ concerned has arisen from a succession of disagreements over the extent of jurisdiction of the Security Council, Trusteeship Council and Assembly, and most recently from the Russian denunciation of the newly created "Little Assembly" as a body illegal under the Charter. While challenging the action of the Assembly on constitutional grounds, the Russian delegation nevertheless rejected the proposal to refer the question to the International Court for a judicial ruling. The Russian contention is that, although the Court is authorised by its own statutes and by the Uno Charter to interpret treaties, it is not specifically authorised to interpret the Charter itself, and reference to it would therefore be a "revision" of the Charter.

At present the question of reference to the Court is still yet another cause of dispute between the Uno majority and the Russian bloc, and if the latter refuse to accept judicial decision, it can hardly be an effective method of settling other disputes about jurisdiction. There is much to be said in principle for such reference, and it is a great pity that it was not clearly provided for in the Charter. It is naturally a principle that appeals more strongly to nations accustomed to the theory and practice of an independent judiciary than to nations which regard courts of law merely as branches of the executive power. But even with such profound differences of attitude, there might be a general willingness to give more scope to the International Court if it had acquired a high prestige as a judicial body. Unfortunately its dilatory and ineffective procedure, as shown by its failure even to fix a date for the hearing of the Corfu Channel case, brought before it early in May, holds out little hope that, as at present constituted, it can give much help in unravelling the tangles of Uno's own law.

* * *

Freedom of the Press

It is over a hundred years, according to counsel for the defence in the Caunt case, since an editor was prosecuted for seditious libel, and the long period of immunity in itself perhaps explains why the editor of the *Morecambe and Heysham Visitor* was acquitted within fifteen minutes. During this time the principle of the freedom of the press has become firmly established as one of the essential freedoms of a democratic state. "Nothing," said Mr Justice Birkett, "should be done in this court to destroy or to weaken the liberty of the press." What the jury had to decide was whether it was proved beyond all reasonable doubt that Mr Caunt published his article on the Jews

with the intention of promoting violence by stirring up hostility and ill-will between different classes of His Majesty's subjects.

In the light of this summing-up, the jury's verdict was a foregone conclusion. But right though the verdict was, and pleasant though it was to read of the principle of the freedom of the press being so firmly upheld in the courts, there is no doubt that the prosecution was equally right to bring the action. Mr Caunt was not guilty of that anachronism called seditious libel. But out of his own mouth he was convicted of being grossly offensive, primarily towards the Jews, but also to everyone who thinks that the anti-Semitism which is spreading in this country is a blot on its reputation and who holds that the freedom of the press is a privilege which entails responsibilities, not a cloak to conceal all manner of abuse. It is well that the people of this country should have heard of Mr Caunt. But neither the case, nor his gloating, in the name of freedom, over his acquittal is likely to enhance his editorial reputation.

Letters to the Editor

Austria Between Two Plans

SIR,—I consider the article in your issue of October 18th to contain several grave misrepresentations of the facts which I should like to attempt to correct.

The first concerns foreign trade. Your correspondent implies throughout, and states explicitly once, that the present Austrian Government has made no effort to establish trading relations with the countries of Eastern Europe, but on the contrary has, for political reasons, deliberately opposed such trade, and has attempted to divert Austria's foreign trade exclusively to the West. This statement is quite untrue. The Federal Government has made continuous efforts to expand Austria's trade in every direction; but until recently its main successes have been in the West. The reasons are fairly clear. Austria's needs are primarily for fuel, food and industrial raw materials. Eastern Europe, which before 1938 accounted for about half Austria's imports, supplied chiefly coal, food, live animals and fodder, against Austrian exports of mainly manufactured goods. At present the East European countries have food problems of their own, and little agricultural produce is available for export. Until a few months ago there was also insufficient coal because of the reduced output of the Czech mines and the increased European demand for coal, but Austria now has a trade agreement with Poland by which approximately 85,000 tons of coal a month are being imported, and largely paid for in dollars out of an American loan made for this purpose. Trade with Hungary is restricted by the fact that Hungary is not able to offer the commodities which Austria needs, and also that Austrian railway wagons engaged in this trade seldom return from Hungary.

A universal limiting factor is Austria's shortage of goods to export in exchange, but whereas a number of the "Western" countries have allowed credits, the Eastern countries have on the whole been unable or unwilling to do so. It should also not be forgotten that trade agreements in Eastern Europe often have long, very long, political strings attached to them, and this makes negotiations more difficult and protracted than they might otherwise be. When all these obstacles to normal trade are taken into account it is encouraging to observe that in July, 1947, Austria's trade with the East European countries (Poland, Czechoslovakia, Hungary, Bulgaria, Yugoslavia, Rumania) amounted to 24 per cent of total exports and 37 per cent of total imports.

The second point from which misunderstanding may arise is that concerning the effectiveness of controls in Austria. The impression is given that the economic controls are failing to work largely because unscrupulous business men either sell their products on the black market, or sell them abroad and fail to surrender the foreign exchange proceeds. But that is only part of the truth. One of the chief factors in preventing effective control and distribution by the Federal Government is that more than 200 concerns claimed by the Soviet authorities as German assets are working under Soviet control with complete disregard for Austrian law. The products of these firms are placed at the disposal of the Government either not at all, or in totally inadequate quantities. A considerable part of the output is exported without the knowledge of the Austrian authorities, and Austria receives neither goods nor foreign exchange in return, and another part finds its way on to the black market. If the Federal Government's powers extended over the whole of Austria's economic life, it could be more legitimately blamed for the deficiencies which undoubtedly exist.—Yours faithfully,

T. B. BOTTOMORE

Vienna

Crisis of Leadership

SIR,—A leading article in your issue of October 11th conveys an impression of the American constitutional system which I have previously noticed on a number of occasions in your columns. Your article says:

Yet the most tragic element in the whole tragic picture is the fact that it is perhaps inevitable. The American people, to meet this crisis, are being asked to behave in peace, in an abundant, an incredibly abundant peace, as nations have hitherto only behaved in war. Moreover, their political system, based upon a Constitution whose professed purpose is to prevent action, is designed at every point to favour the laggards, and the "do-nothings" and to frustrate the responsible few.

It seems an over-simplification, to say the least, to assert that

the American constitution's professed purpose is to prevent action—to favour the "do-nothings." After all, much has been accomplished under our Constitution in its 170 years. It is true that the basic philosophy of our Constitution is quite different from that of Great Britain's. Yours makes the immediate will of the people practically supreme—ours is designed to protect the individual from tyranny on the part of his government, to protect the minority from the arbitrary exercise of authority by the majority. In other words, a system of checks and balances.

In setting up these checks for the protection of the individual the Constitutional Convention undoubtedly sacrificed some mobility of action, but history has shown that the price paid was worth while. Our founders recognised that a pure democracy easily becomes a government by the mob, and they were determined to prevent this. The fact that the political and personal liberties of Englishmen were so well preserved for centuries is a tribute to the political intelligence of the British—not to the protection of the British Constitution. The curtailment of personal liberty which exists presently in England could not be brought about in peace time under our Constitution.

Let us not forget that in framing the American Constitution our founders were familiar with British constitutional practice, and when they deliberately departed from it, they had sound reasons to believe that the United States would best be served by a somewhat different system. Who can say in the light of history that they were wrong? The fundamental difference in our constitutional concepts seems to be misunderstood in Great Britain with such frequency that I trust these words of explanation may not be considered too elementary.—Yours faithfully,

JAMES H. SHEPPARD

Federal Square Buildings, Grand Rapids, USA

Should Electricity be Taxed?

SIR,—I very much doubt whether the writer of your article of November 1st would agree that his argument regarding a suitable provision for depreciation could be pushed to the point suggested by Mr Moon.

Your writer's contention was, reasonably enough, that prevailing load factors indicate that generating plant is being put to such intensive use that its effective lifetime is shortened, and that there-

From The Economist of 1847

November 20, 1847

The death of the venerable Archbishop of York has led to the translation of Dr Musgrave, Bishop of Hereford, to the archiepiscopal see, and to the promotion of Dr Hampden to be Bishop of Hereford. As usual, in all such cases, the number of disappointed aspirants for preferment far exceeds the number gratified . . . in the Church, a complete mutiny we are told is likely to ensue amongst the followers of the aspiring dignitaries who have not been made either bishop or archbishop. *The Times*—that monster of a journal—the organ of every interest—which speaks now for the ministers and now against them—which speaks for the army and navy—speaks for the monied interest—for the Irish Protestant Church and the Catholic people—for the whole body of paupers and their medical attendants, all over the world—*The Times* has spoken on this occasion for the disappointed bishops, deans, and heads of houses and their followers, for all the Puseyites, and all the strict theologians, and informs the community what it is to expect should Lord John Russell persevere in making Dr Hampden Bishop of Hereford.

. . . the English Church exists only by the law. It departed too far from the traditions of the Old Church not to break its hold of antiquity, and it did not go far enough with modern knowledge to grapple itself fast and firm on the minds of these generations . . . Let it enter fairly and manfully into a contest with the reason of the community for that supremacy it claims; let it stand forth, not as an auxiliary to the State, in which character it is now supported . . . but as a great spiritual power destined to put down other powers, as of darkness and evil, and to rule over the world. Then it will be right that the clergy should choose their own chiefs, and that they should elevate to the highest posts the most able and most ambitious of their great men . . .

fore existing rates of depreciation, which are based on a longer lifetime, should be correspondingly increased. Failure to do this, as he correctly points out, is sheer capital consumption.

Mr Moon goes much further, however, when he suggests that the depreciation provided should be based on the enhanced replacement cost. While it is a fact that the industry has to face enhanced replacement costs, it must not be overlooked that this same price trend has substantially increased the value of the industry's existing plant.

I submit that both aspects must be considered when determining depreciation policy; by all means provide for deferred repairs and abnormal depreciation (on installed value basis) which arise from the exceptionally high load factor. Regarding enhanced depreciation on plant installed at postwar costs, let this be met when it is actually incurred—i.e., when the plant is installed.

When it is considered that an undertaking's plant (including transmission/distribution) has lifetimes up to 50 years it will be seen that no violent fluctuations will be involved. The transition to the enhanced depreciation charges will take place gradually over an extended period, as and when the replacement items of plant at the higher prices gradually accumulate on the capital account.—Yours faithfully,

E. J. CARROLL

Grove Avenue, Blackrock, Dublin

Local Financial Reform

SIR,—In a pamphlet written two years ago I suggested cutting the Gordian knot of housing valuation by fixing a single, arbitrary value for all houses of working or lower middle class type—roughly, say, those with a true gross annual value in 1938 of

£40 or less, discounting the effects of under-valuation. To secure approximately the same results as the proposals in the Local Government Bill, the single standard gross value would, I suppose, have to be approximately £20-25, giving a true net value of £14-18. But I have not attempted to work out a precise figure. It would be necessary to revise the statutory deductions from gross value in the case of bigger houses so as to avoid an awkward gap in assessments and ensure a smooth transition.

The effect of this suggestion would be to secure more complete national uniformity of valuation, and a fairer basis for the new grant system, than is possible under the Local Government Bill's proposals; to recognise, as these proposals do, the fact that house rents had largely ceased even before the war to be correlated with tenants' incomes; to eliminate the discrimination of the rating system against new and better housing, which the Bill to some extent preserves; to prevent, unlike the Bill, any further increase, through the demolition of old and substitution of new and better houses, in the proportion of rateable value contributed by small householders; and, like the Bill, to meet Lady Simon's point that rising house rents should not be allowed to reflect themselves in a rapid rise of the rateable value of small houses relative to other property. In many of these respects the fixing of a single standard value would clearly be preferable to the Bill's proposals. And in addition—particularly important in the immediate future—it would reduce the valuation of small houses to an almost mechanical routine, and so help to bypass the shortage of valuers. And would it be more arbitrary, or a greater breach with the past, than what is proposed in the Bill?—Yours faithfully,

M. P. FOGARTY

Nuffield College, Oxford

Books and Publications

The Hot Air Arm

"Comes the Reckoning." By Sir Robert Bruce Lockhart, K.C.M.G. Putnam. 18s.

A BOOK called "Secrets of Bush House" has yet to be written and the balance-sheet of British propaganda during the war has still to be drawn up. Sir Robert Bruce Lockhart's book lays the foundations for both, and it is to be hoped that those who come after him will build up their stories with the discretion and skill that he has shown. Few of them will have his journalistic skill, and none of them his direct insight into the struggle between propaganda and policy which went on between Whitehall and the Political Warfare Executive at Bush House.

Many new and important discoveries were made between 1943 and 1945 about the part that wireless and press propaganda can play in support of military operations. There had to be much prising and pushing by the propagandists—the Americans called them psychological warriors—before the Services would give access to the information and plans without which major blunders might be made and great opportunities missed. In fact, it was not until SHAEF was formed that the right relationship between operations and political warfare was found. In establishing this

relationship Sir Robert played a wise and mediatory role as Director-General of the Political Warfare Executive, grooming his civilian experts for their encounters with permanent officials, separating the ideal from the possible and gradually leading his department away from the reputation for irresponsibility and ineffectiveness which it had in the first two years of the war. "The hot air arm" he called it, in a lecture to a critical Service audience in the early days; it had become far more than this by 1944, and had seized and held the initiative in leaflet dropping, broadcasting and deception of the enemy.

Political warfare had to comment on and present the news of the war hour by hour. So the author was constantly in touch with the men in charge: with Mr Eden and Mr Bracken, with the chiefs of staff and such personalities as Air Marshal Harris and General Eisenhower. With skill he covers the whole development of the war, from 1941 onwards, recapturing the mood of the times and passing on at least a score of first-rate stories. With his special knowledge of Russia and the Czechs, he was constantly occupied with the problem of Anglo-Russian relations after the war, and worried by the refusal of the Foreign Office to face early and frankly what the presence of victorious Russia in Eastern Europe would mean.

This book has most of the ingredients which make the author's earlier work last so well; but it is a pity that he has not delivered a fuller and firmer judgment on the part that political warfare, in its open and secret forms, can play alongside the Services. If war should come again, it looks as if his battle with Whitehall will have to be fought over again, with less time to spare.

Elementary Economics

"Explaining Economics." By Gertrude Williams. B.C.A. 56 pages. 2s.

"Elements of Economics." By Edmund Whittaker. Longmans. 392 pages. 18s. 6d.

No strict comparison is, of course, possible between a fifty-six page pamphlet and a substantial textbook of nearly eight times that length; but the methods followed by Mr Whittaker and Mrs Williams are both sufficiently alike and sufficiently divergent to make juxtaposition interesting. Both are the fruit of practical experience in the teaching of beginners. Both are designed for use by the independent student, though Mr Whittaker's *Elements* is also unmistakably a teacher's standby, while Mrs Williams serves the tutorial discussion class; both keep much closer to brass tacks, to the contemporary workaday world, than do the general run of their rivals: each is, in its kind, extremely good,

displaying a really remarkable knack for reducing complexity to its basic essentials.

It is hard to imagine any English teacher or student taking the American Mr Whittaker as a standard textbook. Unfamiliarity of examples and of practical terminology is a disadvantage not easily outweighed, and there are no charms of style to set in the balance. But both—particularly the latter—could gain from it useful ideas concerning processes of thought and methods of presentation. All through, Mr Whittaker asks himself, and encourages his readers to ask themselves, "On what problems of business or of government policy does this bit of theory have a bearing?" and his suggested "exercises" for students consist, as often as not, in such activities as calling at the local bank and asking for a copy of its balance sheet, or at the nearest trade union "local" (i.e., Lodge) for permission to see a list of its rules, and then comparing the information thus gained with the textbook account of banking practice and the influences affecting wages. This is typically American, and could hardly be bettered as a means to the attainment of that working minimum of economic understanding required by the informed citizen.

Mrs Williams has no space for this sort of thing, any more than she has for the traditional textbook apparatus of demand and supply curves. She devotes four lively pages to the "placing" of economics in the sphere of human activities; seven to the comparison of price economy and planned economy; six to the structure of industry; five to competition and monopoly; eight to fluctuations (significantly, this is in proportion six times the space allotted by Mr Whittaker and introduces, as the *Elements* does not, the rudiments of Keynes); seven to money; five to foreign trade; five to the distribution of income; and these, with a little introductory matter and some light-hearted illustrations, make her book a *tour de force*, all the more astonishing because it passes so triumphantly that test appropriate to all elementary statements—How much will the reader have to unlearn? It is a pity that *Explaining Economics* is even less likely than Mr Whittaker's *Elements* to get a transatlantic circulation.

The Far East

"The Expansion of Europe in the Far East." By Sir John Pratt. Sylvan Press. 218 pages. 10s. 6d.

SIR JOHN PRATT'S latest book is based upon lectures given at Cambridge, and bears some trace of having been written to a plan not altogether of the author's own making. The first four chapters deal with the impact of the West upon Chinese society in general, and in particular with the history of China's relations with the European powers until about the year 1860. This is by far the more interesting half of the work, since Sir John Pratt's long personal experience of Chinese conditions and his deep sympathy for so many sides of Chinese culture make it much more than the conventional narrative of fairly familiar events. The last five chapters deal on more conventional lines, with the international relations of the Powers concerned with China, from the time when Russia and Japan became actively concerned with its affairs to the Yalta conference.

In these later chapters, Sir John has more than one axe to grind, and he hardly allows himself the elbow room for the job. He is particularly concerned to deplore Great Britain's share in assisting the rise of Japan—he dislikes Japan as much as he likes China which is saying a good deal—and traces many subsequent misfortunes to our abandonment of "splendid isola-

tion" in favour of the Anglo-Japanese alliance and the Ententes with France and Russia. It would appear that the reader is intended to draw a contemporary moral from this, but apart from references to the views of Mr E. H. Carr, the exact prescription is hardly made clear. It is obvious that no clear view of British foreign policy as a whole can be derived from an exclusive concentration upon its Far Eastern aspects, and the attempt to deal with the problem makes necessary a telescoping of the narrative which leads to occasional distortion.

A great deal of the weight in the second half of the book falls upon the question of Soviet and Communist influence in China, and Sir John has certainly managed to give an unusually balanced picture without concealing his own sympathies. So much thinking about Chinese affairs has been coloured by American writings with their often naïve enthusiasms for Chiang Kai-shek, or for the Chinese Communists, that it is useful to have an account of the latter which stresses the irrelevance of their strictly local experiments in government to the wider problems of governing China as a whole. But it is to be regretted that throughout the later chapters Sir John abandons the analytical tone of the early part of the book in favour of straight diplomatic history.

The Red Archer

Let Cowards Flinch, The Turnstile Press proclaimed; Who reads may see his country's fate in verse. All bourgeois hopes by Jacobins defamed And Dalton's fingers fumbling at the purse; By Attlee's frown, both Press and Peers entamed And War and Power bartered for the tinker's curse. Brushed by Vicky, penned by Sagittarius, Price shillings six, at bookshops various.

Such was the fear, in summer forty-five; The answer's changed by autumn forty-seven. Grim was it in that dawn to be alive; To live today is still some way from Heaven. But now we see that Labour leaders strive To inflate their cake and yet use no red leaven. Economists are free to watch their own confections; For those in power, the municipal elections.

Shorter Notice

"Commonwealth Bank of Australia in the Second World War." John Sands Pty., Limited, Sydney. 330 pages. 10s. 6d.

THE policy of secrecy pursued by the Bank of England contrasts sharply with the policy which led to the production of this volume by another sterling area central bank. The Commonwealth Bank has, not, indeed, revealed any substantial amount of information, hitherto undisclosed, which can be regarded as of first-rate economic importance; but it has, at least, produced a clear and readable account of its wartime activities which is well worthy of imitation elsewhere. It is understood, moreover, that a (presumably more technical) account of the development of the bank's functions and policy over a longer period is in course of preparation.

The four main wartime activities dealt with in this book are the exchange control, the mobilisation of gold, loan-raising and commodity finance. The treatment of all these subjects (as well as of the others, of less general interest outside Australia, which come under review) is straightforward, with a minimum of statistical analysis; and the whole book might well be recommended as introductory reading to anyone anxious to form an idea of the financial tasks which fall upon a Central Bank in war.

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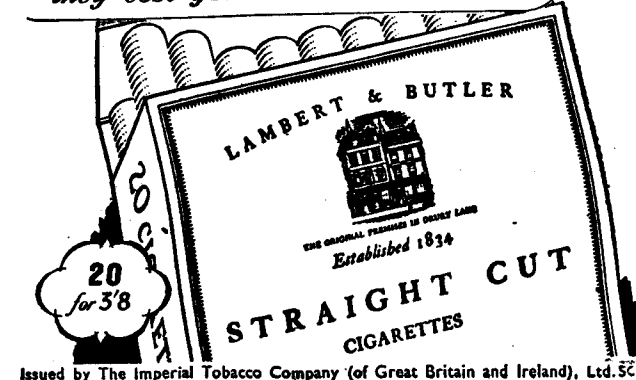
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AMERICAN SURVEY

Flesh on the Bones

(From Our US Editorial Staff)

THE publication of the Harriman Committee's Report, Mr Marshall's statement to the Committees of Congress and the questioning of officials during the Committee hearings give the first clear indication of the Administration's plans for the European Recovery Programme and the directions from which criticism and possible amendment will come. There is almost unanimous "agreement in principle." It is as easy to find a Congressman opposed to virtue as one opposed to the Marshall Plan. But there are, to use the fashionable jargon of official Washington, differing "orders of magnitude" within the approval. There are also many disagreements about how the programme should be carried out.

There is little point in arguing about the estimates of cost of the full four-year plan. The Harriman Committee's guess of \$12 to \$17 billion and the State Department's of \$16 to \$20 billion were made reluctantly and with no certainty that the margin of error was wide enough. They will be forgotten long before the third year's appropriation comes up for discussion. The biggest criticism of the Paris report made by the Herter Committee is that, when instructed to plan for self-sufficiency within four years, the Paris Conference was given an impossible task and was forced to produce unrealistic figures. If Western Europe can be shown to be recovering under the impetus of American help the necessary funds will be found to carry on. Ceilings, either on time or money, set in 1947, will not be allowed to interfere.

It is the first year's appropriations that will be carefully scrutinised. The reduction (on comparable assumptions) in the Harriman Committee's estimate of \$1.98 billion from the Paris figure was made up of two elements. The first—and larger—was a saving on materials which would certainly not be available. The most important shortages will be in grains, in scrap and semi-finished steel and in fertilisers. The second element was the purchases that the European nations proposed to make from outside the United States. The report made it quite clear that a considerable part of the European deficit would have to be financed by the United States but it carefully refrained from suggesting how much, not wanting to tie the hands of the Administration's bargainers. To the extent that other Western Hemisphere countries can be persuaded to carry some of the load themselves, the gap between Paris requirements and American appropriations will be narrowed.

Over the problem of the first year's appropriations there hang, at present, two shadows. One—and the more dangerous—is the drought in the winter wheat belt. This, more than any other factor, has been responsible for Mr Herter's doubts about the feasibility of meeting the State Department's estimates. After seeing Europe and sensing its crisis, he is terrified of raising hopes which a bad harvest may destroy. On November 14th, after he had given evidence, rain came to the drought area and more is expected in the next few days. If enough comes within two weeks, the crop will be saved from disaster but after December 1st, no amount of moisture can help.

The second shadow is thrown by the Presidential election, but takes the shape, on the ground, of Senator Taft, who, after

skilfully lulling the State Department, by his earlier pronouncements, into the belief that he would be no obstacle, suddenly turned and announced that he would vote against providing the sum they asked. His opposition is probably genuine, as he has consistently proved himself able to swallow gnats while straining at camels. The Senator has had a very bad press, even in papers from which he expects political support. It appears, at the moment, that he is, as so often before, a political salmon, swimming against the current. But this is also a habit of the Republican National Committee, on which he must depend for nomination next year.

At present there is no tendency to consider his opposition dangerous. His economic ideas, it is pointed out, have always been "Too little and too late," while his political support is "Too little and too early." But, with Governor Stassen backing the Administration's dollar estimates and Governor Dewey at last giving his blessing to the Marshall Plan, Senator Taft is well placed to win the support of the isolationists—now hiding in the undergrowth of generalities, but ready to jump out and shout "Boo" to a billion. Their tactics will be to try to trade time for money and allow the Bill to pass quickly in return for reduced appropriations. With one, or possibly two, exceptions, the Senate Foreign Relations Committee shows no signs of being prepared to make this kind of compromise.

The Interim Aid Bill will certainly pass quickly and with little opposition. None of the controversial policy decisions have to be debated in considering it. But there will be long discussion, when the full European Recovery Programme comes to the floor, of the methods of administering it and the form of agreement to be signed with the participating countries. The State Department is fighting desperately to keep control and even relinquished to the War Department its claims to the government of Germany in order to husband its manpower resources for the larger task. Mr Marshall reminded the Committees, when talking of managing the programme, of "several important principles which should determine the nature" of the organisation set up to administer it. The operation of the programme will, in many ways, he said, "define and express the foreign policy of the United States." The inference was obvious but it is not at all certain that he will win his point. Many of the Congressmen who visited Europe this summer were unimpressed by the staffs of their Embassies and would prefer to see separate missions in the sixteen countries reporting direct to the new organisation in Washington, which they hope will be business-like rather than bureaucratic. The Herter Committee has recommended a corporation with a board of directors drawn from both parties, but this idea is generally thought too cumbersome. It is likely that a single individual will hold complete responsibility, but there is considerable doubt whether he will be the Secretary of State.

The problem of whether to sign sixteen bilateral agreements or one multilateral one will also be argued at length. Mr John Foster Dulles, when giving evidence, said "that the basic idea should not be the rebuilding of prewar Europe, but the building of a new Europe, which, more unified, will be a better Europe." This is the hope of many in Congress, who, torn between the desire to encourage the integration of the economies of the sixteen countries and the fear of charges of imperialist interference, see the signing of one agreement as a means of keeping Western Europe together. It is unfortunate that, at this moment, the vanity and isolationism of British policy should be

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

fighting against the idea of a multilateral agreement and in favour of bilateral ones. If the Foreign Office's hope is that, being not as other men are, they will get easier terms than countries with unbalanced budgets and flagrant black markets, they are wrong. Controls are likely to be in direct relation to the amount of aid, in which case Britain will be more supervised than nations in better financial circumstances.

After their experience with the Committees, the weary and devoted men in the Administration who have worked on the preparation of the programme must feel heartened. Many of the objections they expected have not been raised; many of the difficulties they foresaw have disappeared. Realising the seriousness and sympathy with which their case is being accepted by Senator Vandenberg, Mr Eaton and the other Republicans on the Committees, they have changed their decision to keep the long-term Bill until the regular session in January. The legislation for the European Recovery Programme will be presented to the Special Session as soon as it can be made ready.

American Notes

Truman Proposes

It is a measure of American changes over the past year that Mr Truman, who last November hastily liquidated price controls as the election returns came in, should have made the revival of controls the central feature of his message to the special session of Congress. The country, the crisis and the President himself have changed beyond all recognition when Mr Truman feels it may serve a useful purpose to ask a Republican Congress to approve all that it was elected to oppose. The programme he proposes includes not only such measures as credit controls, regulation of commodity trading, export controls and allocation of transport and of scarce commodities, all of which have been made familiar in recent months by the reports from the President's advisers, but a demand for authority, when it is necessary, to impose consumer rationing and price control on selected products, to strengthen and extend rent control and to re-impose wage ceilings. Among those most surprised must be Mr Truman himself, who recently, in dilating upon the advantages of voluntary food conservation, incautiously called rationing and price-control "police-state methods." To the anti-inflationary programme must be added the President's insistence that the Marshall Plan should be financed out of current revenues, thus leaving little scope for tax reduction.

The President has chosen to grasp the nettle firmly and to do battle on the very ground selected by Senator Taft, the only vocal opponent of the Marshall Plan. Last week in New York the Senator reiterated:

If we want the Marshall Plan we cannot have lower prices. If we want lower prices, we have to give up the Marshall Plan. . . . I would regard the return of price control in peace time as a major calamity to the United States which no probable Marshall Plan benefit can justify. Consumer rationing is only one degree less objectionable.

It is, however, something of a stage battle. Mr Truman may simply calculate that proposals for rationing and price-control will deflect the lightning from the less controversial parts of his programme. He knows that a Republican Congress is unlikely to accept, in the cause of foreign aid, the domestic remedies it repudiated last autumn.

It is the President's good fortune, which the Republicans will not overlook, that in this case the measures to meet the emergency are also good party doctrine. Runaway prices were second only to the Taft-Hartley Act as a cause of concern at the two Labour Conventions, and the CIO, though not the AFL, demanded a return to rationing and price-control. White-collar groups feel the pinch even more keenly. Wage-controls, which the President was careful to say would not be invoked frequently and which would not exclude gains based on increased productivity, will not alarm the unions unduly.

More than that, both parties appreciate that the cost of living may be the decisive issue in the Presidential campaign next year. If the Republicans refuse the President the powers he asks, the Democrats will be certain to pin the responsibility squarely on Congress. The Republicans resent both what they will regard as the shot-gun marriage between foreign aid and domestic price-control and the sensation of being outmanoeuvred. There is no reason to expect delay in the interim aid programme. But when

the Marshall Plan is debated, this may prove to be a case where the perfect is the enemy of the good.

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Against Inflation

The inflationary price pattern, detailed at some length by President Truman in his speech to Congress, has now reached a point where quite stringent control measures secure the verbal support of a widespread public—right through from Federal advisers, banking officials, and industrialists, down to the lowest income groups. There is considerable evidence, therefore, for the view that Congress would have accepted, without undue opposition, those proposals covering export controls, allocation and inventory controls for scarce commodities, and transport regulation. Much of this, indeed, represents no more than a simple extension of existing authority—by no means fully utilised. On the demand for an extension of controls covering bank and consumer credit, there is more room for doubt. The Republican Party leaders scarcely rank as economic experts, and most of their reactions are a little vague. But on the whole, they have been frightened enough by inflationary price trends to admit that there may be room in this direction for increased Federal powers.

The more that the prospect is examined from this side of the Atlantic, the more reasonable does it seem to presume that any successful attack on present inflationary trends must accrue through fiscal policy and monetary controls. The tax debate has been ruled out for the Special Session—though it will revive in exacerbated form in January when the Congress majority bidding for tax relief is likely to have some success. A Republican Congress is not in the least likely to walk with the President on consumer controls and will, no doubt, put sharp limits on budgetary deflation. On consumer controls, in fact, weather reports from the wheat belt can, and one day may, speak with far more authority than Mr Truman.

The one sure way left to break the threatening spiral is through the reimposition of consumer credit controls, and, more importantly, through a general reinforcement of the banking controls held by the Federal Reserve Board. But, although Mr Marriner Eccles, the Chairman of the Reserve Board, quite recently diagnosed the position with brutal clarity, the Board has so far failed to take full advantage even of those limited powers which remain, in terms of an adjustment of the discount rate, the modest permissible reinforcement of bank reserve requirements. Presumably, this timid policy is still dictated by the Treasury, directed by its acknowledged vulnerability in respect of the vast bulk of securities, redeemable either on demand, or within a year. But the present need is far more for a close check to the expansion of bank loans, attainable by higher and more flexible reserve requirements, than for a drastic process of contraction. The longer the boom continues, the more drastic must restrictive measures become, at some later stage.

The conclusion must be that Congressional action, or inaction, over credit controls, will be far more eloquent for the industrial outlook, than all the probable storms over rationing and price control. The latter discussion, indeed, may immediately give a new hoist to inflationary trends as industrialists and consumers seek to protect their position against possible new controls.

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Loyalties

A Loyalty Review Board, under Mr Seth Richardson, Assistant Attorney-General in Mr Hoover's Administration, has been created by the Civil Service Commission to hear appeals from federal employees accused of disloyalty to the United States. Such a guarantee against arbitrary dismissals was included in the President's order, issued last March, charging the Commission and the Federal Bureau of Investigation to purge 2,000,000 federal employees of their disloyal members.

The case which many Americans would like to see submitted to authoritative review is that of seven State Department employees who have been dismissed by Mr Marshall without being told why they were regarded as security risks. Four others were allowed to resign without prejudice. Two of the seven who refused this concession recently appeared anonymously on a radio programme as Mr Blank and Mr Y, with their counsel, Mr Thurman Arnold, Mr Paul Porter and Mr Abe Fortas. Their story is that they were subjected to irrelevant grilling on the part of the FBI and were discharged without a trial or without even being told what the accusations against them were. This charge is borne out by Mr Marshall's statement that a full bill of particulars cannot be made available because it consists of "highly classified," that

is highly secret, material of several government departments. For the first time Mr Marshall has had a bad press, on the grounds that the arbitrary workings of the military mind, hypersensitive to security, are not suited to civilian agencies in peacetime.

The Loyalty Board has no power to reinstate employees in the State Department, which is empowered, under the McCarran rider, to discharge any employee without stating the cause; the most the Board can do is to certify their loyalty, thus qualifying them for employment in some government agency less "security-sensitive." The indignation which has been aroused is welcome proof that the public, knowing how wide an interpretation of what is "subversive" appeals to the military mind and to the FBI, will insist on some further assurance that even in the State Department, dismissals shall not be capricious. But it is surely right that any foreign office must have the unrestricted right to hire and fire, even though it may be legitimately suggested that more care in hiring would make firing less frequently necessary. The Loyalty Board will restrain the application of a much more dangerous principle: that political affiliations or interests should be cause for dismissal in the case of federal workers who never see anything more highly secret than the outside of a registered letter.

Business and Exports

Export prospects attract increasing discussion as industry attempts to measure the duration of the boom. The September figures, only recently published, show that the decline of exports from the May peak of \$1.4 billion is still continuing; and Mr Averell Harriman, testifying before the Senate Foreign Relations Committee last week, indicated that recent evidence points to a still lower rate. Over the last quarter of this year, he declared, however, there would be no material setback while "with the help of new funds they would go up again in the first quarter of 1948."

The European prospect, along with the Marshall Plan itself, is now in the hands of Congress. But the recent appeal by the Secretary of State, Mr George Marshall, has certainly put something like a floor to exports for this area, if Congress accepts the estimates made by his Department. The estimate made by the Harriman Committee of \$5.75 billion for the year 1948, and Mr Marshall's own plea for about \$7.5 billion over fifteen months, were almost precisely the same as the figure submitted by the Paris Conference in assessing the 1948 deficit with the United States. Where they fall below the estimate of the Paris Conference is in their denial of the further claim made for about \$2.4 billion, representing the estimated 1948 dollar deficit with other Western Hemisphere countries. And on this issue, the Harriman Committee declared that the United States would not be called upon to meet the "external dollar deficit" in full, and that some help might be looked for from the World Bank and from private financing. Although help from these sources is likely to be relatively modest, it may quite well provide a useful addition to US agency funds.

The importance of markets beyond "Marshall Europe" is indicated by the following table of exports over recent months, so far as they are available in detailed form:—

EXPORTS AND RE-EXPORTS, WITH CIVILIAN SUPPLIES				
(Annual Rates: billion \$)				
Area	Jan.-June 1947	May 1947	July 1947	
"Marshall Europe"	5.6	6.0	5.2	
Other Europe	0.6	0.9	0.5	
Asia and Oceania.....	2.6	2.9	2.8	
N. America	3.8	4.2	3.5	
South America	2.4	2.9	2.2	
Africa	0.9	1.1	0.8	
Total	15.9	18.0	15.0	

In other areas of the world the US exporter is still facing the sharp contraction of markets for other than essential goods. Clearly, the peak annual rate of \$18 billion is not likely to be regained, and September's annual rate of about \$13.5 billion may

not be very far from a ceiling for the short-term, at least. Moreover, in the longer run, the maintenance of this rate will clearly hinge upon the willingness of the United States to expand import levels, and thus reduce the net stimulation of exports to her own economy. For the time being, however, the pressure of internal demand continues to outweigh possible repercussions from a lower export level.

Stockpiling Policy

Congressional debates over the longer-term Marshall plan may quite easily bring new moves for a reinforcement of the policy of "stockpiling" raw materials in a manner which may well have unfortunate repercussions on the debtor countries. In its report to the President, the Harriman Committee suggested that certain proceeds arising from raw material shipments to Europe might be earmarked by those governments concerned, for the local expenditure of the US government, and more particularly for the establishment of strategic material stockpiles.

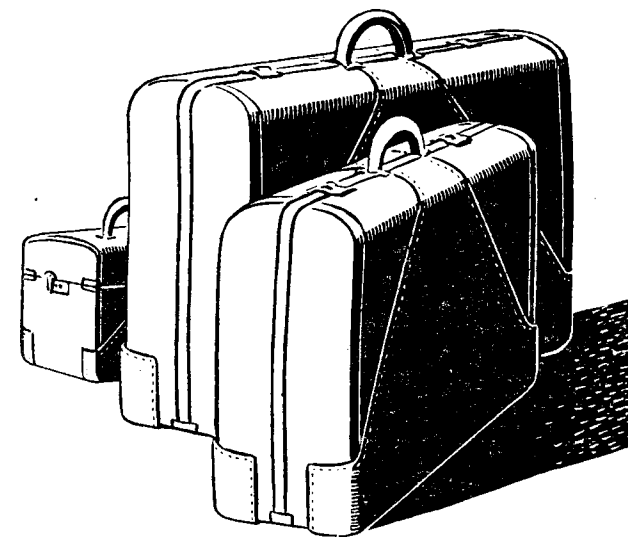
So far, the full reaction of the State Department is not known. But it is reasonable to presume that many Congressmen would jump to an immediate approval if any such move were sanctioned by Mr Marshall, and it is significant that on this issue, Senator Vandenberg has already declared that "exploration of the *quid pro quo* is just as important as exploration of the *quo pro quid*." The Harriman Committee's suggestion coincides with a renewal of interest in the stockpiling programme on the part of most Federal agencies, and more especially the service advisers, who are reputedly alarmed by the growing lag between promise and performance in respect of the Strategic and Critical Materials Stockpiling Act of 1946.

Originally, this Act was designed to establish stocks of essential raw materials to a dollar value of \$2 billion over five years. Part of the delay has been due to pressure of domestic demand, and the consequent high prices for most of the products concerned. But in a large measure, the fault is due to Congress, which over the fiscal year to June 30th last appropriated no more than \$150 million. Actual expenditures in 1946-47 were no more than \$10 million, inaction being due partly to the drive for lower Federal expenditures, and partly to annoyance because the Administration has remained unsympathetic to the claims of marginal producers of metals at home.

These facts give an added attraction to the proposals of the Harriman Committee, since Congress could, in that event, dispense with further large-scale appropriations under the Stockpile Act. And the list of materials needed is extremely wide, totalling more than sixty items, and covering bauxite, chrome, copper, diamonds, lead, manganese, tin, and tungsten. While the stockpiling programme has already given a certain psychological prop to some commodities, and while large-scale buying would, in fact, assist the debtor countries to some extent through price support, it is quite clear that the Marshall countries, and particularly Great Britain, could be badly handicapped in their recovery by a programme which brought such a heavy subtraction from their potential dollar earnings. Fortunately, there is some ground for the belief that the US government itself, aware of the fuller implications of these proposals, is preparing the ground for an extension of stockpiling, under which earmarked funds could be used to assist development in return for the pledge of freely available materials, and thus form part of a much wider policy for contra-cyclical action. But Congress must first be persuaded that the strict application of Marshall funds for stockpiling can only serve to widen the "dollar deficit" of Europe at some later stage.

The Hughes Investigation

The system of inquiry by Congressional committee has suffered a serious loss of prestige this year in the antics attending the Hollywood trials and the first instalment of the Hughes investigation. It is remarkable with what discretion, amounting almost to secrecy, the inquiry has been resumed into the \$40 million of war contracts awarded to Mr Hughes for aircraft which were never delivered. The character of the testimony has brought it into the headlines again for the sordid light it throws on the relations between war contractors and the procurement officers of the government. It is impossible to tell precisely where the truth lies between Mr Hughes, who has accused Major-General Bennett Myers of seeking a loan from him of \$200,000 to speculate in government bonds, and General Myers, who has testified that the airplane builder offered him a loan of \$250,000 which he refused, as well as \$100,000 to use his influence to get the ban



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raised on "The Outlaw," Hughes's motion picture. General Myers has also been shown to have owned a firm awarded war contracts, and admits that he made \$90,000 on paper, at least, by speculating on government bonds on margin during the war. Mr Hughes, as formidable and agile a witness as Washington has ever seen, seems to have succeeded once more in diverting the Committee to a new trail.

Wherever the trail leads, it points to highly improper relations between contractors and the men who allotted the big money. In following it, the subcommittee is performing an historic function of Congress. Given the wide gap between executive and legislature provided by the American Constitution, committees of inquiry are the only means by which Congress can maintain a check upon the operations of the Administration. They also dig out the information on which most of the great legislative reforms have been based. In American life, they combine the functions of the British Royal Commission and the Parliamentary question.

The need for fairer rules of procedure and more regard for the rights of witnesses has been underlined by the events of the past six months. It should not be forgotten how often legitimate inquiry has been frustrated by recalcitrant and insolent witnesses. It would be unfortunate if Mr Thomas's follies overshadowed the achievements of such bodies as the Pujo Commission, the Industrial Commission, the Senate investigation into Wall Street, and the Walsh inquiry into the Teapot Dome scandal. The committee inquiry is capable of abuse and open to reform, but it is an essential part of the American governing system.

THE WORLD OVERSEAS

Italians Turn to Violence

(From Our Rome Correspondent)

THIS week's outbreak of more or less organised violence, involving the centres of the most widely separated regions in the country—Milan, Verona, Florence, Naples, Bari and Palermo—may be regarded as a tentative and scrappy dress rehearsal for the campaign in the piazza by which Palmiro Togliatti will this winter try to keep his country outside the system known to Communists as "the American Protectorate." The campaign in the piazza (a convenient term covering every sort of minor direct action, from intimidatory open-air meetings to clubbings and bonfires of one's adversary's furniture) is the continuation of Parliamentary activity by other means. In the year before Mussolini marched on Rome his rows in the piazza and his deals with Parliamentary leaders (which ultimately resulted in the vote of confidence which made him a constitutionally legitimate Premier) were closely interwoven.

Signor Togliatti's rows in the piazza this week were punctuated by inquiries to the minor groups in the Constituent Assemblies how they felt about joining him in a Popular Front to oust De Gasperi. Apparently the Communist leader would have no more objection to 87-year-old Orlando as Premier of a National Government than he had to Field Marshal Badoglio and King Victor Emmanuel in 1944. Nor, it seems, would he refuse help from the "Uomo Qualunque" Party, once regarded as the quintessence of resurgent Fascism, now that the jingo wing of this party has flaked away from it into nationalist groups; while a group of more frankly Fascist character, the *Movimento Sociale Italiano* (MSI), has won seats in the Rome municipality and drawn the lightning of Communist and ex-Partisan hatred on to itself.

The intentions of the Italian Communist Party for carrying out its part in the Zhdanov campaign have not been concealed, save as regards contingency and timing. First among them comes a campaign in the piazzas, projected also into Parliament and local councils, and backed by the maximum available syndical pressure, to render life impossible for the Christian Democrat Government. "Christian Democracy," said Signor Togliatti in the programme speech which preceded the present violent outbreaks, "has in its governmental conduct betrayed the cause of democracy . . . to

Shorter Notes

A third Republican, Governor Warren of California, has now conceded that he would accept the Presidential nomination. Unlike Senator Taft and Mr Harold Stassen, who have already put in some hard campaigning, Governor Warren is a candidate only to the extent that he is willing; he himself will not campaign actively. This year he has made it quite clear in advance that his attachment to the governorship of California is too great for him to consider the Vice-Presidential nomination. This was a source of some hard feelings in 1944 when he refused at the last minute to run as Mr Dewey's Vice-President. Governor Warren, who ran on both Democratic and Republican tickets in California, is a strong dark-horse candidate in the event of a deadlock in the convention.

The railroad wage settlement announced last week is at least an encouraging pointer to near-term union claims. Two of the operating unions—or Brotherhoods—have accepted a wage advance of 15½ cents an hour, in contrast with an earlier demand for 30 cents. On this basis, the full claims could be settled for less than \$200 million yearly. More important, the unions seem to have abandoned many claims for new "feather-bedding" rules, which, added to straight wage advances, might have sent operating costs up by \$1.4 billion yearly. Managements claim that the financial position of the industry will remain precarious until the Interstate Commerce Commission grants the new freight rate claims. This is not likely for many weeks.

If so, it is not yet clear whether the Christian Democratic Government enjoys the unconditional support of the police services, and how adequate this force will be in face of a nationwide emergency. Signor de Gasperi has appealed for the collaboration of competent and loyal men. In his spirited defence of Democratic methods he has been widely acclaimed, and his new and combative attitude may have averted the move of Left Centre supporters to the Marxist side.

Another possibility is a modification of policy by the existing Government in order to maintain civil peace, or to gain time. As to this last possibility, Signor de Gasperi has never withdrawn the emphatic declarations of "neutrality" between East and West which he made at the outset of his Ministry. His governments have dutifully followed all openings for the enlargement of trading relations with the East, and a trade treaty with the most important of the "trans-curtain" neighbours, Yugoslavia, negotiated by Dr Raffaele Mattioli, head of the Banco Commerciale Italiano, has now received Cabinet approval. The eastward approach could not easily be pursued with more solicitude in the purely economic field.

Suppression of Fascists

The statements of Signor Scelba, de Gasperi's "brazenfaced" Minister of the Interior (as his opponents term him and as apparently he likes to be regarded), appear to leave room for Government action to suppress some of the bodies or organs whose existence has infuriated and alarmed others besides Communists. It is now easy to walk into a bookshop and to buy half a dozen newly published books, giving a barely veiled Fascist version of Italian history from 1943 to 1947: and the term Fascist can be quite judiciously applied to several of Rome's daily papers. The exponents of the *Movimento Sociale Italiano*, with their 27,000 votes gained effortlessly in the Rome municipal elections, make not the slightest bones about basing their programme upon Mussolini's last phase—the "Social Republic." And recent trials of Fascist Republican leaders, like Prince Valerio Borghese, have often appeared to put the prosecution in the dock. Hence Graziani's trial, a fortnight hence, will be exceptionally interesting.

In the background of the entire Italian situation lies a basic truth, which none of the political contestants knows how to handle for his own uses: it is that without American coal and food, idleness and starvation would—at least temporarily—descend upon the country. It is as difficult for a party in power to boast about this as for an opposition to ignore it.

Latin American North—I

Venezuela's Social Revolution

[BY A SPECIAL CORRESPONDENT]

THE prospect of stable government in a country which is the second largest producer of petroleum in the world is of obvious importance. For more than a hundred years Venezuela has been ruled by military dictatorships, but next month, as a result of the revolution of October, 1945, which brought into power the *Accion Democratica* party, elections will be held to establish a democratic government for the first time. The revolutionary party routed the old military cliques, and, at the end of 1946, sponsored a convention, which was freely elected by universal adult suffrage, to draw up a new democratic constitution. It is to elect a government under this constitution that the people will vote next month.

The present state of the political parties in Venezuela puts the government party, *Accion Democratica*, far in the lead. In the elections at the end of 1946 they obtained about 80 per cent of the votes. The largest opposition party is the Copei, a Catholic Socialist party which, according to the government, has recruited most of the country's reactionary forces. Also of some importance is the *Union Republica Democratica*, which works with the Communists, but which seems to be a magnet for pre-revolutionary personalities. The Communists themselves are divided into two camps, one meant to be more extreme than the other. Both oppose the government party.

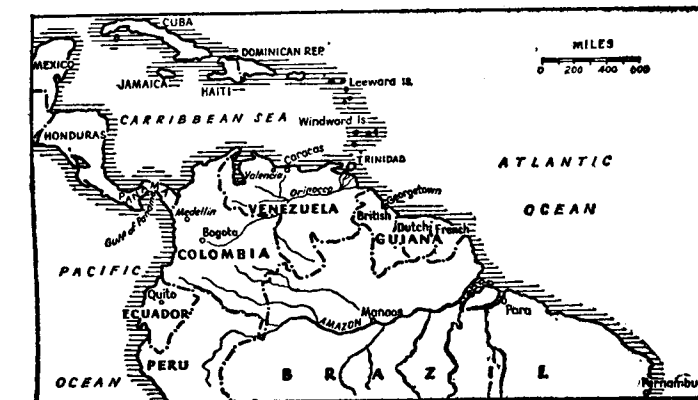
The government party is essentially a "popular" party, drawing its support from the still very young industrial working classes. It does not believe in a strictly working-class party, but plans a coalition of those groups who will promote the industrialisation of the country, extensive land reforms, better standards of living, health and culture for the people, and the building of political democracy.

Record of Two Years

Its government's progress during its first two years of office has been impressive. In education rural schools were increased from less than twenty to about 150. The number of students in primary schools has increased from 281,000 in 1945 to 420,000 in June, 1947. On housing it has spent 30 million bolivars (£2,500,000) building houses for 4,000 working-class families, mainly in the interior and in the oil fields. The trade unions have increased from 200 with perhaps 20,000 members in 1945, to 900 with more than 125,000 members now. The Minister of Labour estimates that the cost of living is now 140 per cent of what it was in October, 1945, but that wages have risen by about 175 per cent over the same period. A new labour code is being drawn up for submission to the first session of the parliament under the new constitution.

In industry the government has concentrated on increasing the revenue from oil production. It first stepped up the output from the Venezuelan oilfields; then, in order to expand the oil industry, it issued a decree that oil companies, which had hitherto done most of their refining in the Dutch islands of Aruba and Curaçoa, should after a certain date refine their petroleum in Venezuela instead. Later it issued another decree that 50 per cent of the oil companies' profits were to be reinvested in Venezuela, either in houses or other social benefits for the workers, or in establishing new industries in the country.

The government has been most conscious of its socialist principles in land reforms. Soon after it came into power it took over a number of the big estates in the country from officials of previous regimes, who had acquired them by graft and similar means. These confiscated estates have been used for a widespread



agrarian programme. Nor has the government been entirely doctrinaire in its reforming zeal. In some cases the land has been turned over free to the farm workers; in some it has been sold; while in others the government has instituted co-operative farms which, by the end of 1947, will total about 200,000 acres.

A special drive has been made to reduce the country's dependence on food imports. During the previous dictatorships land ownership was concentrated in the hands of very few people, and former agricultural land was turned into grazing or woodlands. Other land fell out of cultivation when its owners or tillers moved to the more prosperous oilfields. The result was that Venezuela, which is primarily an agricultural country, imported large quantities of agricultural staples. The government is now trying to get the land back into cultivation and to cur down these imports. It plans to make the country self-sufficient in sugar, at least, by 1949. Trade union organisation among the farm workers has also been encouraged, a novel development in South America, and 350 out of the 700 new unions which were established since 1945 are composed of agricultural workers.

Immigration is also being greatly stimulated. Venezuela now has a commission in Europe recruiting suitable immigrants, who are divided into two classes. The first are given homes and subsistence for a limited period and are then guaranteed work; the second are left to themselves from the start.

In spite of these achievements, the government's political opponents accuse it of spending a great amount of money without anything visible to show for it; of acting in an undemocratic manner—particularly in its dealings with the *Union Republica Democratica*, which it has to some extent suppressed; and of being simply another military dictatorship (young officers hold two of the seven seats on the government committee). Nevertheless, the *Accion Democratica* party represents the most hopeful social development in Latin America at the present time.

(To be continued)

Communism in India

[FROM OUR BOMBAY CORRESPONDENT]

IN the present disturbed state of the sub-continent, with fighting in progress in Kashmir, near the borders of Soviet Russia, the question of Indian Communists' strength assumes more than academic interest. There seems to be an impression in certain quarters in the West that Communist influence here has grown considerably of late, and that, if the present administrations were unable to hold their own against the mounting confusion, Communism might seize power.

Such a view is not shared even by the most pessimistic observers here. The worst I have heard is that Communists might form the next government but one; but even then only in the event of the present Congress-controlled administration losing its grip of the situation. The most optimistic view was given to me by a Left-wing professor, who was candid enough to admit that real Left-wingers were not strong enough for anything but "demonstrational purposes." That, however, was before the recent trouble began.

Communism is not a new phenomenon in India. Its followers have been active for at least a quarter of a century, and although the British Government of India kept the party virtually underground during the period between the wars, they could not prevent fairly close contact with Moscow. The New Delhi of the Viceroy was always ultra-suspicious of the intentions of every politically conscious Indian who asked for a passport; had anyone been foolish enough openly to ask for an endorsement for Russia, he would have been promptly labelled as an anarchist of the most sinister type. All this official hysteria about Soviet Russia was particularly foolish, because it gave Russia and Communism unearned prestige among Indians opposed to British rule. Indian Communists made full use of their "martyrdom" to work their way into practically every Indian political party.

Pioneers of Trade Unionism

They could not exert a very powerful direct political influence, but they undoubtedly played an important part in swinging the Indian intelligentsia's outlook towards the Left. The Communists have also been pioneers in the organisation of Indian labour into trade unions. Here they had an almost clear field because, except for Mahatma Gandhi's work, few Indians took any constructive interest in this aspect of social progress. Only in the past two or three years have the main Indian political parties awakened to the "white-ant" tactics of the Communists inside their own organisations, and to the danger of the Communist-organised trade unions.

The issue between the Communists and Indian nationalists became clear-cut when the Communists in this country gave full support to the war effort despite the Congress decision that it was not India's war. When the Congress leaders were released from detention in 1944 plans were laid to expel all Communists from Congress and to organise Congress-controlled trade unions. Congress is now free of Communists, but the fight for the control of labour is still in progress.

A very brief diary of Communist activities during the present year gives a clear indication of the way this party is assisting industrial and agrarian unrest. The year opened with country-wide raids on Communist Party offices to seize copies of the party weekly, "People's Age," and a pamphlet allegedly disclosing "Operation Asylum," a military top secret document, containing details of measures to be taken to ensure order when the Indian Interim Government assumed power late in 1946. Notable features of these police raids were the number of trade union officials arrested and union offices searched. The Madras Government (a Congress ministry) took a most serious view of the situation and promulgated a public safety ordinance providing for detention without trial. Large numbers of arrests were made not only in Madras City, but in rural areas like Malabar District. Premier Prakasam accused the Communists of fomenting agrarian trouble and of rendering life and property unsafe.

In Bombay City, trade union and Communist Party offices and the homes of Communist leaders were raided on several occasions, while in Bombay's Satara District there was a string of arrests among Communists leading an anti-moneylender campaign. A woman Communist, Mrs Godaveri Parulekar, who led the Warli jungle tribe in violent attacks on landlords and their

property in Thana District, was detained. More than 50 Communist committees were known to exist in the city.

During the first half of the year there were serious agrarian disturbances in Travancore, the Malabar and Kistna districts of Madras and in Hyderabad State. The Travancore affair almost reached the proportions of a revolution. Ex-soldiers were armed with all kinds of vicious-looking home-made weapons and incited to seize land by force. In Madras and Hyderabad food shortages provided good opportunities for fomenting unrest.

Many of the Communists arrested in the early part of the year were released during the general gaol delivery of political prisoners as part of the independence celebrations.

Strikes and Rioting

The year has seen a large crop of strikes—many of them illegal—called by Communist-controlled trade unions. These often led to disorder, as at Dhanbad power house (which supplies the East Indian coalfields), which was attacked by a large mob of whom five were killed during police firing. During September Communist textile unions in Bombay called a strike of drawers—in key men in the weaving sheds. The result was a loss of some 20 million yards of cloth at a time when Indian textile production was seriously below the country's needs.

The textile strike, with its crippling effect on the national economy, did not prevent P. C. Joshi, General Secretary of the Communist Party of India, offering full support to Pandit Nehru as head of India's national government.

The Communist programme in India, according to S. A. Dange, who has returned from a tour of eight months in Europe, is to stop the troubles in the Punjab, to expose and demolish the influence of the Rashtriya Sevak Sangh (militant organisation of the extremist Hindu Mahasabha), and to support a Leftist government under Nehru. This programme is not quite as harmless as it looks. The key is the destruction of the RSS, which is rapidly increasing in membership now that Congress has come to the end of its period of agitation. It attracts young Hindus who are still in search of excitement and, of course, those who have been infected by Hindu-Muslim enmity. Many observers believe that the RSS will become the private army of Hindu reaction—i.e., the interests working to make the Indian Dominion into a Hindu theocratic state. The establishment of such a state and caste system would automatically rule out progress along the lines of democratic government and trade unionism.

Troubles in Store for Congress

As for support to Nehru, this is nothing less than an attempt to split the present Congress central government. The Communists and the other Leftist parties, including the Congress Socialists and Roy's Radical Democrats, believe the rumours that tension exists between the somewhat Socialistic Nehru and his deputy prime minister, Sardar Vallabhbhai Patel. The Leftists regard Patel as a reactionary—he led the movement to expel the Communists from Congress—and they are afraid he will lean too heavily on the side of the Sikhs and the RSS. Communist periodicals are now attacking the Sikh princes, led by the Maharaja of Patiala, for starting the riots in northern India.

By painting Patel as the archetype of big business—an unjust allegation—the Communists hope to attract support for a Leftist government from the moderate middle-class element who are now thoroughly frightened by the ferocity of the disturbances and angered by the country's rampant black markets. The weakness of this plan is the smallness of Nehru's personal following. Though he has long been a national hero, he has left the business of party management to others, and particularly to Sardar Patel, who controls the Congress machine, including the provincial governments.

Thus there is little likelihood of an overnight Communist revolution. But there is plenty of room for trouble in the industrial and agrarian spheres, especially if continued disturbances prevent the central government from initiating a vigorous economic policy.

In India, as elsewhere, the Communists enjoy the advantage that few politicians and labour leaders are prepared to emulate their unremitting work among the masses. Except for Congress the Communists—not more than 60,000 in all—are probably the best organised party in India. They frequently have technical troubles with the law—their union records can rarely be made to support their membership claims—but their influence is sufficiently strong to force employers and government to negotiate with them, whatever legal traps may have been laid.

THE BUSINESS WORLD

Third Act Mystery

IN the City and in the investment markets the dominant influence this week, overshadowing even the Budget itself, has been the abrupt departure of Mr Dalton. Bewilderment at the surrounding circumstances has now largely subsided; and one by one the extravagant rumours which went the rounds have been discredited as it became clear that the simple explanation which seemed too astonishing to be believable was in fact the whole explanation. But if the seeming enigma of Mr Dalton's five-minute lapse has been resolved, the enigma of its consequences for the City is still sorely troubling every investment adviser. At the outset almost everyone instinctively felt, and after a week's reflection still feels, that an important new factor has thrust itself into the investment background, but nobody can yet see how the picture itself will be changed. In this first judgment, the City is certainly right. However true it may be that financial policy is, and obviously ought to be, the policy of the Government as a whole, it is absurd to suppose that the departure from the Treasury of so dynamic and forceful a personality as Mr Dalton can make no perceptible difference, and that would be true even if his successor were not known to be a man of contrasting temperament and outlook.

To City eyes Mr Dalton has been, more clearly than any Chancellor for many years, the central actor on the Westminster stage. He has given, moreover, a particularly boisterous performance, playing constantly to the City gallery and watching with much greater care than Chancellors generally show its every gesture of response, as well as the reception among the wider audience which it represents. It is true that some of the more knockabout turns—such as the Profits Tax Parody on Sound Finance (as expounded by a former economist), the Bonus Issues Illusion (mulcting the wrong taxpayer for offering to somebody else a fictitious profit from a non-existent bonus) and the Soak the Speculator duty—were especially designed to appease the pit by scoring off the gallery. But, these shafts notwithstanding, the first two acts of the unfinished drama were a source of real satisfaction, not to say profit, to many at least among the attentive City. So much so, indeed, that the threat of tragedy in the third act, after the Arctic Winter interlude, still left some incorrigible optimists hoping for a happy ending. But now, by misadventure, it falls to a different star, a true tragedian, to play the closing scenes. It is not to be expected that his interpretation will be the same, still less that he will essay the same versatility, impishness and the same engaging inconsistency.

But if the City assumes that the new star will or could rewrite the whole meaning of the play at the end of the third act, it is a poor judge both of plays and playwrights. Many of the forecasts, the hopes and fears, now current are certainly misplaced. It is foolish to suppose that vital parts of Mr Dalton's policy will now be suddenly jettisoned (to drop at last an exacting metaphor) and others drastically reversed. The naïvety of that view should have been apparent even before Sir Stafford Cripps's speech, with its rather cautious assurances, on Monday. The City, and many others too, have been so carried away by their own intense conviction of the tragic inadequacies of financial policy that they have been in danger of forgetting the circumstances of Budget day, of arguing as if a Chancellor had left the Cabinet because his policy

was no longer acceptable to his colleagues. It is a purely fortuitous coincidence that the departure comes at a time when what has been regarded as the characteristic Daltonian policy, was already in process of change, and there is no reason to suppose that Mr Dalton himself was obstructing the change—such as it is. Indeed, in some important respects, the very opposite may have been true.

To assess the probable changes in the investment background requires a nicely discriminating approach. Daltonian policy was compounded of three main elements—one strongly negative and two strongly positive—which are unlikely to be affected uniformly. On the crucial issue—handling of the Budget in face of steadily rising inflationary pressure—his policy consisted in resisting all advice to use the fiscal machine as a weapon of disinflation—until last week's timid swan-song demonstrated the accuracy of the summer forecast that the twelfth hour would strike this autumn. In Mr Dalton's mind, as other evidence testifies, the foundation of this policy was a faith in the efficacy of physical controls; in other minds it rested partly upon this same faith, but especially upon an ill-reasoned but sincerely held party conviction that the people must never again be burdened by the halter of "capitalistic" instruments of financial control. Finance, though entrusted to so forceful a Chancellor, was therefore relegated to the back seat, and the driving force of physical control and direction took the front seat at the wheel.

In the past two years the prime mobiliser of these chosen forces—chosen, it seems, by the Chancellor as well as by the Cabinet as a whole—has been Sir Stafford Cripps. If he were a less objective and a less intellectual character than everyone knows him to be, it would be a safe bet that he would flatly decline to swap the new engine of physical controls for the financial model which his colleagues have long believed, almost as an article of faith, to be obsolete. And, given his intellectual integrity, it is equally safe to assume that he would not try to shift Finance from the back seat merely because he happens now to be Chancellor. It is easy, therefore, for him to affirm at the outset that there will be continuity of policy, for in this sphere continuity implies a lack of emphasis on purely financial policies; and that, one may presume, is welcome to a newcomer to the Treasury and to one, moreover, who has had none of the drilling in principles of finance which gave his predecessor so great (but so widely neglected) an advantage. All he has to do is to endorse and carry through Mr Dalton's Budget, while reserving judgment about the next one; for the fact that this is an interim Budget affords a plausible excuse, if one were sought, for changing policy in a few months' time without appearing to do so.

This Sir Stafford has done, and the terms of his reservation about next April's budget are at first glance more reassuring than might have been expected from him after so short a time for reflection. His assertion that this emergency budget was never intended to cover the full range, and his emphasis on the dangers of inflation, might seem to presage much more drastic financial action next April. But closer examination reveals the same strands of thought as emerged in his grim speech in the Debate on the Address. Then, capital cuts were

needed partly "to bring about a measure of deflation"; now, he still finds the primary source of inflation in the excessive capital programme—not, be it noted, in excessive consumption which now, as then, Sir Stafford appears anxious to maintain for fear of secondary repercussions on production. Secondly, while there is a hint of a tentative approach towards the central truth that financial measures are needed to relieve the pressure on physical controls, the impression left is still that when Sir Stafford contemplates the more drastic measures which may be needed, he is thinking more of physical than of financial action. Defence of the food subsidies and emphasis upon voluntary savings are hardly the obvious approaches to a tougher budget. Austerity Cripps plainly has no wish to adopt his predecessor's pose as distributor of largesse; but the mere fact of his translation to the Exchequer certainly does not mean that his prescription for deepening austerity is the same prescription as most economists and the City now advocate.

For the immediate future, the inflationary menace looks only a shade less grave than it did a week ago; and the chances of achieving the export targets by means of an ever-growing array of directional controls which pull against the tides of surplus spending power are not perceptibly brighter. It may be different, however, on a slightly longer view. There was always the possibility, even without the change in Chancellorship, that the practical demonstration of the way in which the chosen instruments are being obstructed by the failure of financial policy would eventually provoke an important change in emphasis. The interim budget, mild though it is, was a first step, which in principle marks a big retreat from the standpoint tenaciously held only a few months ago. The second step, now that the force of inertia has been overcome, could be a longer one. If these views are already taking root in the Cabinet as a whole, the objective Sir Stafford will not be slower than his colleagues to grasp them, and he has not Mr Dalton's back-seat tradition to inhibit him.

What of the remaining ingredients, the positive elements, in Mr Dalton's policy? The first was a doctrinaire dislike of profits, and a prejudice against investors and "capitalists" as a class—a prejudice which construed equality of sacrifice into penal measures against them whenever fiscal policy suggested that any burdens at all had to be imposed upon the main body of taxpayers. Pure politics, not reasoned principles of finance, dictated the nature and direction of the imposts. Sir Stafford

may be less vindictive, but he is probably no less doctrinaire. If a more austere budget lies ahead, the City would be wise to assume that it will not fare much better under the new Chancellor than under the old.

In one respect, from the narrowest market standpoint, it is likely to fare worse. The third ingredient in Mr Dalton's policy, the cheaper money drive, was not only a positive policy but one which was peculiarly personal to him. Labour philosophy may bar high interest rates and the use of the interest weapon as a primary means of economic control; but it certainly did not demand extravagant efforts to establish abnormally low rates regardless of cost and in face of huge natural forces. Mr Douglas Jay, who, though trained in economics, is scarcely a moderate in such matters, was shocked to discover last spring that bank deposits had been expanded by some £800 millions in twelve months. Still less has it been pleasing to back-bench supporters to find a Socialist Chancellor ably filling the role of the speculators' and stockbrokers' best friend. The new Chancellor has naturally paid lip-service to the cheap money policy, and has denied its inflationary significance. But to buttress it now, on the very eve of the issue of the new Transport stock, would require very vigorous positive action, and most people had doubted whether even Mr Dalton's effrontery and tenacity would suffice to achieve it. It is hard to see the austere Sir Stafford as commander-in-chief of a regiment of "departments" operating lavishly with newly created money. It is still harder to see him in the role of the tub-thumping auctioneer of the street markets. Neither he nor his City advisers have ever rashly given hostages to fortune. He has no commitment to displace Goschen from his distinctive niche in financial history. He is not called upon to notice that Consols now stand roughly where they did when his predecessor first went into action. But if he does notice it, he will surely also notice what has happened to bank deposits.

In short, the City speculators have no reason to welcome this change at the Treasury. But, on a somewhat longer view, though much in the wider field of economic strategy remains uncertain, there is room for hope that a realistic financial policy has by this personal accident been brought a little nearer. That will serve the long-run interests of the community, and of investors incidentally. But the Daltonian legacy of differential burdens upon them—especially upon the equity shareholder—is likely to run its full Parliamentary term.

Trade Under the New Tariff

TO assess the exact consequences for the future of world trade of a tariff agreement between 23 nations, which has involved 106 sets of bilateral negotiations between the parties over a period of six months, and is now set down in an agreement containing 34 Articles and two volumes of Schedules weighing eight pounds, is an impossible task. The Agreement arrives at the very time that Britain is adopting bilateral trading practices as a matter of self defence; but despite this and all the other impediments to the free flow of international commerce, multilateral trade relationships still extend over a large part of the world and account for a significant share of world commerce. The extreme complexity of these relationships means that the balance of gain and sacrifice cannot be worked out by any process of simple arithmetic; formal figuring alone would require the mathematician's apparatus of simultaneous equations, but calculations of this sort will be far less important, in the end, than the effects of the agreement as a whole upon the quantum of world trade. World trade could increase and leave some countries poorer, but that is hardly a consequence which is likely to apply to Britain.

Until acceptances have been received from countries which

account for 85 per cent of the external trade of the signatories, the Agreement does not enter into full force, but it is being applied provisionally by eight countries (Australia, Belgium, Canada, France, Luxemburg, Netherlands, the United Kingdom and the United States) from January 1st next year. It remains in force at least until January 1, 1951. There are twenty schedules (the "Benelux" countries and Syria and Lebanon are each covered in a joint schedule and not separately), which record the concessions on duties and preferences, and which apply multilaterally—that is, they are all to be accorded to each of the signatories. Some of these concessions provide for a reduction of rates of duty; others for the "binding" of existing rates (that is, a promise that they shall not be increased); others again for the reduction of margins of preference either by specific undertaking or as a consequence of the reduction of general rates of duty.

The broad effect of these changes between concessions by and advantages to Britain is summarised in the Government's Report* in a series of tables. In the first place, Britain has under-

* "Report on the Geneva Tariff Negotiations." Cmd. 7258.

taken, in respect of a first category of goods, either to continue duty-free entry or to "bind" the existing *ad valorem* duties, or, where the existing duties are specific, not to increase them to such an extent that they would be higher *ad valorem* than they were before the war (not, it would seem, a very burdensome concession in these days of greatly increased prices). Britain imported goods in this first category in 1938 to the extent of £63.1 million from the 22 countries divided as follows:—

Specific rates	Present Range of Duty				Duty free	Total
	31% or over	21% to 30%	11% to 20%	Up to 10%		
0.2	1.0	1.7	10.7	11.1	38.4	63.1

This represents the range of imports on which duties will be stabilised at least until 1951. These undertakings are of some value in promoting expansionary tendencies in world trade, for they limit the area in which sudden and frustrating increases of tariffs can be applied. In a second category, Britain has undertaken to reduce current *ad valorem* duties affecting goods of which British imports from the 22 countries in 1938 totalled £19.8 million. These changes are summarised below:—

Reduced by	Present Rates				Total
	31% or over	21% to 30%	11% to 20%	10%	
Less than quarter	1.1	3.1	4.3	1.9	8.5
Quarter to less than half	1.5	0.6	3.8	3.4	7.8
Half or more	...	...	0.1	...	3.5
	2.6	3.7	8.2	5.3	19.8

Those specific duties which have been bound against any increase themselves represent a reduction in *ad valorem* rates (owing to higher prices) and certain reductions in specific duties have also been agreed. Further, some specific rates of British duty have been reduced. British imports from the participating countries in 1938 covered by this third category of concessions amounted to £10.6 million. This should be added to the total of £19.8 million in the table above to measure the volume of trade (£30.4 million at 1938 prices) which stands to benefit from the effective reduction in the British tariff. It is a useful contribution towards freer trade, but before any hats are thrown into the air it is worth recalling that total British imports from non-Empire sources in that year amounted to £548 million, dutiable and undutiable. The new agreement touches only 5½ per cent of this.

The agreement will be closely examined for evidence of how far Britain has moved, under the pressure of American doctrine, towards the "elimination of preferences." The United Kingdom has agreed to the reduction by other Commonwealth countries of preferences accorded to British goods; many of these are on "a relatively small scale," but there are some reductions of one-third or even one-half, and in "a few cases" margins have been completely eliminated. The total value in 1938 of the goods imported into British countries from the other countries represented at Geneva (excluding the United Kingdom itself from both sides) was £37.4 million, on which concessions are distributed as follows:—

Imports Into	£ million		
	Margins Reduced by less than 35%	Margins Reduced by 35% or more	Margins Eliminated
Canada	10.5	4.5	6.6
Australia	3.3	0.9	1.1
New Zealand	0.8	1.2	0.5
South Africa	...	1.3	0.7
India and Pakistan	0.4	0.2	0.7
Newfoundland, S. Rhodesia, Burma and Ceylon	4.2	0.1	...
Colonies	...	...	...
	19.6	8.2	9.6

In 1938, the value of British goods affected by these changes of preference amounted to £36 million, or 17 per cent of the total value of £207 million for British goods exported to Commonwealth countries. The case of Canada is clearly the most important in this list; and in return, Canada has reduced many preferential rates of duty in favour of Britain, and has bound many others against increase. By a separate exchange of letters, the two countries have modified the Anglo-Canadian trade agreement of 1937, in order to free each Government from the obligation to maintain given margins of preference, but the preferences remaining after the entry into force of the general agreement will be continued. Any special rates lower than the British preferential tariff which Canada has accorded to Australia, the British West Indies, New Zealand or South Africa are not automatically extended to British or Colonial imports into Canada, but they will not be extended.

The concessions on the margins of preference enjoyed by the United Kingdom in the Colonies were made primarily to the United States. They operate as soon as possible, and not later than the end of 1949, but they may be made inoperative if "at any time" the quantity of general purpose synthetic rubber "required to be consumed in the United States under internal quantitative regulations" exceeds 25 per cent of the total American consumption of natural, synthetic and reclaimed rubber. During the first nine months of this year, American rubber consumption (of all types) totalled 1,041,587 tons, of which general purpose synthetic totalled 346,972 tons or precisely one-third. If the consumption of GRS was reduced to 260,000 tons and reclaimed rubber increased from 213,000 tons to 300,000 tons, the stipulated 25 per cent would not have been exceeded. Thus the concessions on Colonial preferences do not automatically guarantee the increased consumption of natural rubber in the United States. This result is a testimony rather to the tough character of American bargaining, than to the pure pursuit of freer world trade. The position regarding tin ore is more satisfactory, for the Malayan export duty is not to be suspended until the United States ceases to subsidise the Texas smelter.

It is clear that substantial concessions have been made by Britain and other Commonwealth countries by reduction and elimination of imperial preference margins. Evidently, these were necessary to secure a multilateral agreement, and it is claimed that they "do not by any means involve an abandonment of the essential structure" of imperial preference—with some reason, since 70 per cent of the trade in 1938 remains unaffected. The next table shows the 1938 value of British exports to Commonwealth countries which were entitled to guaranteed preferences, and the reductions which have now been agreed:—

	Total Value of Preferences Guaranteed to UK 1938	Reduced by less than 35%	Reduced by 35% or more	Eliminated	Unaffected
Canada	£ mn. 16	% 27	% 11	% 18	% 44
Australia	35	17	3	1	79
New Zealand	21	11	24	2	63
South Africa	15	...	8	3	89
India & Pakistan	7	21	2	13	64
	94	15	10	8	70

The counterpart of these concessions is to be found in tariff reductions from foreign countries to Britain or to the Commonwealth countries concerned. The importance of Canada in this list is again apparent.

Such, very briefly summarised, are the main heads under which concessions have been made by Britain and Commonwealth. What has been conceded in return? The value of 1938 trade now to be covered by "bindings" of rates is

of participating in the issue by leaving nearly two months for acceptance. The issue has been underwritten by a group comprising Morgan Grenfell and Co., Baring Brothers, N. M. Rothschild and Sons, and M. Samuel and Co., for a commission of 1s. 6d. per share. Big issues are rare enough, and those made without the collateral support of officially sponsored organisations like Finance Corporation for Industry are even rarer. The Shell issue, therefore, is something of a challenge for the London capital market, which in its heyday would have taken an operation of this sort in its stride, to rise to the occasion.

For this reason alone—quite apart from its intrinsic merit—it deserves success. Certainly, any qualification to success would reflect seriously on the future willingness of British investors to furnish the resources from which major industrial projects in this country and overseas could be financed. It is fashionable to belittle and denigrate this most important function of the London market, and to suggest that the role of private finance has been permanently replaced, or at least greatly modified, by the financial second cousins of the Exchequer. But the mobilising of private savings through the capital market played an important part in making the City great and added immeasurably to Britain's prosperity in happier times. The extent to which this function has been compromised by the division of the world into different currency areas is illustrated in the Royal Dutch issue itself, with its rigid stipulations governing the acceptance by British holders of the new Royal Dutch shares.

Finance Bill Points

A quick survey of the Finance Bill clears up a few uncertain points, particularly on the incidence of the new pool-betting duty and the disallowance of one-half of advertising expenses for income-tax purposes. The pool-betting duty (10 per cent) will be paid by the operator of the totalisator, and the distribution of stake money will be subject to the deduction of the manager's percentage (which is limited to a maximum of 6 per cent) and also to the deduction of pool-betting duty. This means that distributions will normally be 84 per cent of the total stake money.

The new treatment of advertising expenses will not apply to expenditure incurred in advertising "in the United Kingdom" in a newspaper or periodical "certified by the Board of Trade to be a technical or trade journal or to circulate wholly or mainly outside the United Kingdom." The Treasury may also provide by order that advertising expenses "of such classes, or incurred in such circumstances, as may be prescribed . . ." shall be excluded from the computation of advertising expenses for tax purposes. The precise significance of this second method of exception is not clear—it was not hinted at by any reference in Mr. Dalton's Budget speech. Cinema advertising (including slides) and hoardings and posters (save on the trader's premises) are covered. Perhaps the most notable omission from the definition is advertising expenditure on circulars.

More Dollars from Wool?

The multilateral character of the Geneva tariff agreements published last Tuesday may offer Britain some advantages in the short period. Indeed, the concessions granted by the United States on Empire produce may prove indirectly to be more beneficial to Britain than some of the direct tariff reductions on British goods. The rubber market was obviously disappointed by the modest reduction in the percentage of United States synthetic rubber to be used in the manufacture of tyres and inner tubes; but it is hoped nevertheless that there will be some increase in the shipments from Malaya to America. The 50 per cent reduction of United States tariffs on New Zealand and Australian meat and butter is at the moment of only academic interest. The entire exportable surpluses of these two commodities has been purchased by the United Kingdom up to 1950 under a long-term contract. In view of the present low level of British rations, it is unlikely that Britain would agree to any diversion of meat or butter supplies to the American market even though it would be a means of earning dollars.

The American concession of a 25 per cent reduction in the duty on Dominion wool (Australian, New Zealand, and South African), on the other hand, may offer better prospects of getting more dollars into the Empire pool. The current duty is 34 cents a lb. and in spite of it, imports of foreign wool, largely Australian, into America have been very large. In any case consumption of wool in the United States has expanded greatly since the end of the war from a monthly average of 52 million lb. in 1944 to over 62 million lb. in 1946, and of this latter quantity 82 per cent was imported. Since January, however, American wool consump-

tion, particularly of the type used for apparel, has been declining, and by July it had fallen below 40 million lb. a month. The amount of wool used in America has been relatively lower than in Britain or other European countries, but the present downward trend is probably a reaction to the high level of activity over the past year and the huge re-stocking demand rather than a complete reversion to the prewar level of consumption. Granted the maintenance of a high national income in the United States, the demand for wool should expand, particularly for higher quality products in which Australian and South African merino wool is used. Moreover, at the present high wool prices, a duty of about 26 cents a lb. should not be an unduly high obstacle for Dominion supplies to surmount.

In wool, there undoubtedly appears to be scope for an expanding Empire trade with America, but it would be unwise to assume that imports into the United States will be maintained at the same high level as in 1946-47. So far this season, American buyers at the wool auctions have been little in evidence and their purchases have been selective. Admittedly much of the wool offered has not been fully suitable for the American market, but there is nevertheless a marked difference compared with a year ago, when American purchases were being made very freely.

"Grave" Situation on Rail

The shortage of railway wagons is now regarded as a critical factor in this winter's production drive. This is no recent discovery, but its importance has been underlined this week by the fact that Sir Stafford Cripps, pre-occupied as he must be with his new duties as Chancellor of the Exchequer, took occasion on Tuesday to deal exclusively with the problem at his fortnightly press conference, when he declared that the position is now "extremely grave."

There are at present 54,000 fewer wagons on rail than at this time last year and over 80,000 fewer than in 1945. The number of wagons coming forward for heavy repair is causing most concern. Although "within a few months" the monthly rate of repair will be raised by 16,000—an increase which will overtake the numbers coming forward—it is estimated that there will still be a deficiency of 100,000 wagons this winter.

Sir Stafford's urgent appeal for a more rapid turn-round of wagons—to be backed, if need be, by a swingeing increase in demurrage charges—is in striking contrast to the almost buoyant tones which were to be heard in the debate on railway services two weeks ago. "A fortnight ago" said the Parliamentary Secretary to the Ministry of Transport on that occasion, "we passed the peak of wagons needing repair; the curve has now started to turn downwards." Mr. Callaghan then went on to adduce from the fact that the railways dealt with 13.6 million ton miles of traffic in the first 36 weeks of this year, compared with 11.2 million in the corresponding period of 1938, proof that the railways were not suffering from "creeping paralysis" (a phrase recently used by the Transport Correspondent of the *Financial Times* and erroneously attributed to *The Economist* in a BBC news broadcast).

The flat contradiction in these two statements must deepen the misgivings of those who are already aware of the present slow rate of repair of railway rolling stock and who doubt the likelihood, on any reasonable view, of a substantial reduction in the accumulation of railway equipment now awaiting repair. The shortage of railway wagons is, indeed, only one aspect—though perhaps the most important—of the *malaise* from which the railways are suffering. Shortage of staff and materials, psychological unsettlement as January 1st approaches and long-deferred renewals are creating the most acute operational problems, which cannot be offset merely by a cut in passenger services. The only solution is more materials and a higher rate of output in the repair shops. And the latter needs more men (for which the wagon repairers have no priority) and much re-organisation in the shops.

Note Issue's Big Fall

The improving trend of the note circulation, discussed in these columns three weeks ago, has taken a quite abnormal leap forward in the past week. A decline is customary at this time of the year, for this is the week in which the circulation normally reaches its pre-Christmas low point. But this time there has been a fall of no less than £12 million, probably the largest decline that has ever occurred except after a major holiday or special outflow. It carries the total circulation down to £1,348 million, fully £15 million less than at this date last year, and brings the reflux since

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the summer's holiday peak to £72½ million, in contrast with only £28 million for the similar period of 1946. Obviously, the pre-Budget spending must have been even larger than had been supposed. It is now certain, as Mr Dalton implied in his Budget speech, that the Christmas requirements will be accommodated without the necessity of any increase in the fiduciary issue—for the first time since 1940. Thanks to the rapid return of currency in recent weeks, the reserve of notes and coin in the Bank's banking department has been raised to no less than £103.9 million, which is comfortably beyond the all-time record established in 1934. Last year's Christmas currency demands, measured from the third week of November, totalled nearly £65 million, only a little less than the peak demands experienced in 1943. Even if this year's needs are on a comparable scale, it will be seen that the reserve at Christmas would still stand at substantially more than £35 million. In 1940, when a pre-Christmas increase in the fiduciary issue was last avoided, the reserve was allowed to fall to £14 million—and it dropped to only £9,000,000 before the fiduciary increase of the following spring.

Whether it will be possible, as Mr Dalton hoped, actually to reduce the issue in the New Year, when the Christmas currency has returned, is less certain. Obviously the authorities are unlikely to effect a reduction unless there is no real danger that the issue would have to be raised again to cover next summer's holiday needs. If, however, the circulation shows the same secular trend next year as it has done this, a reduction will certainly be possible, for this year's August peak was, for the first time since before the war, below the level of the previous Christmas peak. At this stage, it would be dangerous to attempt any firm prophecy. The influences upon the movement of the note circulation are always rather difficult to determine, and it is an open question how far the acceleration of the downward movement in recent months reflects a natural decline in the public's need for currency. There can be little doubt that recent rumours that the authorities were contemplating a new issue of notes in order to catch the black marketeers have precipitated a reduction in these abnormal holdings. Also, it is never possible to be sure that some of the large quantities of sterling notes known to be held abroad are not being smuggled into the country; there have been some detected cases recently.

Finally, there is the curious fact that the large wave of pre-Budget spending had no expansionary impact upon the note circulation. To some extent this may mean that the spendings come from personal savings accumulated during the war in notes; but it seems much more probable that an important counter-influence, such as the unloading of black market currency, has been prevalent. As for the threat to the black marketeers, Sir Stafford Cripps's statement this week was couched in somewhat ambiguous terms. He said that the Government had considered the question of an exchange of notes, but "was not yet ready to take this step"—which plainly leaves the spivs guessing. It is a moot point whether it will accelerate or retard the reflux of black market money.

* * *

Canada's Dollar Crisis

The difficulties in the Canadian balance of payments position have now reached the proportions of a crisis. This is evident from the fact that Canada's gold and US dollar reserves have fallen since the beginning of this year from \$1,245 million to \$500 million. At this rate of decline only a few more months will elapse before the gold reserve is completely exhausted. In these circumstances it is hardly surprising that Canada should have shown some concern about the maintenance of the arrangements under which Britain continues to draw on the Canadian line of credit up to 50 per cent of its net deficit with Canada, meeting the balance of 50 per cent in US dollars. The arrangement may seem harsh to Britain. It appears even harsher and more onerous to Canada. Canada's reserve position has now reached a point at which urgent remedial steps must be taken. The first of these has been the raising of a \$300 million credit from the Export-Import Bank of Washington. The Canadian Finance Minister, Mr Abbot, has explained that this step is a departure from the normal practice of borrowing in the open market, which Canada has followed in the past. He added that the possibility of floating loans in the United States market will be investigated in the near future. The credit from the Export-Import Bank is to be regarded as temporary financing, and will be repaid in four yearly instalments.

The next relief measure is the decision to pay a premium of \$7 for each ounce of gold produced by Canadian mines in excess of their production for the year ended June 30th last. This is intended to stimulate the production of gold, the readiest US

dollar-earner. It should also extract from reserves at the mines some of the gold which has been held back in anticipation of a new devaluation of the Canadian dollar. As far as gold mining is concerned, the subsidy which carries the price for additional newly-mined gold to \$42 per ounce is tantamount to a partial devaluation of the Canadian currency. It remains to be seen how this step can be reconciled with Canada's obligations under the rules of the International Monetary Fund.

The third part of the Canadian monetary defence programme is a wide range of import and travel restrictions aimed at economising US dollars. In addition, a 25 per cent excise tax has been imposed on a wide range of durable consumer goods, the intention being to discourage domestic consumption of these goods and divert them as exports to the United States. The possibilities of expanding exports to the United States have been considerably increased by the tariff agreement announced this week. Some of the more spectacular concessions given in the new US schedule, such as, for example, the 50 per cent cut in the duty on imported motor-cars, emerged from the negotiations between Canada and the United States. Even with all these measures Canada will be hard put to it to maintain her flow of exports to Europe and avoid exhaustion of her small remaining dollar reserve. The European Recovery Programme will, however, come to the rescue if the US Congress can be induced to appropriate funds for expenditure by Europe outside the United States. Canada would be the main beneficiary of such appropriations.

* * *

Agreement with Iraq

The terms of a supplementary financial agreement between the Governments of the United Kingdom and of Iraq were published this week. The new arrangements arise from the renegotiation of the five-year financial agreement signed last August on the eve of the suspension of convertibility of sterling. That unexpected development nullified the greater part of that agreement under which it had been arranged that Iraq's sterling balances, amounting to about £60 million, should be liberated over a period of five years. The immediate free release under that agreement was to be of £9,000,000 for the first year, plus a further £9,000,000 in respect of outstanding confirmed credits and repayment of advances by the Iraq Petroleum Company. The new agreement is trimmed to the prevailing dollar austerity. It covers only the period to June 30th next, and provides that over this period Iraq shall restrict her gross payments to scarce currency countries to the equivalent of £5,750,000 a year. In so far as this is not forthcoming out of Iraq's own hard currency earnings, the balance will be made good by allowing Iraq to draw on sterling balances to the necessary extent. Although a small amount of Iraq oil is sold against dollars, it is probable that the larger part of the £5,750,000 in question will have to be provided out of the sterling area dollar pool. Since Britain is running a large current surplus with Iraq, it is more than probable that any such dipping into the dollar pool will be financed by drawing down accumulated balances and not out of current sterling earnings.

* * *

Anglo-Irish Trade

The commercial and financial negotiations between Great Britain and Eire have ended in what appears to be a mutually satisfactory agreement. The communique summarising the results of the talks gives greater definition to British than to Irish commitments, but the significance of that contrast should not be exaggerated. Existing supplies of coal to Eire are to be maintained and in addition "a substantial quantity of reasonable quality" is to be exported in 1948. This will be part of the Marshall coal which Britain has undertaken to export to Europe in 1948. Increased supplies of textile raw materials, machinery and fertilisers have also been promised by Great Britain. The announcement makes no mention of the rates of delivery of exports of foodstuffs from Eire to Britain but envisages increases in the prices paid by Britain for cattle, meat and eggs. Prices paid for Irish flax have also been raised.

The financial discussions were mainly concerned with the inevitable dollar problem and with the extent to which Eire's dollar requirements could be satisfied by using accumulated sterling balances. It was agreed that the Government of Eire would make considerable reductions in its direct dollar expenditure, though the exact size of the dollar budget will depend largely on the amount of non-dollar wheat which Eire will be able to import during the coming year. On the most pessimistic assumptions Eire's dollar purchases for the period October 1, 1947, to June 30, 1948, should not exceed its dollar earnings by more than

the equivalent of £14 million. It has therefore been agreed that this should be the limit of Eire's drawings from the dollar pool for this period. The figure will be reduced in so far as imports of non-dollar wheat can be substituted for the imports from the Western Hemisphere on which Eire is at present compelled to budget.

The agreement, especially the rate of authorised releases of accumulated balances for conversion into dollars, appears to be decidedly favourable to Eire. In so far as it results in a larger flow of foodstuffs from Eire, it will no doubt have compensating advantages for Britain. It can certainly be said that the atmosphere in which the talks were held contrasted pleasantly with that which has all too often surrounded Anglo-Irish negotiations in the past. To go back to 1932, when Mr De Valera suspended payments on the Land Annuities and set loose the economic war between the two countries which for some years was to bring trade between them down to damagingly small proportions, is to return to another era.

* * *

Ships, Strategy and Subsidies

Maritime opinion on this side of the Atlantic is not unduly perturbed by the energetic lobbying in Washington on the future of the American merchant navy. Basically the problem is one of strategy, for in peacetime it is sound economics for America to import shipping services. Experience between the wars showed that no amount of subsidisation or "flag reservation" could sustain an American fleet in competition with other nations, although this policy did have the effect of undermining the maritime strength of potential allies. Sooner or later the Administration must answer the problem of how it is to maintain an adequate cargo fleet in operation and preserve a shipbuilding industry capable of rapid expansion in an emergency.

No final decision, however, seems to have been taken—a fact which probably accounts for a certain agitation which can be detected in maritime circles in the United States. It is noticeable that the Geneva tariff negotiations excluded any discussion of flag discrimination (a term which is differently interpreted on opposite sides of the Atlantic), but Congress has taken little positive action to indicate its post-war policy. The Ship Sales Act of 1946, as an interim measure, was a useful compromise between the world's

obvious need of ships, the apparent defence requirements of the Western Hemisphere and the self-interest of the shipping industry in America. Even so, the sale of tankers to foreign flags was first started, then stopped and has now been resumed again. About a year ago there was effective agitation for the return of cargo ships on charter to the Ministry of Transport. Recently the Harriman Report on the Marshall Plan supported the suggestion that ships to carry relief cargoes should be handed over to European operators. At the same time, it criticised the shipbuilding programme being carried out by those nations, and in particular by Britain. Only a week later, however, President Truman's Advisory Committee on the Merchant Marine has disarmed this criticism by calling for urgent State-aid for a four-year programme, which includes the provision of £150 million for 46 passenger liners. It explains that although the United States has 45 per cent of the world's ocean-going ships, they are mainly emergency types and unsuitable for highly competitive commercial operation. What is sauce for the goose is undoubtedly sauce for the gander. Thus the American shipping problem remains; its solution will call for exceptional measures on the part of the Administration, and they will have inevitable repercussions on the maritime strength of other nations—unless, indeed, it is possible to recognise the incompatibility of full strategic safeguards with economic commonsense.

* * *

End of Utility Cloth Subsidy

One of the few measures announced in the Budget speech last week to combat inflation by absorbing the public's purchasing power was the abolition of the subsidies on utility cloth and footwear. The subsidies on cloth apply only to utility cotton and wool apparel fabrics, for the subsidy on household textiles such as sheets and towels was removed last June and such goods as utility curtain cloth and upholstery cloth have never been subsidised. There are nearly 70 specifications for utility wool cloth and nearly 200 for utility cotton cloth, with a separate rate of subsidy for each one—an eloquent indication of the difficulties which beset the administrator who tries to achieve a balance between subsidising the consumer and meeting the reasonable demands of the producer for an increase in prices to cover his rising costs.

It is estimated that when the subsidies are removed at the end

ABRIDGED PARTICULARS

ROYAL DUTCH COMPANY

For the Working of Petroleum Wells in the Netherlands Indies
(N.V. Koninklijke Nederlandsche Maatschappij tot Exploitatie van Petroleumbronnen in Nederlandsch-Indië)

OFFER TO SHAREHOLDERS

(other than Preference Shareholders)

of Florins 302,174,400 Shares to Bearer in Shares of 1,000 fl. each and Sub-shares of 100 fl. each, in the proportion of 1 new Share or Sub-Share for every 2 Shares or Sub-shares now held, at par; i.e., 1,000 florins per share and 100 florins per Sub-share. The Offer will be open for Acceptance up to and including 30th December, 1947, and the subscription price is payable in full on 15th January, 1948, in sterling at the following rates:

£93 12s. 8d. per Share of Fls. 1,000.
£9 7s. 4d. per Sub-share of Fls. 100.

NOTE: These prices represent the equivalent of par at approximately the official buying rate of Netherlands florins ruling on 19th November, 1947 (viz., Fls. 10.68-£1). They will be adjusted by reference to the rate ruling on 14th January, 1948, if it differs from the rate mentioned above.

The new shares will rank for the full amount of any dividend declared in respect of the financial year ending 31st December, 1948. The new shares will rank for the full amount of any dividend declared in respect of the financial year ending 31st December, 1948. The new shares will rank for the full amount of any dividend declared in respect of the financial year ending 31st December, 1948.

MESSRS. N. M. ROTHSCHILD & SONS, New Court, St. Swithin's Lane, London, E.C.4, are authorised by the Company to receive acceptances on the terms contained in the full particulars for the above mentioned new Shares of Fls. 1,000 each or sub-shares of Fls. 100 each against surrender of coupon number 88 from shares or sub-shares or coupon number 2 from the Company's Provisional Receipts 1946.

Subscriptions will only be received from Authorised Depositories or Temporary Recipients who will be required to certify:

(1) That the beneficial owner(s) is/are not resident in the Netherlands;
(2) That the coupon(s) are detached from Deposited Securities.
And further as regards coupon(s) No. 88:

(3) That the beneficial owner(s) is/are not resident outside the Scheduled Territories, or that the relative shares or sub-shares have been held continuously within the Scheduled Territories since a date prior to 20th September, 1944, and within the Scheduled Territories with the Netherlands Share Registration Department.

(4) That the relative shares or sub-shares have been registered with the Netherlands Share Registration Department. The necessary authority under the Exchange Control Act, 1947, has been given by the Bank of England for the acceptance of subscriptions from residents and non-residents, provided that in the latter case the subscriptions accord with the terms of the offer and payment is made by the debit of appropriate types of non-resident sterling accounts.

Acceptances, which may be lodged during usual business hours (Saturdays excepted) at any time up to the close of business on 30th December, 1947, must be made on the special form to be obtained from Messrs. N. M. Rothschild & Sons, New Court, St. Swithin's Lane, London, E.C.4, and be accompanied by the appropriate coupon(s).

The Company reserves the right to withdraw this offer notwithstanding the receipt of acceptances at any time up to midnight on 30th December, 1947, if unforeseen circumstances should arise which in the opinion of the Company would prejudice the issue. Acceptances will be provisional only until then.

Payment of the subscription price of Fls. 1,000 per share or Fls. 100 per sub-share must be made on 15th January, 1948, in sterling to Messrs. N. M. Rothschild & Sons, New Court, St. Swithin's Lane, London, E.C.4.

Failure to pay the subscription price on that date will render the acceptance liable to cancellation. Interest at the rate of 5 per cent. per annum will be chargeable on any sums which may be accepted after that date.

Acceptances must be presented personally by an Authorised Depository or Temporary Recipient and must NOT be sent by post. The offer has not been underwritten. A brokerage of 5/- per share or 6d. per sub-share in respect of acceptances for which payment is duly made will be paid to the Authorised Depository or Temporary Recipient presenting them.

A similar offer to Shareholders is being made in Amsterdam, Brussels, Zurich and Paris. Application will be made for quotation for the new Shares on the Stock Exchanges of London, Amsterdam, Rotterdam, Brussels, Zurich and Paris.

The Stock Exchanges of London, Amsterdam, Rotterdam, Brussels, Zurich and Paris. Application will be made for quotation for the new Shares on the Stock Exchanges of London, Amsterdam, Rotterdam, Brussels, Zurich and Paris.

Full particulars including a translation of the explanation contained in the Prospectus published by the Company in Amsterdam on 20th November, 1947, together with the necessary forms of acceptance can be obtained from

N. M. ROTHSCHILD & SONS
NEW COURT, ST. SWITHIN'S LANE, LONDON, E.C.4.

of this year and non-subsidised cloth begins to appear in any quantity in the shops some time in 1948, manufacturers' prices will have been raised by 35 to 40 per cent. This is equivalent to an increase of, say, 4d. to 7d. a yard on the price of cotton cloth and about 7s. 6d. on a £5 worsted suit. For footwear, increases of the order of 3s. to 10s. a pair are anticipated.

Mr Dalton estimated in his April Budget that these subsidies would cost about £33 million. Their abolition, therefore, represents only a small cut in the public's purchasing power. But their removal is to be welcomed on other grounds beside those of financial policy. The growing importance of the export drive in recent months has made a subsidised utility scheme increasingly difficult to administer and has created a growing number of anomalies. Two of these are worth mention. In wool, the attempt to keep prices of utility tissues down necessitated control of the price and quality of wool tops for the home market at a time when firms were actively discouraged from seeking more profitable business in the export market. Similarly in cotton, the higher margins obtained by converters by selling at face prices for export led to a complicated agreement with their yarn suppliers to share the higher profit since export opportunities for yarn spinners were limited by the needs of the home market.

But though it may be true that the abolition of subsidies on cloth will simplify the price structure up to the manufacturing stage, it also raises the whole problem of wholesale and retail margins. Higher manufacturers' prices would mean higher retail margins where, as in most cases, these are calculated on a percentage basis. There is no reason why the distributive trades should automatically reap the benefit of higher costs of production, although they may be able to argue that a reduced turnover of goods for the home market must increase the incidence of overhead costs. The distributors, however, will have a full opportunity of putting their case at their forthcoming discussions on wholesale and retail margins with the Board of Trade.

Misleading Profits Statements

A business note in *The Economist* of November 8th under this heading discussed some recent cases in which companies' preliminary profits statements had failed to give an adequate indication of changes in various provisions which came to light only later in the full accounts. The note coupled with these cases the name of British Celanese, in a way which made it appear that last year the profits statement of that company had been misleading because it brought in undisclosed EPT credits. This statement is not accurate, and it does an injustice to the company which calls for correction. There was an occasion in 1944 when the company's statement fell well short of the ideal; but the last statement could hardly be more complete or more helpful to shareholders in disclosing the trading position of the company, for it gives in detail, with comparative figures for the previous year, each source

of income, provisions and amounts written off under five headings, the tax charge, and credits from provisions made in previous years.

Indian Jute Problems

The partition of India was fully expected to raise delicate problems for the raw jute industry because, whereas about 80 per cent of the Indian crop is grown in Eastern Bengal—now Pakistan—about four-fifths is consumed in Calcutta, in the Dominion of India. The decision of the Pakistan Government to levy a duty on the export of raw jute across its land frontiers will undoubtedly vitiate the joint export policy which has been followed by both Dominions. It is, however, difficult to appraise the situation at present, and the jute industry is awaiting the reaction of the Indian Government. There has been for some time a duty on raw jute exported through Calcutta; two-thirds of the revenue collected was distributed by the former Central Government to the jute growing provinces. Since August 15th, however, no such payments have been made, although the seaborne export duty continued to be levied. Evidently Pakistan is attempting to recoup its loss of revenue by collecting the duty at its frontier.

The higher price which the Calcutta mills will have to pay for raw jute should not cause them any hardship at present, for the world demand for sacking material is acute. Australia urgently requires jute bags for its bumper wheat crop, Brazil for coffee, Argentina for grain, and West Africa for cocoa, while sacking is also needed for the southern hemisphere wool clips. There is no proper substitute for jute, and if sufficient bags are not forthcoming, transportation of these and other goods will be seriously hampered.

If the Government of India decides to continue the seaborne export duty, overseas jute spinners—in particular Dundee—might be at a serious disadvantage. But such a move would in all probability encourage the use of Chittagong as an export port—where presumably no seaborne duty is levied—although it is not well equipped to handle large quantities. Moreover, the Pakistan Government is openly encouraging the erection of new jute spinning and weaving mills within its frontiers; already six firms have registered in Eastern Bengal as jute mill companies, though shortage of machinery will no doubt hamper their development. On the other hand, the Dominion of India is attempting to increase its jute acreage, but even if rapid expansion were possible, production would be unlikely to reach 1,000,000 tons a year, which is the approximate supply which the Calcutta mills require.

The problem is delicate and it will require statesmanship to find a workable solution. But its implications reach far beyond the frontiers of the Indian continent. In view of the present world food shortage, every effort will have to be made to cover current requirements of sacking material so that importing countries do not suffer dire hardship while crops lie wasting in the southern hemisphere.

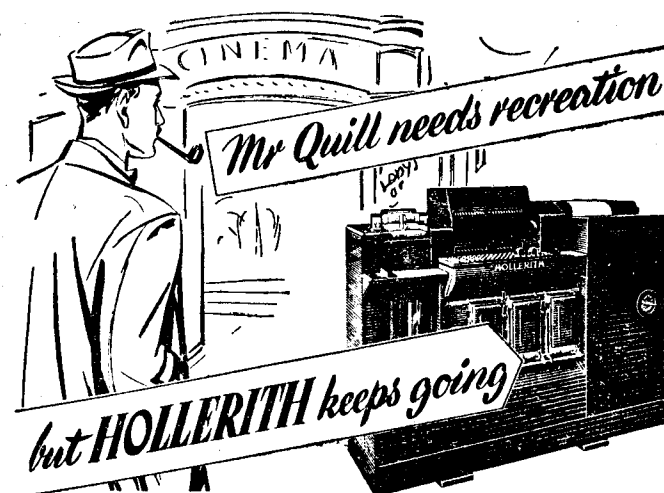
SECURITY PRICES AND YIELDS

A fuller list containing 370 securities appears weekly in the *Records and Statistics Supplement*. Notes on the following company reports also appear in the Supplement: Mitchells and Butlers; Associated Equipment; Tube Investments; Thomas W. Ward.

Prices, Jan. 1-Nov. 19, 1947		Name of Security	Price, Nov. 12, 1947	Price, Nov. 19, 1947	Net Yield, Nov. 19, 1947 (n)	Gross Yield, Nov. 19, 1947	Prices, Jan. 1-Nov. 19, 1947		Last Two Dividends	Name of Security	Price, Nov. 12, 1947	Price, Nov. 19, 1947	Yield, Nov. 19, 1947			
High	Low						High	Low						(a)	(b)	(c)
Other Securities																
103½	100½	Conversion 3% March 1, 1948-53...	101½	101½	£ s. d.	£ s. d.	113½	99½	(d)	Australia 3½% 1965-69...	107½	107	2 16 10½			
103½	100½	War Bonds 2½% August 1, 1949-51...	101½	101½	0 4 11	1 11 2e	105½	89	(d)	Birmingham 2½% 1966-71...	97	96	2 14 10½			
102½	98½	Exchequer Bonds 1½% Feb. 15, 1950...	100½	100½	0 10 0	1 7 6	142½	113½	40 c	Argentine 3½%	101	101	3 10 2			
105½	98½	War Bonds 2½% March 1, 1951-53...	101½	102½	0 16 7	2 0 5e	232½	118½	5 a	Anglo-American Corp. 10a...	141½	143½	3 9 7			
105½	97½	War Bonds 2½% March 1, 1952-54...	101½	101½	1 2 8	2 6 3e	80½	56½	10 c	Anglo-Iranian Oil £1	165½	165½	3 12 6			
108½	101½	War Loan 3½% (after Dec. 1, 1952)...	103½	103½	1 2 8	2 13 5e	42½	25½	40 c	Assoc. Port. Cem. Ord. Stk. £1	65½	67½	4 8 11			
106½	97½	War Bonds 2½% Aug. 15, 1954-56...	101½	101½	1 1 11	2 9 2½	95½	73½	7 b	Barclays Bank Ord. 'B' £1...	78½	79½	3 10 5			
108½	99½	Funding 2½% June 15, 1952-57...	101½	101½	1 6 1	2 10 5½	245½	156½	15 a	Austin Motor 'A' Ord. Stk. 5s.	35½	36½	5 10 9			
108½	99½	National Def. 3% July 15, 1954-58...	104	103½	1 6 11	2 13 10½	115½	80½	12 b	Bass Ratchiff Ord. £1	198½	200½	2 11 0½			
109½	99½	War Loan 3% Oct. 15, 1955-59...	103½	103½	1 9 10	2 17 0½	29½	22½	9½ a	Courtaulds Ord. £1	96½	101½	3 18 6			
108½	97½	Savings Bonds 3% Aug. 15, 1955-65...	103½	102½	1 9 2	2 12 0½	81½	57½	12 a	Dorman Long Ord. £1	44½	44½	3 9 1			
105½	95	Funding 2½% April 15, 1956-61...	99½	99½	1 10 2	2 16 11½	53½	40½	7 b	Dunlop Rubber Ord. £1	27½	28½	5 13 3			
109½	98½	Funding 3% April 15, 1959-69...	103½	102½	1 10 2	2 14 6e	49½	39½	7½ c	Imp. Chem. Ind. Ord. Stk. £1	71½	76½	3 18 11			
122½	108½	Funding 4% May 1, 1960-90...	114½	113½	1 10 9	2 17 10½	57½	45½	5 c	Lancs. Cotton Ord. Stk. £1...	45½	45½	4 7 11			
110½	97½	Savings Bonds 3% Sept. 1, 1960-70...	102½	102½	1 11 4	2 14 4½	71½	48½	10 c	Lever & Unilever Ord. (£1...	51½	53½	3 14 11			
104½	92	Savings Bonds 2½% May 1, 1964-70...	102½	102½	1 3 6	2 16 8½	84½	73½	(d)	London Brick Ord. Stk. £1...	51½	52½	4 14 9			
123½	109½	Victory Bonds 4% Sept. 1, 1920-76...	116½	115½	1 0 11	2 16 4e	47½	20½	20 b	L.M.S. 4% 1st Pref. Stk.	78½	79½	5 1 11			
111½	96½	Savings Bonds 3% Aug. 15, 1965-75...	103½	102½	1 7 10	2 18 7e	39	29½	169-58c	N.-Eastn. Elec. Ord. Stk. £1	33½	34½	4 2 4			
117½	106	Consols 4% (after Feb. 1, 1957)....	111½	110½	1 11 9	2 17 10½	63½	44½	12½ c	Prudential 'A' £1	56½	58½	4 13 7			
115½	102½	Conversion 3½% (after Apr. 1, 1961)...	107½	106½	1 12 11	3 0 2½	108½	74½	12½ a	Stewarts & Lloyds Def. £1...	52½	54½	4 11 4			
100½	80½	Treas. Stk. 2½% (after Apr. 1, 1975)...	90½	86½	1 11 5	2 18 0½	147½	108½	12½ a	'Shell' Transp. Ord. Stk. £1	75½	75½	2 0 8½			
110½	95½	Treas. Stk. 3% (after Apr. 5, 1966)...	101½	100½	1 11 9	2 17 10½	96½	71½	55 b	Turner & Newall Ord. Stk. £1	74½	76½	3 5 0			
117½	97½	Redemp. Stk. 3% Oct. 1, 1986-96...	105½	103½	1 11 9	2 17 10½	96½	71½	55 b	Woolworth (F. W.) Ord. 5s.	84½	87½	4 0 0			
99	80	Consols 2½%	90½	86½												

Redemption yields on stocks optionally or finally redeemable within the next five years are worked out on the assumption that they will be repaid at the earliest date. Redemption yields on other dated stocks assume that stocks paying over 3 per cent will be redeemed at the earliest date (these are marked 'e'), and those paying 3 per cent or less will be repaid at the latest date (marked 'l'). (a) Net yields are calculated after allowing for tax at 8s. in the £. (f) Flat yield. * Assumed average life 17 years 6 months.

(a) Interim. (b) Final. (c) Whole year. (d) Int. paid half-yearly. (e) To earliest redemption date. (f) Also a capital bonus of 2½ per cent free of income tax. Yield worked out on 15 per cent basis. (h) Fifteen months to March 31, 1947 (yield basis 7-6 per cent). (i) To latest redemption date. † Free of tax.



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'SOUND IN WIND AND LIMB'

THE attention of firms engaged in the manufacturing, distributive, or publishing worlds, is invited to this announcement made by one who, it will be seen, is possessed of reasonable confidence in himself.

Though over sixty years of age I am sound in wind and limb recently having recovered from an illness of nine months' duration which caused retirement from the Board of one of London's leading firms of Advertising Practitioners. Pension conditions preclude me from partnership or service with Advertising Practitioners, but with completely restored health I seek an outlet for my energy.

I believe there are a number of well-established businesses where production costs could be lowered either by improved processes and layout or by improved conditions for workers resulting in increased output.

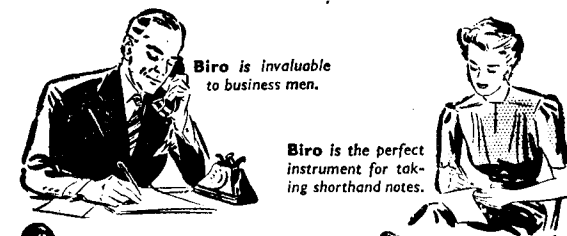
Forty-five years' experience of selling and distribution, covering a wide range of products as well as many years' practical study of statistics and market research fit me, so it seems to me, for an administrative post carrying responsibility.

Scope for initiative and indefatigability is of more importance than remuneration. An appointment where the monetary reward is based on proved results would be especially welcome.

At the moment few firms are faced with the problem of finding markets though the sellers' market rapidly approaches its demise.

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of

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Shares of £1 each at par

Applications from Shareholders in Beecham Group Limited if made on the special pink forms provided will be given preferential consideration on allotment.

The Subscription List will open and close on Wednesday, the 26th November, 1947.

The Prospectus shows (inter alia):

(1) Beecham Group Limited was incorporated on 23rd January, 1928, under the name of Beechams Pills Limited and changed its name to Beecham Group Limited in 1945. As a result of a vigorous policy of expansion, it now controls 111 Companies and overseas Branches. The home turnover of the Group is now made up (approximately) as to Food Products, 50 per cent., Cosmetics and Toilets, 17 per cent., Pharmaceuticals, 32 per cent. and Veterinary Products, etc., 1 per cent.

(2) Particular attention has been paid to the Group's export business, which has been expanded in nearly every part of the world under the management of Beecham Export Corporation Limited, a wholly owned subsidiary. In the last four years the profits earned from export and overseas trade (before taxation) have risen by over 50 per cent. to a new high level of £644,745 for the year ended 31st March, 1947. This side of the business is being actively developed and for the first half of the current financial year there has again been an increase in turnover and profits compared with the same period in 1946.

(3) The combined profits of the Company and its subsidiaries for the year ended 31st March, 1947, as shown by the Auditors' Report, amounted, before U.K. taxation, to £2,241,916. After providing for estimated taxation on the present basis, including the Budget proposals as announced by the Chancellor of the Exchequer on the 12th November, 1947, the net profits amount to £713,780, which is equivalent to a gross amount, before U.K. income tax at 9/- in £, of £1,297,782.

Of this sum the annual preferential dividend payable upon the 10 per cent. Cumulative Preferred Shares of the Company absorbs the gross amount of £200,000, which leaves a balance of £1,097,782 before deducting the annual dividend on the 300,000 5 per cent. Redeemable Cumulative Preference Shares, which are to be redeemed on the 31st March, 1948.

(4) The gross amount required to pay the annual dividend on the 1,500,000 $4\frac{1}{2}$ Per Cent. Redeemable Cumulative Preference Shares to be offered is £67,500.

(5) The proceeds of the present issue will be utilised as to £300,000 towards repayment on the 31st March, 1948, of the 300,000 5 per cent. Redeemable Cumulative Preference Shares, and as to the balance for the general purposes of the Company.

Copies of the Prospectus, on the terms of which alone applications will be considered, and forms of application are now obtainable from:

Bankers:

MIDLAND BANK LIMITED, New Issue Department, Poultry, London, E.C.2, and Branches.
COUTTS & CO., New Issue Department, 440, Strand, London, W.C.2.

Brokers:

JOSEPH SEBAG & CO., 22, Old Broad Street, London, E.C.2, and The Stock Exchange, London.

Registered Office of the Company:

55/56, Pall Mall, London, S.W.1,

and from

PHILIP HILL & PARTNERS LIMITED

Kingsbury House, King Street, St. James's, London, S.W.1

COMPANY MEETINGS

BLYVOORUITZICHT GOLD MINING COMPANY, LIMITED

(Incorporated in the Union of
South Africa)

PROGRESS DESPITE DIFFICULTIES

PROPOSED SHARE ISSUE

MR W. M. FRAMES'S SURVEY

The annual general meeting of the Blyvooruitzicht Gold Mining Company, Limited, was held, on the 14th instant, in Johannesburg. Mr W. M. Frames, chairman, presided.

Moving the adoption of the report and accounts, the chairman said that despite interruptions to its operations occasioned by strikes of European miners, the serious shortage of European employees and delays in delivery of machinery and plant, the company had made good progress in equipping its mine and expanding the scale of operations.

Net profit for the year had been £1,635,336. Dividends declared during the year had absorbed £1,010,625, provision for taxation had been £562,768, provision for mineral lease consideration had accounted for £32,289, and provision for outstanding liabilities in respect of silicosis compensation had amounted to £991.

CAPITAL EXPENDITURE

Expenditure charged to capital account during the year had totalled £996,011, principal amounts being in respect of the sinking of a circular ventilation shaft, the extension of reduction works and ore transport arrangements, the erection of further dwelling-houses and quarters for Europeans, and a compound and hospital accommodation for native employees.

The company had received formal notification during the year from the Secretary for Mines that the Governor-General had approved the leasing to the company of an area in extent of 213.7282 morgen, equal to approximately 307 claims adjoining the northern boundary of the existing mining area. The terms on which this lease was being granted provided that an additional area would be incorporated in and worked conjointly with the principal area, and that had involved an adjustment of the formula governing the lease consideration payable to the state. The revised formula reflected a proportionate increase, taking into account the additional area leased—the increase being approximately 1.8 per cent.

TAXATION POSITION

For the first time the company had incurred liabilities in respect of mineral lease consideration and formula taxation. In the past, allowances in respect of capital expenditure had been more than sufficient to extinguish those liabilities. The company would derive an immediate benefit, both as regards the mineral lease consideration and taxation, by reason of the concession made in relation to the redemption of post production capital expenditure and the reduction in the formula tax equal to a remission of 10 per cent., announced by the Minister of Finance in his Budget speech in February last and subsequently enacted by Parliament.

Post production capital expenditure was now redeemed at a rate of $22\frac{1}{2}$ per cent. of the unredeemed balance at the end of each year. For a period, the increased redemption allowance would result in lower lease consideration and tax payments, but shareholders would appreciate that the time would arrive when capital expenditure would to a great extent be redeemed, and liabilities to lease consideration and tax would then be heavier.

SILICOSIS COMPENSATION

Fresh legislation had been enacted during the last session of Parliament in regard to the compensation of silicotics by the gold-mining industry and other dust-producing industries. That legislation, namely, the Silicosis Act No. 47 of 1946, consolidated previous miners' phthisis Acts and provided for substantially increased awards to beneficiaries. The new Act had come into operation on August 1, 1946, and at that date the present value of additional outstanding liabilities resulting therefrom had been actuarially determined to be £8,000,000.

Those additional liabilities were recoverable from the profits of scheduled mines over a period of 20 years and eight months from the date on which the Act had come into force. As the proportion of those liabilities to be borne annually by each of the scheduled mines was assessed *pro rata* to taxable incomes during the penultimate accounting period, the company would not incur any assessment for additional outstanding liabilities until the financial year 1948-49.

LARGER TONNAGE MILLED

Ore milled had totalled 356,000 tons, an increase of 156,400 tons compared with the figure for the preceding twelve months. That increase, though substantial in itself, had fallen short of what the company had hoped to achieve, principally due to late deliveries of essential equipment, a temporary breakdown of the motor driving one of the hoists at No. 1 shaft, and the strikes of European miners in October and November last year and in February and March of the current year.

The yield, at 16.989 dwt. per ton milled, represented an increase compared with the previous year of 3.247 dwt. per ton, accounted for by the fact that an increased portion of tonnage milled had been derived from stoping operations.

DEVELOPMENT DETAILS

Development during the year had totalled 26,972 ft., of which 7,567 ft. had been advanced at No. 2 shaft. Total footage had been 6,343 ft. less than that accomplished during the previous year. The decrease had been due partly to the interruption of development operations by the strikes already mentioned, but more particularly to the necessity of maintaining a balance between production and development operations in relation to labour and other available resources. Of the 7,567 ft. developed from No. 2 shaft, all but 234 ft. had been in country rock and constituted necessary work to prepare the No. 2 shaft area for normal reef development. Development sampled on the carbon leader had totalled 10,190 ft., all of which had been classed as payable, the average value being 48.4 dwt. per ton over a reef width of 11 inches, equal to 532 inch-dwt. Inch-dwt. sampling results had showed a decline from the average of 758 inch-dwt. obtained in development in the previous year.

Payable ore developed had amounted to 630,000 tons, valued at 9.9 dwt. per ton. That was 758,000 tons less than the tonnage developed in the previous year and the estimated value had been 4.2 dwt. per ton lower. The available ore reserve as re-estimated at June 30, 1947, had been 5,853,000 tons of an average value of 14.2 dwt. over an assumed stoping width of 45 inches. The reserve thus showed an increase of 284,000 tons, the value being 0.6 dwt. per ton lower.

NOS. 2 AND 3 SHAFTS

Progress had been made with the equipment of No. 2 shaft for production. Cross-cuts to the reef had been advanced on all the first five levels and excavation for the main and intermediate pumping stations was proceeding. Since the end of the financial year the carbon leader had been intersected on the fourth and fifth levels, and driving east

and west had been commenced. On the fourth level over a distance of 195 ft. sampled, the average value had been 513 inch-dwt., and on the fifth level over a distance of 135 ft. sampled, the average value had been 431 inch-dwt. Those exposures strengthened the belief that values to the west were again improving after traversing the slightly lower-grade zone in which had been done the greater part of the development during the past year.

Satisfactory progress had been made with the sinking of No. 3 circular shaft, which was to serve as a ventilation upcast for the mine workings. A total of 1,717 ft. had been sunk during the year, and by the end of June the shaft had reached a depth of 1,991 ft. below the collar. At the end of October sinking had progressed a further 644 ft. to a depth of 2,635 ft. It was hoped that that shaft would be in commission by September, 1948, when, with the increased ventilation and removal of delays for blasting intervals at Nos. 1 and 2 shafts, the 80,000 tons per month objective should be attained.

SURFACE PLANT

Construction work on the surface plant and equipment had made steady progress. Extension of the reduction plant to a nominal capacity of 80,000 mill tons per month was well advanced.

The deep borehole which had been sunk at the site in the southern portion of Farm Blyvooruitzicht had been completed during the year and the sampling results obtained from the original and the two deflected intersections of the carbon leader at depths of 8,983 ft. and 8,986 ft. had been published. An intersection had been obtained at a depth below the surface corresponding approximately to the calculated position of the reef, which indicated that there was no major reef dislocation between the main shafts and the southern boundary. The average of two complete core recoveries—in the second deflection there had been a loss of reef through grinding—had been 7.3 dwt. over a corrected width of 35 ins., or 256 inch-dwt.

STRIKE OF EUROPEAN MINERS

At the last annual general meeting he had referred to the strike of European miners at the company's property, which, starting on October 22nd of last year, had been still in progress at the date of the meeting. Settlement had been ultimately effected by the strikers voluntarily agreeing to the original proposal that the matters in dispute be submitted to arbitration, and the strike had ended with the return of the men to work on December 2nd. The arbitrator subsequently issued an award:

That there had been no sufficiently justifiable claim to warrant the increased contract rates demanded by the men, and the increase sought should not be granted. The strike of European miners during February and March of the current year, which had affected most of the Witwatersrand mines, arose from an internal dispute in the Mineworkers' Union and had in no way involved the mine management.

EXPANSION PROGRAMME

Additional capital funds had been raised in 1945 for the purpose of attaining an output capacity of 40,000 tons milled per month, of sinking a ventilation shaft and of expanding production at the mine as rapidly as possible to a monthly milling capacity of 80,000 tons. The estimated cost of that had been £2,491,655. Construction work on the programme had been pressed forward as rapidly as conditions had permitted, but delays in delivery of equipment and shortage of skilled labour and of materials had considerably retarded progress of work. The major items of the programme would, however, be installed by the end of 1947, with the important exception of an 8-ton winder ordered early in 1945 for delivery in January, 1946.

It was now hoped that that winder would be installed early in 1948 and that thereafter

there would be a steady increase in output until full capacity of plant, namely, 80,000 tons a month, was reached in the last quarter of 1948. With the completion of that programme in sight the board had had under consideration the question of a further expansion of operations at the mine. Of the £2,623,688 raised in 1945, there had remained a balance of £626,277 on hand at June 30th last. After allowing for that sum it was estimated that a further amount of about £1,100,000 would be required to complete the present programme.

That additional expenditure was due to unforeseen increases in the cost of items of equipment, to increased construction costs and to the inclusion of additional items subsequently found necessary, particularly the provision of houses for European employees. After full consideration, the company's technical advisers were of the opinion that it would be advisable to fix the next expansion target at a milling capacity of 120,000 tons a month, and they recommended that the necessary plant and equipment be ordered and steps taken to increase the output to that figure as soon as possible.

PROPOSED WORKS

In order to obtain that increase in the capacity of the mine and to maintain output at that higher level, it would be necessary not only to increase the capacity of the reduction plant, but also to provide additional accommodation for European and native employees, and to increase various workshops, as well as the winding capacity of the main shafts. In addition to those surface arrangements, it would be necessary to proceed with the sinking of two underground vertical shafts from the sixth level, in the neighbourhood of Nos. 1 and 2 main shafts. It was proposed to sink those shafts to a sufficient depth to enable them to haul the ore from the 22nd level. They would each be approximately 2,500 ft. deep to the bottom of the shaft. The vertical depth from the surface of No. 1 shaft to the main haulage on the 22nd level would be approximately 7,225 ft.

It was also proposed to equip five incline shafts, which would be sunk from the sixth level to the 14th level, with the necessary winding and other appliances. Those shafts would be used initially for rapid development of the reef and for hauling the ore from development and stoping operations until the underground vertical shafts came into full operation. They would also form an important portion of the ventilation system of the mine.

PROJECTED NEW ISSUES

That programme would involve, according to the company's technical advisers, an estimated expenditure of £3,724,000, which, when added to the amount still to be spent to complete the 80,000-ton programme, increased total capital requirements to a figure of approximately £4,800,000. The directors had decided that it would be in the best interests of the company to finance that expenditure by the issue of shares to shareholders. The terms and conditions of the proposed issue were still under discussion, but it would be communicated to shareholders as soon as possible and an extraordinary general meeting to consider and approve the scheme would be convened early in 1948.

Recently, a number of inquiries had been received regarding the subdivision of shares into shares of lower denomination. The board felt that, as it would not be practicable to undertake that work in conjunction with the proposed issue of shares to shareholders, a decision in that matter should be deferred until the new issue had been completed.

A report of the proceedings at the meeting would be published in the press and copies would be circulated to shareholders at the earliest convenient date.

The reports and accounts were adopted.

NOURSE MINES, LIMITED

(Incorporated in the Union of South Africa)

STRIKES AFFECT RESULTS

MR W. M. FRAMES'S SPEECH

The annual general meeting of Nourse Mines, Limited, was held, in Johannesburg, on the 14th instant, Mr W. M. Frames, chairman, presided.

In moving the adoption of the report and accounts the chairman said that the limited supply of labour had continued to restrict operations which had also been adversely affected by the strike of native employees during August, 1946, and by another strike of European miners during the early part of 1947. By cutting down the amount of development, however, it had been possible to maintain mill tonnage at very much the same figure as that recorded during the previous year. Net profit for the year had been £62,321. Capital expenditure had amounted to £12,960, provisions in respect of silicosis outstanding liabilities had totalled £12,651 and dividends declared during the year had absorbed £58,775.

RIISING COSTS

In his address to shareholders last year he had emphasised the importance of maintaining a high rate of development in order to restore a normal balance between ore reserves and the rate of milling. During the year, however, it had become necessary to curtail development in order to maintain production. Working costs had continued to rise, largely on account of the increasing prices of stores, higher cost of living allowances and increases in silicosis compensation.

The position had been aggravated further by the strikes of native and European employees, with the result that the profit had been reduced to the small margin of 0.174 pennyweight per ton milled. Had a certain proportion of the available labour not been diverted from development to stoping, that profit margin would have been reduced still further. Total development accomplished had been 21,078 ft., compared with 28,747 ft. during the previous year.

RESULTS AT DEPTH

Disclosures on the main reef leader in the deeper levels of the mine had continued to be good, and new blocks of ore which had been taken into the reserves were again above the average value for that reef. The south reef had been prospected in those deep levels by means of systematic drilling, and although results had been generally disappointing, a small payable zone had been indicated between the 50th and 51st levels. In the upper levels the exploration of pyritic quartzites by means of drilling had been continued, but the results had only confirmed the experience of neighbouring properties that values in that horizon were very erratic. Drilling was, however, being continued.

Payable ore developed during the year had totalled 533,900 tons, averaging 5.5 dwt. per ton, which was a decrease of 174,500 tons and 0.2 dwt. in value compared with that developed during the previous year. Those decreases could be attributed partly to the smaller amount of reef development accomplished, partly to the increased proportion of exploration on lower-grade reefs, namely, main reef and south reef, and partly to the increase in working costs, which had had an adverse effect on payability.

ORE RESERVE

The available ore reserve at June 30, 1947, had been estimated at 2,389,600 tons, averaging 4.9 dwt. per ton over a width of 46 ins. Compared with the previous year there had been very little change. It was satisfactory to note, therefore, that in spite of the smaller amount of development accomplished the ore reserve position had been more or less maintained.

Mining operations had now ceased on the neighbouring Geldenhuis Deep property, and there had therefore been an increase in the amount of water to be handled. The new pumping arrangements should be capable of dealing with the larger volume of water even in the peak period, which usually occurred during January and February of each year.

The sinking of the No. 3D incline shaft had been resumed during February, 1947, and by the end of the financial year the bottom of the shaft was nearing the 52nd level. Since then the shaft had been sunk a further 104 ft., and at the end of October had reached a depth of 78 ft. below the 52nd level. That represented a vertical depth of about 7,017 ft. below the surface.

TAXATION CHANGES

During the year certain changes had been made in gold-mining taxation with effect from January 1, 1947. There had been a downward adjustment of the tax formula, with the result that, given the same ratio of profit to recovery, the 1947 rate of tax was equivalent to 90 per cent. of that calculated under the 1946 formula. In addition, the capital redemption allowance had been increased and 22½ per cent. of the balance of all unredeemed capital expenditure at the end of each year was now allowed for purposes of amortisation.

Fresh legislation had been enacted during the last session of Parliament in regard to the compensation of silicotics by the gold-mining industry and other dust-producing industries. That legislation, namely, the Silicosis Act No. 47 of 1946, consolidated previous miners' phthisis Acts and provided for substantially increased awards to beneficiaries. The new Act had come into operation on August 1, 1946, and at that date the present value of additional outstanding liabilities resulting therefrom had been actuarially determined to be £8,000,000. Those additional liabilities were recoverable from the profits of scheduled mines over a period of 20 years and eight months, and, as shown in the accounts, the company's proportion for one year and eight months ending March 31, 1948, had been £4,653.

A report of the proceedings at the meeting would appear in the press and shareholders could obtain copies on application to the secretaries in Johannesburg or London.

The report and accounts were adopted.

CONSOLIDATED MAIN REEF MINES AND ESTATE, LIMITED

(Incorporated in the Union of South Africa)

MR W. M. FRAMES ON LABOUR AND TAXATION

The annual general meeting of Consolidated Main Reef Mines and Estate, Limited, was held in Johannesburg on the 11th instant.

Mr W. M. Frames, the chairman, presided, and in moving the adoption of the report and accounts said that underground operations had continued to be restricted by the shortage of labour, and had been seriously affected by another strike of European miners during January, February and March. Much of the loss in tonnage from mining had been, however, made up by drawing on ore from the surface dump. Ore milled at 2,310,000 tons had been lower by 208,000 tons than in the previous year, while the yield per ton had been higher by 0.254 dwt.

The resulting increase in revenue per ton had been, however, more than offset by a rise of 2s. 6d. per ton in working costs. Consequently the profit per ton had been down to 3d. compared with the previous year, and due to that and to the lower tonnage milled the working profit had decreased by £52,951 to £245,371. Net capital expenditure had amounted to £5,349, pro-

visions in respect of silicosis outstanding liabilities had totalled £21,990, transfer to contingency reserve had been £8,700, and dividends declared during the year had absorbed £249,520.

DEVELOPMENT FIGURES

Tonnage mined had been much the same as that achieved during the preceding year, in spite of the disruption of operations caused by the strike of miners during the third quarter of the financial year under review. The amount of development accomplished had also been adversely affected by the strike, and although there had been an increase of 7,586 feet compared with the previous year, the footage during the third quarter of the year had been only 16,915 feet, compared with an average of 24,427 feet during each of the other quarters. Payable ore developed had been estimated to amount to 1,101,000 tons, averaging 3.8 dwt. per ton, representing an increase of 334,900 tons and 0.1 dwt. in value compared with the previous year. Exposures on the main reef leader had continued to be satisfactory in the upper levels, but very little ground remained to be explored in the north-western corner of the property, which had been the main source of higher-grade ore.

PAYABLE AREAS LOCATED

Work on opening up the unexplored area in the north-eastern corner continued, and development had disclosed some payable areas. Further blocks of low-grade but payable ore had been opened up to the west of Bantjes Dyke, but the values in the main reef and main reef leader continued to be disappointing in the lower levels. In the south reef appreciable tonnages had been exposed in the north-western corner of the mine, and in the north-eastern corner results continued to be satisfactory. Development in the Bird Reef had again disclosed substantial tonnages of low-grade ore. During the year Number 6 shaft had been dewatered and re-equipped. There had been a certain amount of development done on Kimberley Reef from that shaft, and a few payable blocks had been exposed. Those new blocks and some others which had been developed many years ago had now been included in ore reserves for the first time.

Results so far had fully warranted the expenditure incurred, and development and shaft-sinking continued. Further prospecting of the Kimberley Reef had been carried out by sinking boreholes from the surface in the western area of the mine and near the eastern boundary. Results had been disappointing, except in the area between Number 6 shaft and the eastern boundary, where two payable intersections had been made.

Available ore reserve had been recalculated at June 30, 1947, to be 4,974,000 tons, averaging 3.7 dwt. per ton over a stoping width of 55.8 inches. Compared with the previous year that represented a decrease of 206,000 tons, the width being lower by 0.9 inch, and the average value higher by 0.1 dwt.

TAXATION CHANGES

During the year certain changes had been made in gold-mining taxation with effect from January 1, 1947. There had been a downward adjustment of the tax formula, with the result that, given the same ratio of profit to recovery, the 1947 rate of tax was equivalent to 90 per cent. of that calculated under the 1946 formula. In addition, the capital redemption allowance had been increased and 22½ per cent. of the balance of all unredeemed capital expenditure at the end of each year was now allowed for purposes of amortisation.

Fresh legislation had been enacted during the last session of Parliament in regard to the compensation of silicotics by the gold-mining industry and by other dust-producing industries. That legislation, the Silicosis Act, Number 47, of 1946, consolidated previous miners' phthisis Acts and provided for substantially increased awards to beneficiaries. The new Act had come into operation on August 1, 1946, and at that date the present value of additional outstanding lia-

bilities resulting therefrom had been actuarially determined to be £8,000,000. Those additional liabilities were recoverable from the profits of scheduled mines over a period of about 20 years, and the company's proportion for one year and eight months ending March 31, 1948, had been £10,090.

THE LATE MR A. A. AURET

Shareholders would join the board in recording the company's deep sense of loss in the death in February last of Mr A. A. Auret, who had been associated with the direction of the company's affairs since its inception in 1896—a period of over 50 years.

A report of the proceedings at the meeting would be published in the press and shareholders could obtain copies from the secretaries in Johannesburg or London.

The report and accounts were adopted.

MODDERFONTEIN EAST, LIMITED

(Incorporated in the Union of South Africa)

MR W. M. FRAMES'S REVIEW

The annual general meeting of Modderfontein East, Limited, was held in Johannesburg on the 11th instant.

Mr W. M. Frames, the chairman, presided and in moving the adoption of the report and accounts said that output of the mine had continued to be restricted by the limited supply of European and native labour and had been seriously curtailed during January, February and March, 1947, by another strike of European miners.

Total ore milled had decreased by 79,000 tons as compared with the figure for the previous year to 1,420,000 tons. Revenue had been lower by 8d. per ton milled and working costs had risen by one shilling per ton with the result that the working profit had been lower by £151,925 at £488,976. Provisions made in respect of silicosis outstanding liabilities had totalled £25,102, provision for taxation had accounted for £175,162, provision for lease consideration had amounted to £53,469 and dividends declared during the year had absorbed £255,971.

INCREASE IN DEVELOPMENT

Development accomplished had totalled 11,463 feet which was 704 feet more than that for the previous year. Payable ore developed, however, had decreased by 307,300 tons to 485,000 tons, averaging 3.2 dwt. per ton. That might be attributed partly to a decrease in the quantity of payable ore developed by internal development and stoping operations and partly to a decrease in the percentage of payability disclosed in new areas. The lower percentage of payability had been mainly due to poor results obtained in exploration of the north-eastern portion of the mine. Although 2,855 feet had been sampled in that area no payable tonnage had been disclosed. Work in development ends immediately to the north of Number 5 shaft had now been suspended, but it was intended to carry out further exploration of the area by penetration in a south-easterly direction from existing workings situated in the most northerly corner of the property.

AVAILABLE ORE RESERVE

That programme would, however, entail a certain amount of preliminary work in order to ensure adequate ventilation. It would therefore be some time before that work could be undertaken. The remainder of development during the year had been largely confined to the south-eastern corner of the mine where some small payable blocks of ore had been disclosed. The available ore reserve had been estimated at June 30, 1947, to be 5,216,000 tons averaging 3.4 dwt. per ton over a stoping width of 43.2 inches.

Compared with the estimate made a year previously the available ore reserve had been 138,000 tons less, the average value and stoping width being lower by 0.1 dwt. and 0.3 inch respectively. The rate of depletion of available reserve had been, however, considerably greater than that decrease would indicate, as 379,000 tons previously included under the heading of shaft and safety pillars had been transferred to available reserves.

During the year certain changes had been made in Gold Mining taxation with effect from January 1, 1947. There had been a downward adjustment of the tax formula with the result that, given the same ratio of profit to recovery, the 1947 rate of tax was equivalent to ninety per cent. of that calculated under the 1946 formula.

In addition, the capital redemption allowance had been increased and 22½ per cent. of the balance of all unredeemed capital expenditure at the end of each year was now allowed for the purpose of amortisation.

SILICOSIS COMPENSATION

Fresh legislation had been enacted during the last session of Parliament in regard to compensation of silicotics by the gold mining industry and other dust-producing industries. That legislation, the Silicosis Act Number 47 of 1946, consolidated previous miners' phthisis acts and provided for substantially increased awards to beneficiaries. The new act had come into operation on August 1, 1946, and at that date, the present value of additional outstanding liabilities resulting therefrom had been actuarially determined to be £8,000,000.

Those additional liabilities were recoverable from the profits of scheduled mines over a period of about 20 years and the Company's proportion for one year and eight months ending March 31, 1948, had been £19,451.

A report of the proceedings at the meeting would be published in the Press and shareholders could obtain copies on application to the Secretaries in Johannesburg or London.

The report and accounts were adopted.

THE VICTORIA FALLS AND TRANSVAAL POWER COMPANY, LIMITED

RECORD SALES

MR ARTHUR E. HADLEY ON

EXPROPRIATION

The annual general meeting of The Victoria Falls and Transvaal Power Company, Limited was held at Winchester House, Old Broad Street, London, on the 18th instant, the chairman and managing director, Mr Arthur E. Hadley, C.B.E. presiding.

The report and accounts for the year 1946 were presented. The profit for the year amounted to £600,275 compared with £582,050 in the previous year. A further £150,000 had been added to reserve fund bringing the amount to £1,900,000. The sum carried forward was £423,940 compared with £351,790.

A dividend of 19½ per cent. had been paid for the year on the ordinary stock and the full 10 per cent. on the participating preference stock.

The units sold during the year constituted a record of upwards of 4,168 million. All the seven large power stations have operated at their full capacity after allowing for spare plant. Notifications of additional power requirements continue to be received indicating further expansion ahead. To meet future requirements important extensions are in hand or under consideration at two of the principal power stations, and a large exten-

sion to the transmission system is in hand. These are for the purpose of meeting general growth of load and the development of the gold mining industry in the Orange Free State.

EXPROPRIATION TERMS

The company was granted a licence in 1910 after it had already been at work for some years. Under this licence the Government retain the right to expropriate the undertaking in the Union at the end of the year 1950 after giving two years' previous notice. The terms of expropriation are defined as the existing fair value at the time of expropriation of the assets employed in supplying power in the Union, and this value has to be agreed between the parties, or failing agreement, by arbitration under South African Law.

Some years later, in 1922 the Government of the Union established a body called the Electricity Supply Commission, which was authorised to supply electricity throughout the Union, and to acquire existing undertakings subject to the terms of their licences, and thus the Commission became the prospective purchaser of the undertaking in the Union.

Since that date the company has worked in close and friendly co-operation with the Commission, who under the terms of the Act which established it, have financed the additional power stations required, and large expenditure for transmission in the extension of the company's original licensed area. The close co-operation was shown by the action of the Commission in entrusting to the company the engineering design and purchase of those assets and ceding to it all the obligations for the supply to the additional area, together with the operation of the plant, which they financed.

NEGOTIATIONS PROCEEDING

With the report for 1945 he had mentioned that at that time no authoritative communication had been received on the subject of expropriation, but later the South African Government issued a statement to the effect that at the proper time it would take into consideration the question of expropriation. This statement was duly notified by the board in the Press, and confirmed their view that notice of intention to expropriate would be given at the end of 1948.

Since then the Commission had indicated to the company that it would like to take over the undertaking at an early date instead of waiting until the end of 1950. The company had therefore started conversations with the Electricity Supply Commission with the object of arriving at an arrangement fair to both sides, and which the board would consider to be in the interests of the stockholders.

It would be a *sine qua non* of any arrangement come to with the Commission that the interests of the staff and employees of the company, both in Africa and London, were to be fully safeguarded. The Commission had authorised him to give the assurance that if and when it takes over the company's undertaking it will ensure that all the staff and employees then in the service of the company who elect to transfer from its service to the Commission, will enjoy conditions of service, including pension rights, which will be in every respect at least as favourable as those they would have enjoyed had they remained in the service of the company.

The chairman concluded with an expression of thanks to the staff and employees for their loyal and able services during a difficult and strenuous year.

The report and accounts were adopted, and the retiring directors, Dr. Bernard Price, O.B.E., and Mr. R. E. Shott, and the auditors, Messrs. Cooper Brothers and Company, were re-elected.

BRITISH SUGAR CORPORATION, LIMITED

RECORD BEET HARVEST

The eleventh annual general meeting of the British Sugar Corporation, Limited, was held, on the 18th instant, in London, Lt.-Col. Sir Francis Humphrys, G.C.M.G., G.C.V.O., K.B.E., C.I.E., the chairman, presiding.

The following is an extract from his circulated statement for the year to March 31, 1947:—

The cautiously optimistic forecast of the beet harvest for 1946-7 which I made last year was more than justified by the results, which proved to be a record in the corporation's history. The tonnage of beets brought to the factories reached the enormous total of 4,522,140 tons—nearly one million tons above the average—and the sugar manufactured, in terms of white sugar, amounted to 556,731 tons, sufficient to provide a weekly ration of 8 ozs. for a whole year to 47,000,000 persons.

A GRATIFYING RESULT

For this gratifying result, which was achieved during the severest winter this country has experienced since our industry was started more than 20 years ago, we are indebted to the splendid team work shown by growers, hauliers, railwaymen and factory staffs, who toiled day and night in the snow and frost and succeeded in harvesting 99 per cent. of the crop in a campaign which extended into March.

The amount paid by the Corporation in cash to 47,000 growers exceeded £20,000,000, giving an average of £49. 10s. an acre on a total cropped acreage of 415,000. The average sugar content was slightly lower than that of last year, the decline being almost wholly due to the deterioration of beets delivered after the middle of January. The Excise Duty which accrued to the Exchequer was £8,935,000, which is £914,000 more than last year. On the other hand, the deficiency payment received from the Exchequer was £2,749,780 against £3,972,226, and that would have been entirely eliminated had the corporation been permitted to take the Cuban price as at January 1, 1947, into account as the fair price for its sugar. An anomalous position has also arisen in respect of values placed upon the corporation's by-products, sugar-beet pulp and molasses.

VALUE OF INDUSTRY

Whatever may have been the position up to 1939, it would be misleading to suggest that in present circumstances the deficiency payment is a measure of cost to the taxpayer of the home-grown sugar industry. Indeed, never has the value to the country of the home-grown sugar industry been greater than it is today. Our industry occupies a high place as a dollar saver, since the sugar produced at home last season would have cost us no less than 72,000,000 dollars if it could have been bought at Cuban official prices. The Government's long-term plans for the industry aim at an expansion of the prewar acreage and an increase in factory capacity.

The appointment by the corporation of an agricultural development officer has proved a step in the right direction and has encouraged the increased production of mechanical aids for reducing the agricultural labour demand at the peak periods of the year.

The profit for the year was £267,850 and the board recommended a dividend of 4½ per cent. less tax. Estimates for the current season's crop were for about 3,000,000 tons of beets with a somewhat higher average sugar content than last year.

The report was adopted.

THE FINANCIAL NEWS, LIMITED

A SATISFACTORY YEAR

The fiftieth ordinary general meeting of The Financial News Limited was held, on the 11th instant, in London.

The Rt. Hon. Brendan Bracken, M.P., the chairman, in the course of his speech said: During the year under review there have been few changes in the company's balance sheet. Under the heading of Investments, other holdings stand at £65,772, a reduction of £10,000 on the year before. This reduction represents the sale of our interest in Moody's Economist Services Limited.

The consolidated profit before taxation amounts to £122,924, an increase of £14,255. We have received a dividend at the rate of 20 per cent. from our shareholding in The Financial Times, compared with one of 17½ per cent. in the previous year.

Consolidated earnings on the company's ordinary share capital amount to some 96 per cent. In recommending a final dividend at the rate of 35 per cent. which together with the interim dividend of 25 per cent. makes a total of 60 per cent. for the year, we are therefore proposing the distribution of less than two-thirds of our earnings.

SUCCESS OF ASSOCIATED COMPANIES

Of the companies in which we are interested, *The Investor's Chronicle* has experienced a most satisfactory year. *The Economist*, of which we hold half the share capital, has also enjoyed a steady increase in circulation and its profits have expanded. Both these journals were forced, in common with all other weekly periodicals, to suspend publication for two weeks in March owing to the fuel crisis. This lamentable product of planning will long be remembered.

The Financial Times continues to prosper. In July of this year it was compelled to make a cut of one-eighth of its circulation, and since then, the circulation has had to be pegged. I must again apologise to the many who wish to buy *The Financial Times* and who cannot obtain copies. We share their grievances, for *The Financial Times*, despite its austere contents, steadily grows in popularity. We could increase our circulation by more than one-third if newsprint were available.

I dealt at some length last year with the investment which we have made with George Newnes and C. Arthur Pearson Limited and The Financial Times Limited, in the printing business of W. Speaight & Sons. Your board believe that this interest will advantage our publications and revenues. The prevailing shortage of paper supplies, and the growing difficulties of obtaining delivery of new printing plant and machinery are a great obstruction of our plans for development.

Though all the newspaper businesses in which we are interested are making very satisfactory profits, shareholders must be mindful of the fact that our prosperity is linked with the fortunes of British producers and traders. The seller's market is dwindling. Kaleidoscopic governmental policies have greatly handicapped our industrialists and traders in export markets, and there is no sign of any effective reduction of the controls that are stifling Britain's recovery.

Until enterprise is unchained Britain's economy will falter. The academic target-setters and their countless controllers in Whitehall can never restore prosperity to our country. I have never shared the willingness of some company chairmen to prophesy. I confess I know not what the future holds in store for us. All I can say is that our newspapers have plenty of contented readers and advertisers. We have large published and much larger unpublished reserves. We are, therefore, well prepared for times of adversity.

The report was adopted.

GOVERNMENT RETURNS

For the week ended November 15, 1947, total ordinary revenue was £42,470,000, against ordinary expenditure of £38,378,000 and issues to sinking funds £310,000. Thus, including sinking fund allocations of £9,899,891 the surplus accrued since April 1st is £247,256,000 against a deficit of £509,944,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1947-48	April 1 to Nov. 16, 1946	April 1 to Nov. 15, 1947	Week ended Nov. 16, 1946	Week ended Nov. 15, 1947
ORDINARY REVENUE					
Income Tax	108,600	481,595	443,915	5,830	5,208
Sur-tax	80,000	19,222	22,405	450	500
Stamp Duty	155,000	90,219	102,449	3,600	2,750
Stamps	57,000	20,565	31,630	400	1,250
N.D.C.	206,000	22,167	23,070	1,450	500
E.P.T.	206,000	216,352	163,909	7,598	4,600
Other Inland Rev.	1,000	168	120	...	5
Total Inland Rev.	158,500	850,288	787,498	19,328	14,813
Customs	742,460	375,455	498,213	12,872	17,717
Excise	668,540	363,900	382,200	6,200	6,800
Total Customs & Excise	1411,000	739,355	880,413	19,072	24,517
Motor Duties	50,000	12,545	13,053	131	142
Surplus War Stores	95,000	74,918	126,835	100	958
Surplus Receipts from Trading	55,000	20,000	30,175	10,000	...
Post Office (Net Receipts)	11,000	5,150	4,330	1,400	1,750
Wireless Licences	1,000	4,200	5,170	...	...
Crown Lands	1,000	610	650	...	...
Receipts from Sundry Loans	21,000	21,082	18,863	66	2
Receipts from Sundry Receipts	270,000	23,207	188,724	885	289
Total Ord. Rev.	3449,000	1751,356	2055,710	50,982	42,470
SELF-BALANCING Post Office	144,230	75,500	84,050	1,600	1,850
Income Tax on E.P.T. Refunds	49,000	124,515	14,676	1,312	327
Total	3692,230	1951,371	2154,436	53,894	44,647

Expenditure	Estimate, 1947-48	April 1 to Nov. 16, 1946	April 1 to Nov. 15, 1947	Week ended Nov. 16, 1946	Week ended Nov. 15, 1947
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	525,000	307,962	318,776	154	283
Payments to N. Ireland	23,000	10,593	13,110	...	...
Issue to Nat. Land Fund	...	50,000	...	...	...
Other Cons. Fund Services	8,000	3,990	3,856	80	95
Total	556,000	372,545	335,742	234	378
Supply Services	263,511	187,932	146,281	43,400	38,000
Total Ord. Exp.	3191,114	2251,688	1798,553	43,634	38,378

SELF-BALANCING Post Office	Estimate, 1947-48	April 1 to Nov. 16, 1946	April 1 to Nov. 15, 1947	Week ended Nov. 16, 1946	Week ended Nov. 15, 1947
Income Tax on E.P.T. Refunds	144,230	75,500	84,050	1,600	1,850
Total	338,334	245,193	189,727	46,546	40,555

After decreasing Exchequer balances by £751,489 to £3,111,950 the other operations for the week increased the gross National Debt by £53,583,604 to £25,833 million.

NET RECEIPTS (£ thousand)	Act, 1944
Housing (Temporary Accommodation) Act, 1944	3,367
Sec. 8 (3)	...

NET ISSUES (£ thousand)	Act, 1944
P.O. and Telegraph	400
E.P.T. Refunds	399
Overseas Trade Guarantees	5
Building Materials & Housing Act, 1945, Sec. 1 (1)	5,800
Local Authorities Loans Act, 1945, Sec. 3 (1)	52,000
War Damage: War Damage Commission	2,330
Finance Acts, 1946 and 1947, Post-war Credits	50
Finance Act, 1935, Sec. 30 (1) 3% Local Loans	61,484
Stock	...

Statistical Summary

CHANGES IN DEBT (£ thousand)			
NET RECEIPTS		NET REPAYMENTS	
Nat. Savings Certs	1,300	Treasury Bills	11,829
2½% Def. Bonds	1,067	3% Def. Bonds	2,578
Tax Reserve Certs	640	Other Debt :-	
Other Debt :-		Internal.....	28
External	2,477		
Ways & Means Advances	22,535		
Treasury Deposits	40,000		
	68,019		14,435

* Including £2,053,000 paid off on maturity.

FLOATING DEBT (£ million)

Date	Treasury Bills	Ways and Means Advances	Treasury Deposits by Banks	Total Floating Debt
1946				
Nov. 16	2050.0	2464.4	405.7	1743.0
Aug. 9	2180.0	2424.0	348.4	1400.5
" 16	2180.0	2428.2	336.7	1380.5
" 23	2180.0	2467.9	336.9	1350.5
Sept. 6	2190.0	2428.5	339.8	1323.0
" 13	2190.0	2466.4	369.6	1304.0
" 20	2190.0	2499.9	357.1	1296.5
" 26	2190.0	2533.0	327.7	1299.0
Oct. 4	2200.0	2534.8	363.9	1267.0
" 11	2220.0	2561.7	343.2	1255.5
" 18	2230.0	2584.7	362.8	1253.0
" 25	2230.0	2581.5	332.6	1252.5
Nov. 1	2240.0	2543.4	354.8	1252.5
" 8	2250.0	2539.3	337.7	1252.5
" 15	2250.0	2521.5	346.7	1292.5

TREASURY BILLS (£ million)

Date of Tender	Amount Offered	Amount Applied for	Amount Allotted	Average Rate of Allotment %	Per Cent. Allotted at Min. Rate
1946					
Nov. 15	160.0	282.2	160.0	10	1.69
Aug. 15	170.0	235.6	170.0	10	2.34
" 22	170.0	258.4	170.0	10	1.58
" 29	170.0	251.9	170.0	10	3.14
Sept. 5	170.0	276.8	170.0	10	2.54
" 12	170.0	269.7	170.0	10	2.85
" 19	170.0	253.5	170.0	10	3.10
" 26	180.0	277.4	180.0	10	2.66
Oct. 3	190.0	259.9	190.0	10	1.39
" 10	180.0	291.3	180.0	10	1.36
" 17	170.0	268.9	170.0	10	1.87
" 24	170.0	285.0	170.0	10	1.52
" 31	170.0	289.3	170.0	10	1.38
Nov. 7	170.0	285.4	170.0	10	1.49
" 14	170.0	270.1	170.0	10	1.85

On November 14th applications for bills to be paid on Monday, Tuesday, Wednesday, Thursday and Friday were accepted as to about 53 per cent. of the amount applied for at £99 17s. 5d. and applications at higher prices were accepted in full. Applications for Saturday were accepted at £99 17s. 6d. and above in full. £170 million (maximum) of Treasury Bills are being offered for November 21st. For the week ended November 22nd the Banks will be asked for Treasury deposits to an amount of £25 million maximum.

NATIONAL SAVINGS (£ thousand)

	Week Ended Nov. 9, 1946	Week Ended Nov. 8, 1947	Totals Mar. 31 to Nov. 8, 1947
Savings Certificates:—			
Receipts	3,250	3,500	132,400
Repayments	3,600	2,350	88,550
Net Savings	Dr. 350	1,150	43,850
Defence Bonds:—			
Receipts	2,530	1,005	45,765
Repayments	730	905	24,591
Net Savings	1,800	100	21,174
P.O. and Trustee Savings Banks:—			
Receipts	16,507	14,287	404,055
Repayments	10,727	11,757	385,359
Net Savings	5,780	2,530	18,696
Total Net Savings	7,230	3,780	83,720
Interest on certificates repaid	540	423	16,941
Interest accrued on savings remaining invested	2,199	2,235	67,739

BANK OF ENGLAND

RETURNS

NOVEMBER 19, 1947

ISSUE DEPARTMENT

Notes Issued:	Govt. Debt	Govt. Securities	Other Govt. Securities	Other Govt. Securities
In Circulation	1348,131,495	11,015,100	1438,339,475	633,492
In Bank, Department	102,116,338	...	...	...
				11,933
				1450,000,000
				247,833
				1450,247,833

BANKING DEPARTMENT

Capital	Govt. Secs.	Govt. Securities	Other Secs.	Other Secs.
14,553,000	301,257,909	...	...	...
Rest	3,354,189	...	...	...
Public Depts.	11,031,795	...	...	...
				5,161,219
				19,449,728
				24,610,947
				102,116,338
				1,762,987
				429,748,181

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

COMPARATIVE ANALYSIS (£ million)

	(£ million)			
	1946	1947		
	Nov. 20	Nov. 5	Nov. 12	Nov. 19
Issue Dept.:				
Notes in circulation.....	1363.4	1363.8	1360.3	1348.1
Notes in banking department.....	36.9	86.4	90.0	102.1
Government debt and securities*	1399.2	1449.9	1449.3	1449.3
Other securities.....	0.8	0.7	0.7	0.6
Gold.....	0.2	0.2	0.2	0.2
Valued at s. per fine oz.	172/3	172/3	172/3	172/3
Banking Dept.:				
Deposits:				
Public.....	10.9	13.0	13.7	11.0
Bankers'.....	291.8	288.7	297.7	309.0
Others.....	54.6	96.5	94.5	91.8
Total.....	357.3	398.2	405.9	411.8
Securities:				
Government.....	296.3	294.4	304.1	301.3
Discounts, etc.....	23.4	27.6	7.3	5.2
Other.....	17.6	20.6	20.6	19.4
Total.....	337.3	327.7	332.0	325.9
Banking dept. res.....	37.9	88.4	91.8	103.8
	%	%	%	%
"Proportion".....	10.6	22.1	22.6	25.2

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The Limits of Planning

THE Government have done very well to hold Gravesend. The result is significant, since both sides accepted the challenge to make a test case of it, and inevitably it will depress the Conservatives and cheer the Government and their supporters. The Conservative candidate rested his campaign on that generalised dissatisfaction which Oppositions always use against Governments; but he selected for particular emphasis the strangling effect of the economic controls. Battle was joined quite specifically on this issue; Mr Churchill's letter repeated the theme of "set the people free," and visiting Cabinet Ministers took up the cry of controls *versus* chaos as their best means of recapturing the initiative. It is evidently believed in party circles, on both sides, that this is a question on which the public can be roused.

Unfortunately, as presented on the public platform, it is almost entirely a false issue. Each side, as usual, is so intent on caricaturing the views of the other that it overlooks the spectacle it makes of itself. If the Labour Party, in its enthusiasm to mock at Mr Churchill, rushes itself into the position of defending controls as such and deriding freedom in principle, it is asking for trouble. But Mr Churchill commits the same fault. His new doctrine of an assured and planned basis for the national life, with a superstructure of economic freedom, is a most appealing one. But he forfeits the support it would otherwise bring him by implying that everything but the old-age pension could be abolished tomorrow. The sensible man who is neither for nor against controls in principle, who thinks we had too few of them in the 1930's and that we have too many of them now, finds it harder day by day to agree with either party.

While the opinions of politicians continue to run to extremes—extremes more violent than they really intend—there has been a significant approach towards agreement in non-political public opinion on the subject of the controlled economy. On the one hand many of the staunchest pre-war defenders of *laissez faire* have been converted to the view that there are several legitimate objectives of state intervention. Almost everybody nowadays (like Mr Churchill himself) admits the necessity of planning to the extent that is necessary to ensure an adequate standard of living for every citizen. This policy of the National Minimum is now so generally accepted that people are apt to forget how very novel it is. Secondly, there is general agreement that the state must accept responsibility for striving to avoid the alternation of boom and slump. And thirdly hardly anybody in these days, when the balance of payments has become a popular spectre, would refuse to concede that the state must deliberately control the external relationships of the national economy. These three agreed objectives of state intervention—Social Security, Internal Stability and External Stability—would not satisfy the more ardent planners. But for most people they are enough to be going on with.

But while there has been a movement of opinion towards planning-in-principle, there has been an equal movement of growing doubts about planning-in-practice. Actual experience of the planned economy in the last two years has not been very pleasant or very encouraging.

Which is the stronger movement of opinion would be difficult to say. But it is quite clear that it depends on practical performance whether or not the British community is to turn back in disgust towards *laissez faire* as soon as external circumstances permit it to do so (as they do today).

One lesson which, one might have thought, would have been truly learned in the last two years is that of the limitations of what is often called "physical" control. A "physical" control is one which directly controls the supply of some tangible commodity. Food rationing is the *beau idéal* of a physical control, and perhaps it was the technical success of the basic food rationing scheme which deluded so many people into attaching their faith to a generalised policy of physical controls. But it has become increasingly clear that the further the state goes with physical controls the more difficulty it encounters. For one thing, physical controls are very expensive in manpower. Moreover, there are comparatively few other commodities that are as simple to ration as the basic foods—other things are not universally consumed in equal portions at regular intervals. A democratic state, confronted with all the difficulties of a complex rationing system, wavers backwards and forwards between the two extremes of being too autocratic to please the electors and too lenient to make the system work. The central detailed control of complex economic relationships is now seen to be a far more difficult thing than was previously realised.

If, therefore, the state, as trustee for the community, is to make solid progress in meeting its responsibilities, it will be very well advised to retreat as rapidly as circumstances permit from physical controls. It is perfectly possible to be a convinced adherent of the doctrine of the purposively directed economy and yet to hold that the primary need is to abolish as many buff application forms as quickly as possible. A very large part of the appeal of financial methods of pursuing economic policy, to which there has been a notable rallying in recent months, is that they would achieve its objects with much less human friction and individual inquisition. To centralise decisions on matters of detail is to choke the system with paper and the citizen with frustrated rage. If purposive direction and political democracy are to work together, then the main method must be, first of all to secure the maximum possible dispersion of decisions, and then to influence them by such all-pervasive methods as taxation and credit control.

Can the Big Four Bargain?

ONE decision—and one only—is needed to prevent the London conference of Foreign Ministers from following the Moscow conference of last spring into deadlock and frustration. It is that the four Ministers should negotiate and not debate. In Moscow everything that could be said about their respective attitudes on Germany was said in long debating speeches. And those speeches seemed more often directed to the outside world than to the conference table. Mr Molotov appealed to the Russian people and the German nationalists; M. Bidault appealed to all Frenchmen who want German coal and to all neighbours of Germany who fear its revival; Mr Bevin appealed to the British taxpayer; and Mr Marshall—still quite new to his job—firmly read out papers which seemed addressed to the recording angels.

Perhaps this set piece had to be staged; the Moscow Conference was only the first serious attempt to interpret what had been drafted at Potsdam, and to thrash out the problems of Germany's immediate future. But now, if the Foreign

The state should seek its ends by trying to influence the economic weather, not by trying to ration raindrops.

This, one would have thought, was the clear lesson of the last two years. But it has not been learned. And that leads to a second category of doubts about the practical possibility of the planned economy. The planning, the control, the purposive direction—call it what you will—must, in a democratic state, be done by political parties. But what if the political parties show themselves to be technically incompetent for the purpose? No economic policy is right at all times; expansion is just as necessary at one time as contraction at another; and the most essential skill required of the economic planner is to know when to reverse his engines. Yet political parties are not equipped with reversing gear. It was the turn of the Tories in 1931 to show with what stubbornness they could defy the facts and pursue a policy of contraction in the middle of deflation. But their performance has been at least equalled by that of the Labour Party since 1945. Their sacred cow is the trade union doctrine that it is always right for the pay-package to grow and never right, in any circumstances, for it to shrink, or even for its growth to be halted. The Labour Party has even done what seemed incredible six months ago, it has agreed to the conscription of labour in peacetime, rather than question this sacrosanct dogma. Clearly, if it is unsafe to let Tories out of gaol in a slump, the Labour Party ought to be locked up in times of inflation. Nor can the philosophical onlooker, eager to believe in the practicability of the principle of the controlled economy, comfort himself with the resolve always to vote Tory in boom years and Labour in times of slump. Unfortunately Parliaments last too long, and the Tories whom he might vote into office at the height of the boom would still be there when the slump came, while the Socialist Parliament, born in the slump, would still be merrily expanding at the height of the boom.

It would be mere defeatism to allow these doubts to accumulate into an abandonment of the whole attempt. Having formed the resolve to be master of its economic circumstances, as it is of physical environment, mankind is not now going to turn back. Nor must it ever be admitted that the task cannot be accomplished by methods of freedom and tolerance. But it is obviously a problem of far greater complexity than was ever imagined by the blithe theorists of social democracy. And those who believe in the objects would be well advised to concentrate their attention on the practical logistics of the problem rather than on rushing forward to do battle on the windy heights of abstract principle.

Ministers do the same thing over again, they will expose themselves to the suspicion of not wanting to agree. In fact, it would be a great relief to learn that the doors had been bolted and the blinds drawn at Lancaster House, so that the four statesmen could really begin to haggle. For haggling is a process that is best left unreported. If it is not to go on indefinitely, someone has to change his stance and someone has to get the upper hand. In the present tense situation neither Mr Marshall nor Mr Molotov is likely to give such a performance in public. Ever since last March they have been wrestling fiercely with the world looking on; and if the world has the impression that Mr Marshall now has slightly the better grip, that is all the more reason why Mr Molotov should not publicly admit the fact. But supposing that there is genuine readiness to stand back and parley, how would negotiation start? What possibilities of agreement did the Moscow conference leave open?

The most difficult and fundamental problem before the Moscow conference was that of reparations. The Russians

refused to discuss the economic unification of the four zones, which was agreed on at Potsdam, unless their claim was conceded to take \$10 billion worth of reparations, most of it out of current German production. The British and the Americans rejected this ultimatum on the grounds that the food, money and goods with which they had been priming the pump of German industry would simply be swallowed up by reparations deliveries to Russia. The recovery of Germany would be delayed at the expense of the American and British taxpayer. It is not true that Mr Marshall and Mr Bevin turned down reparations out of current productions absolutely. But they insisted that three things must happen first: German exports must have risen to a level at which they paid for the minimum imports needed to keep the bodies and the souls of the workers together and to keep industry working efficiently; then the money spent in keeping their zones alive in the past, present and future must be repaid from German production; and Germany must be got working as one economic unit, pooling the resources, food, trade and manpower of the four zones. Here then was a chance of negotiation. Mr Bevin and Mr Marshall, it is true, did not come half-way to meet their Russian colleague; but they did advance. Mr Molotov stayed put, and there is no evidence that he has since become more mobile.

Even more revealing were the discussions on the control of the Ruhr. This subject arose in several different contexts, in connection with frontier and security problems as well as with arguments about unification. To the Russian demand that the Ruhr should be put under four-Power control, Mr Bevin replied that other key sectors of industry in eastern Germany should also come under joint control—a proposal that Mr Molotov clearly was not prepared to consider. Here, perhaps, there was no room for negotiation, because each statesman obviously disliked the idea of the other interfering and "snooping" in the key sectors of his zone—which is a measure of the distrust that divided them. But there was room for negotiation about the Ruhr when the question of the Saar's future came up. To the French claim, supported by the British and Americans, that this territory should be attached to the French economy, the Russians refused an answer so long as the future of the Ruhr was left open, and so long as the British and Americans refused their final approval to Poland's territorial gains in the east. For tactical as well as diplomatic reasons Mr Molotov might have seized the chance to please the French and get some *quid pro quo* over the Ruhr. Instead he chose to be completely intransigent, and Mr Marshall got only a completely negative response when he suggested efforts to ensure that the Polish-German frontier should not be a barrier to the passage of food and goods between east and west. Here, too, there was room for negotiation, instead of the blunt confrontation of papers.

Over the political shape of Germany, too, there were chances for negotiation, greater here than anywhere else. British and Russian ideas about Germany's form of government were not

fatally far apart. But discussion of these ideas, useful as it was in clearing delegates' heads and in providing material for Russian propaganda in Germany, contributed nothing to agreement about economic unity. Negotiation about the powers to be given to a central government, about the advisory council which would draw up a constitution, was futile so long as the economic foundations of the new Germany remained unplanned. Perhaps it was because it was futile that it went quite well.

*

What exactly does this economic unity mean—this phrase from the Potsdam agreement which lies at the root of the argument? It means the end of the zones as trading and producing units; it means free passage of persons, goods, money across the whole country, one export and import plan, one system of taxation and one measure of currency reform; it means the delivery of food from the east to the industrial west, and of fertilisers and steel from the west to the farms and industries of the east. It means knitting up again the highly specialised and interlocking industries on which German recovery depends; joining up the business, professional and trade union structures of the zones which each Power has shaped according to its own ideas.

Obviously the process of unification would be long and difficult. Not least the Germans would find complicated the adjustments and changes that renewed contact between east and west would bring. But these things would not have been difficult two years ago. Those who were chiefly responsible for delaying unification at that time knew perfectly well that delay meant the hardening of differences and the deepening lethargy of German production and enterprise.

Why, then, did the delay occur? The chief cause was Russian anxiety to take from the eastern zone reparations urgently needed for their own reconstruction, and Russian determination to establish in and around Berlin effective and well-disciplined political forces. With these German forces, steady pressure in the Russian interest could be kept up against any central government and against any unfriendly political movements in the west. This intention has been so frankly avowed that there can be no reasonable doubt about it.

To place the initial responsibility for Germany's continued division on Mr Molotov's shoulders is not to deny that many things have since had to be done in the west which make unification almost insuperably difficult. Every step taken to avert that collapse has been greeted in the east as a step away from unification: the fusion of the British and American zones (with the door left open to the eastern zone); the export-import plans; the raising of the level of industry; and finally, most decisive of all, the decision to include needs and resources of Western Germany in the Marshall Plan. These developments have now gone so far that it is difficult to see how economic unification could now be welcomed by the Americans and the British unless Germany as a whole were allowed to play its part in the Marshall Plan.



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In the eastern zone, likewise, there have been developments open to exactly the same interpretation. Its Sovietisation has probably gone much further than is generally realised; it is doubtful whether it has food surpluses to offer the west and whether the arrangements made with European neighbours could be fitted into new export plans for a united Germany. Politically and economically the Russian zone is better organised for a rump existence than is Bizonia.

To sum up, therefore, three things are clear: that differences in the economic structure and trade relations of the eastern and western zones of Germany have hardened since the Moscow conference; that each occupying Power has strengthened its political hold and economic stake in its zone; that the possibilities of negotiation are smaller and harder to grasp than they were last April. Nothing said or done in the first three days discussion at Lancaster House has yet revealed any new disposition to nego-

British Railways

THIRTY-TWO days remain before the British Transport Commission takes over the railways, London Transport and the canals. On January 1st, the four main line companies, which were the product of the 1923 grouping, vest in the Commission, together with a number of joint lines and smaller railway undertakings. The separate systems of the LMS, LNER, Great Western and Southern will disappear. On New Year's Eve, the toast will be: "The main lines are dead; long live British Railways." Thereafter the Commission, working through its agent, the Railway Executive, will be responsible for running, unifying and improving the railways of this country. It will operate London Transport through the agency of the London Transport Executive—a body which will take over ready made the undertakings of the London Passenger Transport Board, and whose problems are small compared with those which face the Railway Executive. The Docks and Inland Waterway Executive has been set up, though its exact scope has yet to be defined. The Commission has also to set up a Road Transport Executive, and it may eventually create an Hotels Executive.

These are the agencies which will be responsible, under the authority and direction of the Commission, for providing an "adequate, economical and properly integrated system of public inland transport." Integration—which is the only economic justification for the Transport Act—is obviously a long way off, and the Commission has yet to take the first formal step towards it by appointing a Road Transport Executive. A task of this tremendous magnitude can only be carried out by stages, but the Commission starts upon it at a critical moment. The risk of a breakdown in rail transport, brought on by eight years of over-use and under-maintenance of permanent way and rolling stock, will be very real this winter. Consequently, the Commission, in taking over the railways and reshaping them into an "economical and properly integrated" system, must avoid, as far as it possibly can, putting additional strain on an already overburdened railway system. But these immediate considerations, important though they may be, are outweighed by the fact that a scheme introduced now for the railways will determine their future organisation for as long as the Transport Act remains on the Statute Book; small modifications may be possible, but on the essential decisions there will be no chance for second thoughts. It is no exaggeration to say that if the Commission fails to choose the best form of organisation for the railways at the outset, an efficient and economical system of public inland transport may never be obtained.

The Act provides for the taking over of the railways by the Commission, but it gives the latter a free hand, subject, how-

ever to the approval of the Minister of Transport, to devise a scheme for operating them. One possible scheme might have been for the main-line systems to continue broadly on their present basis, with the Railway Executive wielding general direction over them, and the Commission, remote in its ivory tower, thinking out its programme for the co-ordination of transport and intervening only on broad policy matters. But it is quite clear that the Commission has no intention of delegating its powers to this extent. It conceives its duty to be to exercise a collective directorial supervision over the Executives; it will assume, very roughly, the powers of the railway boards of directors, plus the job of co-ordinating all forms of transport. According to this theory, the Executives, as agents of the Commission, should then be appointed on a functional, or technical, basis. That is in fact the method on which the Railway Executive has been appointed (though it is worth noting that the London Transport and Docks Executives do not pursue this functional idea to nearly the same extent). Apart from Sir Eustace Missenden, the chairman, the six full-time members of the Railway Executive are assigned to the six functions of commercial matters; operation; civil engineering and signalling; mechanical engineering; labour questions; and estate management, stores and purchases. In addition, two part-time members represent agriculture and industry respectively.

The Railway Executive (whatever may be said about the other Executives) thus has a dual character. It is a body intended to wield collective responsibility for the management and operation of the railways. But it has been appointed on the principle of separate technical direction of the principal components of railway operation. For example, Mr Riddles will not be merely a member of an Executive exercising general functions of management; he will be the ultimate source of authority and point of reference on all matters connected with mechanical engineering on British Railways. Precisely the same point applies to all the other full-time members of the Executive, with the exception of the chairman. Obviously there must be a source of final decision on these matters, to which the technical staffs who have the day-to-day job of running the railways can turn. Each of the railways has had its Chief Mechanical Engineer, its operating manager and its commercial manager. But these officers have not been the repository of the ultimate power of management. That function, which requires the broader view and the ability to arbitrate between different, and often conflicting, technical viewpoints, has reposed in the General Manager, who has been responsible in turn to the directors.

The first comment on the form which has been chosen for the Railway Executive must therefore be that it appears to give

undue prominence to the central functions of technical supervision (necessary and important though these are) and too little weight to the general functions of management. The only non-technical appointment is that of the chairman himself. But no one person can be expected to manage the whole of British Railways, and particularly in the early stages, the general functions of management will be all-important. To take only one example, can the Railway Executive, composed of chief technical officers of widely different experience and outlook, be expected to produce here and now collective decisions on the right way to organise railway operation in new regional groups? Who does the thinking on such questions now and in the future?

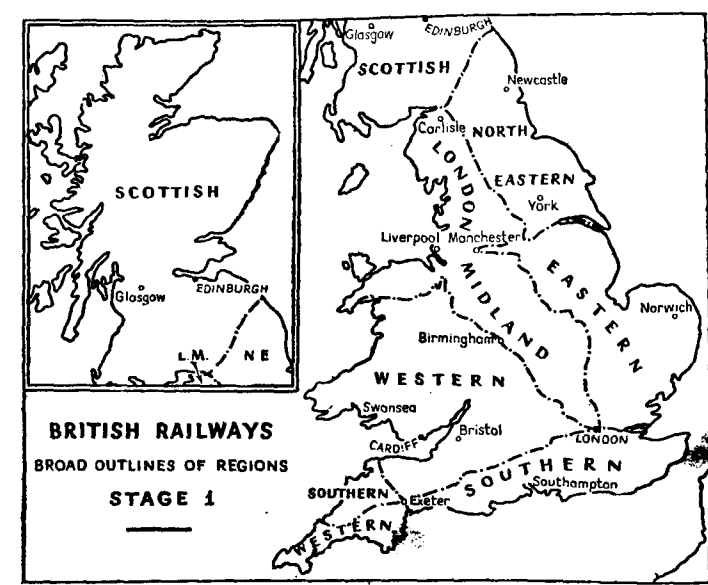
This question of management is of the most vital importance. There is a strong case for saying that the main line groups had already reached, or exceeded, the limits of size for effective management. The Railway Executive will have to produce some new technique of management if it is to succeed in handling its much larger problem even as successfully as the four main line companies—let alone do better. The technical members of the Executive will be extremely busy men, with more than enough on their own departmental plates. The Chairman will be concerned, on the one hand, with making sure that the railways work, and with reconciling differences of technical opinion among the members, and on the other hand with the carrying out of the general policy laid down by the Commission to its Executive agent. It is doubtful if these manifold duties will leave him with any opportunity for thinking on broad lines about railway operation and services—of suggesting ways of doing things better or cheaper, and of developing new ideas for the technical members to put into practice. An attempt might be made to fill this gap by setting up an advisory or secretarial body working in apposition to the chairman. But can the supreme function of management be made subordinate?

So much for the organisation at the centre, with its problems and its potential shortcomings. The next problem is how its decisions are to be translated into effective action on the railways, and whether the dangers of over-centralisation can be avoided. A plan for six railway regions is being introduced on January 1st to replace the existing main line groupings. The regional scheme (illustrated on the accompanying map) is provisional, though here, again, first decisions once taken may not be easy to change very radically. In the first place, the Scottish lines at present operated by the LMS and LNER will be grouped into a single operating and administrative unit, run from Glasgow. Secondly, the LNER (which is already organised in separate operating divisions) is to be divided into a North-Eastern Region north of Doncaster, and an Eastern Region south of Doncaster, taking in the Eastern Counties system. These two regions will be run from York and Liverpool Street respectively. Fourth, the Southern Region will take over the Southern Railway's system virtually intact, including the North Cornwall and Devon lines. This Region will be run from Waterloo. The Western Region, with headquarters at Paddington, includes broadly the Great Western system. The sixth region, to be called the London Midland Region (run from Euston), is a large and rather straggling one; it is based on the old London and North Western and Midland systems, but on the one hand it includes part of the Great Central, and on the other hand it skirts Manchester, to which a deep salient is driven from the Eastern Region by the other part.

In assessing the merits of any grouping scheme, a distinction has to be rigidly drawn between what looks tidy and logical on paper and what works most effectively in practice. A map-maker's solution may be an operating nightmare, for rail transport does not move in areas, but along lines. As a provisional

scheme of organisation, these six regions have the appearance of being reasonable. But it will be observed that they follow the existing main-line structures very closely. Regional management is preserved on the LNER, but not introduced on the LMS system. The cross-connections of the Southern and Great Western systems in Devon and Cornwall are not resolved. These are questions which second, and even third, thoughts may be needed. Essentially, however, a system of regional decentralisation, working to the Executive, is to be a permanent feature of the railway organisation.

Where the exact frontiers of the Regions are to be drawn is less important at this stage than the introduction of an effective chain of responsibility between the Regions and the Executive in London—indeed, four of the Regions will themselves be supervised from London. The intention is to match in the Regions the technical division of functions which has been created in the Executive. Each Region will have, say, an officer in local charge of mechanical engineering matters, who will receive his instructions directly from, and will be answerable to, the member of the Executive in charge of mechanical engineering. Similar arrangements will be made, in each of the Regions, for each of the functions represented on the Execu-



tive. The chain of responsibility will flow directly from each functional member of the Executive to his technical subordinate in each of the Regions.

Once again, however, the problem arises of the general management and oversight of the regional technical officers. There will be no regional manager, as such, whom the Executive can charge, in its collective sense, with matters of broader policy. Instead, each Region is to have a Chief Regional Officer, whose functions will be largely to co-ordinate the work of the separate technical staffs on the basis of the separate instructions which they receive from the individual members of the Executive. The CRO will provide a cross link between the technical officers. But how far will he be able to exercise authority over them? Suppose that a Regional officer in charge of operation receives instructions, from the member of the Executive responsible, to provide a new service, but is told by the officer in charge of motive power that it cannot be done. Who resolves the conflict? Does the CRO have no overriding powers? Is each of the technical officers at liberty to go back to his superior at the Executive whenever a difference arises? If so, the position of the CRO will be invidious indeed, because although he has the responsibility for co-ordinating their work, he will have no direct authority over the technical staffs in his Region. He would not even be *primus inter pares*, because,

moment, defeated, and now that the Hungarian peace treaty is signed, the Soviet troops have withdrawn and all the Russians can maintain are lines of communication to Austria. To crown the uneasiness of the political situation, the last Communist Minister has withdrawn from the Austrian Government and concessions on Russia's part would have to be made to a very largely anti-Communist administration. These factors have all made the Russian "security stake" in Austria greater than ever before.

At the same time, the problem of Russia's holdings in Austria has been complicated by the Austrian Government's decision to depreciate the currency. All schilling holdings which were not in deposit banks before November 12th are to be devalued by 66½ per cent. If the Russians were to insist that their schillings should be exempt, they might then hold sums equal to about one-third of the new depreciated currency. Yet it is not thought likely that they will accept the application of the law on any other basis. If the Russians do refuse the reform for their zone, Austria would have a divided currency to add to its other divisions.

This is the melancholy background of the present discussions. It is hard to believe that they can end in compromise or that the Austrians will "get their four elephants out of the boat."

* * *

German Recovery Curve

For the time being the Ruhr miners are holding production steadily at figures of over 280,000 tons a day. For the last ten days the average has been 282,500 tons. Two months ago the daily average was well under 220,000 tons a day. Political uncertainty and the expected resentment about dismantling have not checked a quite remarkable recovery, the main threat to which is now shortage of rail and road transport and the fact that there is not enough water in the Rhine to take the coal barges to Rotterdam. About 120,000 tons of coal a week are piling up at pithead. It is an exasperating fact in the pattern now forming for the winter that the better the rest of the bizonal economy works, the worse the transport position becomes. To give only one example, which the Americans have emphasised recently in their "Economic Data on Potsdam Germany": although their coal stocks have risen fast, consumption of coal by the railways is nearly thirty per cent higher than it was in 1938, partly because of deterioration in equipment and partly because of theft and pilferage.

In handing over management of the Ruhr mines to the new German Board, the British North German Coal Control can congratulate itself on a fine finish to its work. In Bizonia the railways hold 24 days' supply of locomotive coal against eight days' supply last year; iron and steel works should have a month's supply in hand; power stations have a five weeks' margin of stocks to safeguard them against winter interruptions in supply. With over 2,000 recruits entering the mines each week, there is a net gain of 1,000 men a week. If food supplies can be maintained and the incentives scheme developed to its third stage—that of buying more tasty food with part of the currency earned by coal exports—then the Ruhr should get well through the first part of the winter. But there is still the most disquieting evidence of German incompetence and dishonesty in distributing food, characteristics which must not be allowed to appear in the distribution of coal.

* * *

Mr Morrison's Apologia

On a sticky wicket the Government can never do wrong in putting Mr. Morrison in to bat. The Lord President of the Council has a gift of sweet reasonableness, of man-to-man persuasion, of willingness to believe the best of his audience, worth a few thousand votes at any series of by-elections. If anyone can persuade the disgruntled floating voter that he did, after all, back the right horse in 1945, he is the man. His Sunday afternoon speech at Sheffield was a model of its kind. His summary of world events in their bearing on the British economic problem, and the consequent placing of that problem in perspective against the difficulties of other nations, was not only convincing, but just—which is not by any means the same thing. His plea for a sense of responsibility among both workers and politicians, and particularly the press, was precisely what the national situation calls for; and the examples of irresponsibility which he gave were well worth a place in the pillory. "It is surely," said Mr Morrison, "the height of political irresponsibility to demand severe measures and then, when they are taken, to make political capital out of the austerities they entail." It is indeed this propensity on the part of the Opposition which goes so far to reconcile people to the continued existence of the Labour Government. Timid, doctrinaire, class-conscious and administratively incompetent as

it may be, there is no reason to suppose on balance that the Conservatives would do much better.

When, however, Mr Morrison holds up the Government's programme for dealing with the balance of payments problem, and the autumn Budget, as adequate measures for clearing up the economic situation, and asks "what more do the critics want?" it is really time to remind him—and the floating voter—that there has been plenty of criticism which does not follow the pattern which he deplores. It is not the swing of the terms of trade against Great Britain which has prevented the Government from framing and executing a wages policy. It is not the cessation of American relief to Europe which has forced it to neglect administrative problems in favour of a steamroller legislative programme of ill-drafted nationalisation measures. It is not the bad weather which continues to inflate the Budget with £400 million worth of food subsidies. It is not the admitted but excusable miscalculations in the original capital programme which keep the Bevans and the Shinwells in office. One need not deny the reality of external disasters; the Government has a temperamental propensity to react to those disasters too little and too late.

* * *

How Much Can the Public Know?

It was very apparent in the House of Lords on Wednesday that their Lordships know very little about the Coal Board. The debate on the Coal Board in particular and on nationalisation in general was initiated by Lord Teynham, and the recent contributions of their Lordships towards the improvement of various nationalisation bills might have led one to expect some valuable criticisms and suggestions on how to improve the administration of existing and future boards. Such expectations were disappointed. In view of the number of lords who sit on various boards, their collective wisdom appeared to be markedly difficult to elicit.

One reason for this backwardness is not far to seek. To criticise and to make useful suggestions involves knowing many more facts than are at present available to the public. In the absence of these facts one speaker after another tramped through the well worn arguments for greater decentralisation and greater local responsibility, and got nowhere. The absence of information was, however, well appreciated, for in spite of constant repetition that a public board must be protected from the rigours of parliamentary question time, the need to give opportunities for Parliament to debate developments in the coal and other nationalised industries was stressed by several speakers. Lord Knollys made the interesting suggestion that if and when the Public Accounts Committee sets about its examination of the Coal Board's annual accounts, not only should the officers of the Ministry of Fuel and Power be summoned to appear, but also members and executives of the Coal Board.

Such an arrangement would certainly improve the contact between the House of Commons and the public boards. But the skill with which those "in the know" can hoodwink those who are not is too well known for it to be possible to put more than a little faith in this suggestion. And if so, what can be done to enlighten the country about its large new offspring, who are such essential breadwinners, but so coy about how they win that bread? It is, no doubt, still too early for the Coal Board to know clearly what it is doing, and the Ministry of Fuel and Power know even less—probably too little. But soon some very important decisions must be taken about the responsibilities of these new boards in explaining their policies and actions. Why, for example, was the longer working week in the mines with its heavy overtime costs allowed to take precedence of the miners' implementation of their side of the five-day week agreement? Or, to cite another issue, what is known about the effect on costs of the huge programmes of mechanisation now being embarked on? Surely the public ought to know?

* * *

Emergency Powers

The debate on the Emergency Laws (Transitional Provisions) Bill, which was considered in committee by the House of Commons last week, inevitably dealt with a miscellaneous variety of subjects. Among the various powers the continuation of which is provided for, those of compulsory billeting attracted a certain amount of attention, but the villain of the piece was Defence Regulation 58A embodying the power of direction of labour under which the new industrial conscription order has just been issued. This was of course an easy target for the Opposition who were able to exploit the notion of slavery and the slave state with a good deal of dramatic effect. Moreover, the power of direction is scarcely more popular among the Labour benches. Nevertheless, in view of the present obvious maldistribution of

labour, it was scarcely to be expected that the Government should surrender their power of direction, even if the use to which they put it can only be extremely guarded.

The maldistribution of labour is of course one of the most prominent symptoms of the distortion in the economic life of the nation brought about chiefly by inflationary pressure. Price controls and other regulative restrictions, however successful they may be in war time over a very large area, cannot be extended indefinitely. It is natural (if only for psychological reasons) that in peace time the territory over which the price mechanism works with some degree of freedom should become extended, and when this libertarian tendency is reinforced by the pressure of excess of money chasing a restricted supply of goods during a period of full or over employment, the maldistribution of limited labour resources becomes inevitable. But even if in these circumstances the power of direction must be conserved, it is doubtful how far it can in fact be employed at all effectively, particularly when no effort is made to correct maldistribution through a properly planned wages policy and when a capital programme far exceeding the volume of real savings is being attempted.

It is these awkward facts, rather than any abstract consideration of the Government's powers of compulsion, which must cause disquiet when considering the Registration for Employment Order. For though the intention of the Government to make use of this dangerous instrument only very sparingly may be quite sincere, the time may come when in the fruitless endeavour to correct increasing maldistribution, powers of compulsion may prove an irresistible temptation to a harassed administration endowed with insufficient courage to attack the malady rather than the symptom. That is why the cry that the liberty of the individual is in danger, however convenient it may be for party purposes, cannot be dismissed as mere humbug.

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Czech Front Holds Firm

The result of the conference at Brno of the Czech Social Democrats is a reverse for the Communist attempt to break the National Front, but not a swing to the Right. By electing Mr Lausman, hitherto Minister of Industry, to be Chairman in place of the Vice-Premier, Mr Zdenek Fierlinger, the party showed its determination to remain independent, and to concentrate on building up its position for the elections next May. Mr Fierlinger was ousted because he is more of a diplomat than a reliable party man; and as the Social Democrats intend to try to continue collaboration with the Communists within the National Front, it is important for them to have a reliable party man in the leadership. Mr Lausman, who is almost as far to the Left as Mr Fierlinger, was thought to be a safer choice to guard the party's independence, and organise its ranks for the elections. Czech politics are very much an affair of rival party machines.

Both Mr Lausman and Mr Fierlinger resigned their posts in the Government, the former in order to give his whole time to party work, and the latter because his post as vice-premier had been given to him in the first place as head of the Social Democrats. Their places have been taken by Madame Jankovcova, who is on the Left of the Social Democrat Party, and by Mr Tymes, a centre man.

The Brno conference also removed from the central executive Mr Even Erban, the able young secretary-general of the Trades Union Council, for the reason that he is more of a Communist than a Social Democrat. This may well be taken as a step to the Right, though it leaves an executive committee which contains no outstanding Right-wing member except Mr Mayer, the Minister of Food.

Mr Erban's removal from the party executive does not entail resignation from his key position in the Czech trade union organisation. It will, therefore, not affect the fight which the Social Democrats are taking up inside the unions against Communist tactics of intimidation. In this fight the party is in a relatively weak position, since the Communists are strongly supported by the Czech workers, while the Social Democrats—with not much more than one-third of the Communist membership—tend to be a party of white-collar workers and intellectuals.

In the struggle to maintain the National Front on a basis of independence and equality, the decisions taken at the Brno conference have been of great importance. Hence the angry tone of the Communist comment. The party, which failed under Mr Fierlinger to secure a "Socialist bloc" inside the Front, now stands for the type of coalition which made Czechoslovakia a bright spot in Central Europe until a few months ago. The National Socialists, who, after the Slovak Democratic Party, had been marked down for disintegration by the Communists, are much heartened by the results of Brno.

Empire Talks

One of the characteristics held in common by the two great centres of the English speaking world—Washington and London—is a remarkable inability to mobilise all their potential political and economic resources. The United States, far from seeing in the British Commonwealth a friendly, reliable security system ready to carry a share of the burden of world order, can still hardly bury memories of the tradition of George III and Lord North. Great Britain, flanked by great Dominions which have grown to complete maturity in the last forty years, is haunted by an equal though opposite anachronism. So deeply ingrained in the British mind is it that a powerful Mother Country must do nothing to interfere with its "dependencies"—must not, in fact, behave like Lord North—that today when the Mother Country is no longer so powerful and the Dominions, no longer dependent, are anxious to aid their embarrassed parent, she holds back, fearful of engaging their help for fear of contravening their sovereignty.

This can be the only possible explanation of the British Government's steady failure to draw the Dominions into closer consultation as issue after issue has arisen in which Britain and the Dominions have an equal interest. It is now nearly six months since the Marshall offer was made. It was bound to affect the Commonwealth in a number of vital ways. Britain's possible relations with Europe needed to be seen in a Commonwealth perspective. The extent to which the Dominions might become suppliers under the plan and thus, by acquiring dollars, fend off their own crisis, called for immediate exploration. And the role of the Dominions as sources of supply raises the larger question of the extent to which Dominion output—Australian wheat and meat, New Zealand dairy produce, South African coal, Canadian minerals—might be expanded in the four year Marshall period. Above all, since Mr Bevin launched his idea of an Empire Customs Union on the world in the middle of the Marshall and Geneva negotiations, it would have seemed essential to consult with the Dominions sometime—preferably before making the announcement—on the relationship between the new idea of a union, the old relations of the Commonwealth and how both could fit into the Marshall picture.

It may be that all these issues have been discussed. It may be that the Prime Ministers' offices in London and in each Dominion are in constant confident touch with each other. But this does not appear to be the case, and only the occasion of a Royal Wedding has brought sufficient Empire statesmen to Downing Street to warrant the announcement this week of "informal Commonwealth discussions." In a crisis like this, can the British afford such a surprising disregard of their real resources?

* * *

The Canadian Crisis

The Canadian economic dilemma, which has forced upon the Dominion a programme of import restrictions and austerity hardly less sweeping in scope, though naturally less severe in degree, than those adopted in this country, is no more peculiar to Canada than the British dilemma to Britain. Both arise from the situation generally described, in convenient but misleading shorthand, as the dollar shortage; a situation which at bottom consists in an acute shortage, everywhere but in the United States, of goods. If there were no dollar goods available at all no one would talk of a dollar shortage; the talk would be of unqualified famine and disaster. Canada has ever since the war ended pursued a policy—generous because clear-sighted—of remembering the goods and forgetting the dollar sign, in the best tradition of lease-lend and mutual aid; and it is now paying the penalty of living, as its Finance Minister recently put it, beyond its customers' means. It supplied goods to Britain on credit while itself paying cash to the United States; and the latter's comparative slowness to realise the extent of the New World's responsibilities for the survival of the Old has now placed Canada in the awkward position of having nothing but uncollectable debts with which to meet its US dollar obligations. It is a position bearing a considerable resemblance to that of Great Britain after the First World War.

It is a worse position, in that Canada's economic resources are vastly less than were Britain's a quarter of a century ago. Comparative population figures alone would demonstrate that. On the other hand, public understanding of the difficulties is much greater. In the long run the dilemma can only be resolved by a recovery of world production outside the dollar area. It is to Canada's advantage, discounting all sentiment and on the most realistic economic grounds, to maintain its connection with the British market for farm produce. Whether it gets paid directly in British goods or indirectly in the goods of Britain's customers is immaterial. Britain can seize certain export opportunities offered

by the Canadian ban on American imports—if its production rises to the occasion. But all the geographical realities dictate that Canada shall in the future as in the past have an export surplus to Britain and an import surplus from the United States, and that the balance shall be struck by the recovery of world-wide multilateral trade.

* * *

National Assistance—Second Reading

Mr Bevan's opening speech in the second reading of the National Assistance Bill set the tone of the debate that followed. He concentrated on the provisions of the Bill obliging local authorities to set up residential hostels for the aged and infirm, and the imagination he showed in describing their present plight and future prospects struck a responsive note among those who listened.

But the poor law is by no means solely concerned with old people, and it was a pity that neither Mr Bevan nor Mr Griffiths, who wound up the debate, made it clear how the same piece of machinery—the National Assistance Board for cash provision and the local welfare authorities for accommodation and welfare—can be responsible for the same mixed bag of people as are now the concern of the poor law and yet inherit none of its stigma. "The workhouse is to go," said Mr Bevan. Yet there must be a workhouse—by whatever name it is called—if local authorities are to fulfil the obligation imposed on them by the Bill, and now imposed by the poor law, to provide accommodation for sudden and urgent need. Further, Mr Bevan cannot surely believe that every old person at present resident in a workhouse can be suitably accommodated in the small homes of 25 to 30 persons that he advocated. The Bill itself has a special reference to the "difficult" person. Does he also believe that his new "mixed" home, containing people of mixed incomes, will necessarily make for a happy community? Class barriers may have broken down sufficiently by the time that a new generation of old age pensioners comes along—and it is certainly unlikely that circumstances will allow the present generation to benefit much by the Bill's provisions—but at present it is naive to assume that the middle class pensioner will settle down happily with the present institution inmate.

There is another difficulty about the proposed new hostels, desirable though they certainly are. They will be expensive to run, in money and in manpower. They will also be vote catching. There is, therefore, a danger that local authorities will be too lavish over them and will consequently have to economise on other items of their welfare expenditure. In other words, by bringing in the not-so-poor and the fairly-well-off within its scope, the Bill may work to the disadvantage of the really poor who under the present poor law have a priority. If there is not enough to go round, is it not likely to be the poor who will suffer?

* * *

Something New Out of Africa?

The holding of the first conference of African Governors, which ended last weekend, together with the introduction of the Overseas Resources Development Bill, has focused public attention on Africa. The new plans for colonial development are, it is true, intended to apply throughout the colonial empire, but it is clear that they will be mainly concerned with the African dependencies, which after all contain half the colonial empire's population.

But if the people of this country are beginning to think, as there are signs that they are, that the development of Africa is a solution for their own present difficulties, they should be rapidly disabused. If we cannot buy raw materials and food in dollar countries, let us grow them in Africa—so runs the argument. Stories of great tracts of undeveloped, untouched land, of a huge untapped labour force and of low costs of production are readily believed. But, as emerged quite clearly from a House of Lords debate last week, and as Mr Creech Jones emphasised in a standing committee of the House of Commons this week, the new development schemes are being undertaken primarily in the interests of the colonial territories. The East African groundnut scheme, it is true, owes its origin to the shortage of fats, and the priority given to this scheme in the way of equipment and transport facilities, and the speed with which it was begun, have no doubt coloured the purpose of the new phase in African development. But even if it were mainly directed towards helping the United Kingdom rather than the colonies, it would clearly only be as a long-term objective rather than to meet the immediate crisis. Not even East African groundnuts can increase British food supplies before 1949. Nor are other forms of development

likely to be easy. There is no mass of willing Africans waiting for jobs. As Lord Altrincham pointed out in the Lords debate, not only is African labour scarce, it is also inefficient. Its productivity is very low, and the main purpose of the new Colonial Development Corporation is to raise this productivity, to prevent the Africans from taking more out of their land than they put into it, with a consequent steady fall in the level of subsistence—in fact, to maintain and improve the African standard of living, not the British.

All this will take time, and it will certainly not always succeed. But it would be a great pity if the new and imaginative phase of development were hindered at the outset by misconceptions in this country about its purpose. These misconceptions might lead the Africans to believe that another scramble for Africa is taking place—a scramble for groundnuts, tobacco and cotton, in which Western weapons of tractors and rolling stock are being introduced merely to secure a British victory.

* * *

Navigation by President İnönü

The basic question in Turkish home politics now is whether this is the moment to extend "democratic practices" (meaning two-or-more party politics) or whether to do so is to invite the quarrels that rack other democracies. Last week's congress of the government party—the Republican People's Party—discussed little else. Its participants labelled it a turning point in Turkish politics. In fact it is scarcely that. President İnönü knows exactly how far he means to go, and how best to get there; and there are likely to be few or no sharp "turnings" on the way.

What happened at the Congress is proof of his determination slowly to divest Turkey of the one-party system and to put in its place the representative government that will make of himself the last dictator; but at the same time to keep his hands on, or very near, the helm for a further indefinite period. It will be remembered that he permitted the formation of an official opposition—the Democratic Party—in January, 1946. The cork once out of the bottle, this party received more support than he, and most people, expected. He therefore moved with the flow of public opinion. When, in the early months of last summer, the Democrats failed to get the seats and the voice they had expected, and looked like retiring in dudgeon he reacted at once. In a speech on July 12th he promised to proceed more quickly along the road to democracy. There followed some pressure from the younger men within his own party for a change in the diarch leadership he had hitherto countenanced. He agreed with it and replaced the old premier, M. Peker, by a more malleable figure, M. Saka. At the current party congress, a meeting of rural representatives as well as of deputies, the pressure has tended to come rather from the right than from the left wing of his supporters, and he has steered ably enough between two groups.

The whole scene suggests that Turkey is, politically speaking, extraordinarily stable. Political criticism, particularly in the press, is permissible to a degree unheard of two years ago, and seems to satisfy human needs and fulfil its purpose. The opposition grumbles about "undemocratic laws," but can seldom put its finger on recent instances of their working. There is fear of Russia, but custom has reduced it to sober and reasonable dimensions. No one could call the Turks jittery. Their mood and their politics present the strongest contrast to the situation in Greece. In Turkey there is no prospect of party conflict any more acid than that of parties in Britain: there is no sign of quarrels on Greek or even French lines, because there are no conflicting ideologies. There is no question of American aid going to one side or another; in Turkey, it goes to the Turks. They have some difficult economic problems ahead, connected partly with their own economic management and partly with world prices. But who has not? And in the home political field both Russian pressure and American aid are unifying factors. In a word, they assist the President in promoting his long-term plan.

* * *

Interim Aid for Asia

The Interim Aid Bill in Washington is now running into trouble reminiscent of the controversy over strategy during the war between the "Europe Firsters" and the "Pacific Firsters." In opening the Senate debate on the bill Senator Vandenberg expressed regret that it did not include any interim aid for China, but declared that the State Department would shortly submit a separate plan for aid to China. There has now been a move in the House of Representatives to make a big cut in the alloca-

tions for Europe and insert \$60 million for China. The moving spirit in the campaign for this aid in the Lower House is the ex-missionary Representative Judd, and behind him is China-born Henry Luce, who recently sent Mr Bullitt, former ambassador to Russia and France and a fervent anti-Communist, on assignment for *Life* to write "A Report to the American People on China." Mr Bullitt begins his report, published six weeks ago, with the thesis that "to prevent the domination of China by any nation which might eventually mobilise the 450 million Chinese for war against us is a vital interest of the US," and goes on to recommend a three-year programme of aid to cost a total of \$1,350 million, of which "perhaps \$75 million" should be provided immediately.

The new drive for priority for China is a very natural outcome of the American political situation. The advocacy of aid to Europe has been put mainly on an anti-Communist basis, sometimes to the exclusion of the idea of a positive reconstruction of world economy; and if indeed the motive for aid is to be the rescue of countries from submergence by Communism, it is only logical that the two countries in which Communists are actually waging armed civil war against the recognised Government—that is to say, Greece and China—should have the first claim on American assistance. Further, there is the traditional American idea, still very widespread, that the interests of the United States are more deeply involved in trans-Pacific than in trans-Atlantic affairs and that China is a special American responsibility.

Since the failure of Mr Marshall's attempt to mediate between the Chinese Government and the Communists, the American Government has lacked a consistent policy towards China. Official Washington, while apprehensive of a Communist victory, has been unwilling to pour out the not unlimited resources available for subsidy into a country where funds or supplies seem to be so easily diverted from their proper purposes. American public opinion has had painful qualms of conscience about intervention in the Chinese civil war on behalf of a notoriously corrupt regime which has so far lacked any satisfactory democratic basis. But the endless repetition of Moscow propaganda slogans against American imperialism by the Chinese Communists in recent months has left no doubt that China would be drawn into the Soviet bloc if the present Nanking Government were to be super-

seded by a Communist-controlled coalition, and the situation is now such that support can hardly be withheld much longer unless the United States is ready to write off China as a lost cause.

* * *

China on the Fence?

Apart from the possibility of a Kuomintang defeat in the civil war (due to economic exhaustion and inability to pay the troops, even more than to lack of armaments), there is the danger for the United States that, even while retaining control of a great part of China, the Nanking Government, without effective American support, may seek to save what it can by a direct agreement with Moscow and may incline towards the Russian orbit in world affairs. This course is all the more tempting for Nanking because on the subject of Japan some very sharp conflicts of interest have arisen between China and the United States and the Chinese find themselves aligned with the Russians on several points at issue. With the fear of Russia on the one hand and the sense of a certain common interest on the other, the Kuomintang leaders have been wondering what is to be gained by close attachment to Uncle Sam, who no longer provides the necessary, but only moral injunctions against graft. They do not of course trust the Russians, but since Yalta they do not trust the Americans either, and support for a pro-Russian course is said to be strongest among the ultra-nationalists of the extreme Right, for whom all foreigners are about equally loathsome and the only hope for a weak China lies in trimming between Great Powers, strategic retreats and "selling space for time." The condition for an understanding with Russia is probably Nanking's complete withdrawal from Manchuria and an arrangement on the lines of the former Ho-Umezu agreement by which Chinese relations with Japan were regulated after the creation of "Manchukuo."

Washington appears to have assumed that Nanking cannot come to terms with Russia and must in any case follow the American line internationally. But China's attitude towards the American proposals for the making of the Japanese peace treaty has not borne out this assumption. The United States in July proposed that the treaty be drafted by the eleven nations represented on the

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DECEMBER NUMBER

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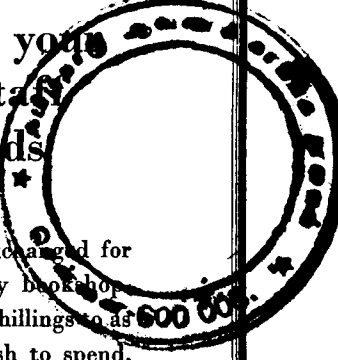
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Far Eastern Commission working by a simple two-thirds majority without Great Power veto. Russia has refused to have anything to do with treaty-making on this basis and has claimed that the Council of Foreign Ministers is alone entitled to prepare the treaty. China has advanced a compromise whereby the eleven nations would take part in the preliminary conference, but the Great Powers would have the right of veto—a proposal which, if adopted, would defeat the American aim of circumventing the veto. There is now a hint that, if the United States and other Western nations go ahead on the treaty without Russia, China as well as Russia will stay out, and a treaty unsigned by either of Japan's continental neighbours would hardly be worth making.

Civil Defence in the Future

Mr Attlee has announced the Government's preliminary plans for a permanent civil defence organisation. This will consist partly of civilian static and mobile services and partly of military mobile columns trained in Civil Defence duties. The civilian nucleus is to be composed of part-time volunteers, attached to and developed from the regular police, fire and medical services, while the military mobile columns will provide a reserve for reinforcement of local services where necessary. The scheme is rightly flexible, and appears to concentrate on building up a nucleus of skilled volunteers rather than on creating a large organisation manned by a full-time staff.

This is the only sensible course to pursue. So long as this country stands in danger of unprovoked attack from the air, there must be a nucleus of trained men capable of dealing with any emergency and of expanding quickly. But it would be a mistake at this stage to take elaborate and detailed precautions. To start building gigantic deep shelters and making extravagant preparations would be, to say the least of it, premature, until the technique of defence against the atom bomb has been more fully worked out. It would also be a sign both of political defeatism about the prospects for world peace and of economic unrealism about what this country can afford at the present juncture. Moreover, experience has shown that the dangers which must be guarded against and the measures which must be taken cannot be accurately foreseen in advance of war. Too rigid a prepared structure might be an actual disadvantage if the emergency ever occurs.

In any future war the civil defence services should have the advantage of a hospital and medical service which is already properly integrated. Good as its work was, the Emergency Hospital Scheme had a hard task in the last war in view of the lack of co-ordination in hospital provision. The fire services too will be better co-ordinated. But these gains may be no more than straws in the wind compared with the greater horrors that may be rained from the air.

Housing—What is Temporary?

In spite of the headlines the number of permanent houses completed during the month of October is nothing very splendid.* In the sense that it adds up to more—very little more—than in any preceding month, it is a "record"; but in the more spectacular meaning of that word, it is a record of which no one can be glowingly proud. Progress has no more than been maintained.

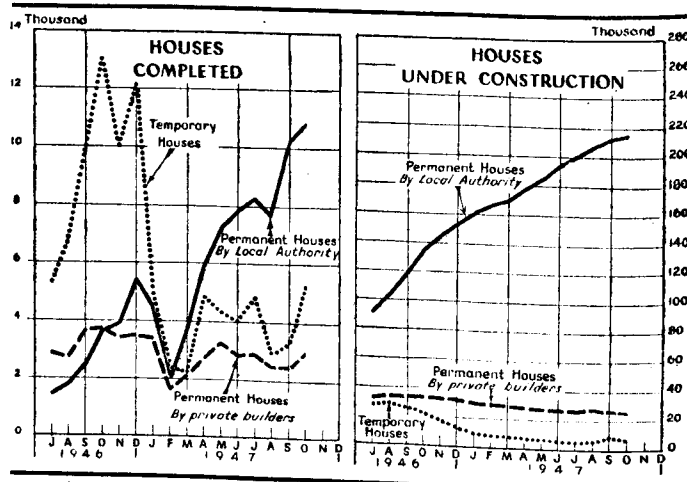
The only surprising feature of the returns is the sharp rise in the number of temporary houses completed, which had been dropping slowly through the year. This minor boom is a welcome counterweight to the sorry story of delay, bad estimation and muddle which was revealed in the debate last week on the Housing (Temporary Accommodation) Bill, when the House of Commons agreed to an additional £20 million above the £200 million already approved, for winding up the temporary housing programme.

Criticism centred on the aluminium houses which provide just over a third of the total programme of 156,000, and cost some £1,600 each. However admirable their internal planning and fittings, £1,600 is a formidable sum to pay for a box. Mr Durbin attempted to defend the price by saying how permanent and solid the box really was, but this, as he appreciated, is a dangerous line of defence. A permanent landscape of boxes is a grim prospect.

The rise in cost of the temporary houses from the original estimate of £800 each is mainly due to two factors. First, complete ignorance on the side both of the Ministry of Works and of industry on how the details of what was virtually a new industry would work out. There was gross under-estimation and innumerable changes of specification, while both manufacturers

* Housing returns. Cmd. 7261 and Cmd. 7262.

and Ministry juggled with this new toy. And secondly, delay in the preparation of sites made it impossible to carry out a smooth process of delivery from factory to site, and all sorts of costs for storing, double transport and handling had to be incurred. This

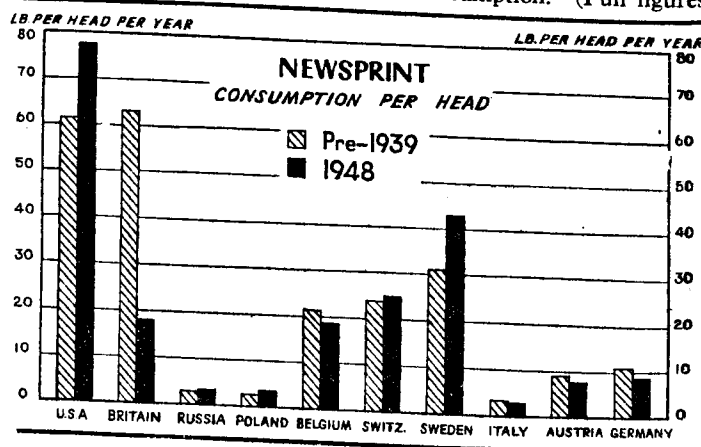


chapter is now almost over. Only 24,000 still remain to be completed, and the mistakes and reproaches of the last three years will soon be forgotten. The next chapter will open ten years hence. Will lexicographers have to invent a new definition of the word temporary?

How Much Newsprint is Healthy?

If consumption per head of newsprint could be interpreted in terms of national literacy, Great Britain, according to figures recently submitted by the Newsprint Association of Canada to a Select Committee of the United States House of Representatives, has relapsed from the position of senior wrangler to that of near-moron, so great has been its cut in newsprint supplies. No country, except Japan, has suffered proportionately so large a fall in whatever mental nourishment the newspapers may be said to provide.

The reductions in consumption of newsprint per head shown in the diagram reflect the economic difficulties in which the countries of Europe now find themselves. Those with direct access to timber supplies can allow themselves a modest increase. Of these Sweden is the outstanding example. Those who have no substantial domestic supplies to draw on, are obliged by the dollar shortage to curtail imports of newsprint—and Great Britain most drastically of all. The situation in Europe is in marked contrast to that in the Western Hemisphere, for with the exception of Peru and Newfoundland consumption has increased in all the countries of North and South America. Of the British Dominions only New Zealand shows a slight reduction: Australia, South Africa and India have all increased consumption. (Full figures



are given in the *Records and Statistics Supplement*.)

Although compared with other countries Great Britain cannot be said to be at starvation level, the present stringency is quite incompatible with the requirements of a country with its national and international responsibilities. For the saving of £1,000,000, the people are being cut off from crucial sources of information. Some Ministers are known to regret the over hasty decision, announced last July. When will they have the courage to reverse it?

Letters to the Editor

Peace in Our Time

SIR,—Your assessment of the chances of direct war between the two Arch-powers seems to one reader at least impressively accurate. But you do not refer to a more probable danger, in which a series of Civil Wars might break out in Europe. These wars would certainly attract both Arch-powers to the support of their respective friends or parties, and even if that support were quantitatively small, it would be enough to make them long, bitter and insanely destructive. France and Italy, in particular, appear to be in much the same state as the Spanish Republic of 1934-36. The prospects of getting outside support are just sufficient to make it worth while to either side, on a very short-sighted view, to begin open Civil War. Once it had begun, the other party in turn would get just enough assistance to prolong the war for years.

The trouble is that a prolonged indirect war fought in other people's countries would not seem a critical commitment of resources to either of the Arch-powers, and to support an attacked party might appear (as it does at present in Greece) urgently necessary against the small direct cost. And many people in Europe are fools enough to start something of the kind.

The Left, however, might pause to think that up till now, in every civil conflict which has occurred in Europe in a country not under direct Russian occupation, they have invariably lost, and the Russians have seldom supported the Left once the Left has begun to lose. In this dilemma, a spell of "strong" government by either party, if only it is strong enough and stable enough to last some years, would be the lesser evil for Europe as a whole. If that is so, the case for a foreign policy of pure opportunism is very strong.—Yours faithfully,

C. R. COOK

5 Vineyard Hill Road, Wimbledon, S.W.

SIR,—In your leading article of November 22nd you rightly declare that "there is a special task for Mr Marshall to perform in Britain," and urge him to state "whether he really believes that security can be organised by the collective effort of the United Nations. Just before the present General Assembly met, Mr Marshall addressed our sister body, the American Association for the United Nations, in New York. His speech had been previously agreed with President Truman, and may be taken as a carefully considered statement of policy. He began by taking a realistic view of the grave difficulties now facing the United Nations, and went on to say:

"We do not look upon the United Nations as a handy instrument for obtaining temporary national advantage. We have no desire to slip back upon the road to international anarchy . . . There is a danger that our hopes of two years ago will give way to scepticism. The great moral and political forces of the world must somehow be brought to bear with full effect through the General Assembly. . . ."

Mr Marshall then gave an eight-point explanation of US policy in support of the United Nations. His policy, he said, was to live up to all the obligations pledged in the Charter; to make all public acts consistent with the Charter; to refer all otherwise insoluble problems to the United Nations; to work "persistently and loyally" for the aims of each of the United Nations special agencies; to improve United Nations machinery where necessary (Mr Marshall held that at present there was no need for major revisions); to conclude the remaining peace treaties; to act together against aggression; to act together to ensure economic conditions necessary for international stability. He concluded: "The US delegation at this Assembly seeks not a United States success but a United Nations success."

If Mr Marshall reiterates his support for the United Nations during his visit to Britain, the effect will certainly be a healthy one. But we should bear in mind that he has already gone on record to the same effect.—Yours faithfully,

United Nations Association,
11 Maiden Lane, W.C.2

ANDREW BOYD

First Lord of the Treasury

SIR,—The interesting suggestion in "Notes of the Week" that Sir Stafford Cripps should be appointed First Lord of the Treasury with the Chancellor of the Exchequer as his lieutenant deserves consideration for more than one reason. In co-ordinating financial with economic policy the new Department would act as arbitrator between the Treasury and other Departments

in the case of differences of opinion where the Treasury has now the last word, not always the right word.

Advantage might also be taken of the change of transfer from the Treasury the control over the Civil Service which it now exercises through combination of the functions of Head of the Treasury with those of Head of the Civil Service in the Permanent Under Secretary. This duality of authority is open to the objection that it extends the supremacy of the Treasury beyond its proper sphere and may create something of an inferiority complex in other departments. A financial curb over other departments by the Treasury is, of course, essential, but occasions may arise when the Treasury itself needs a curb.—Yours faithfully,

GEOFFREY BRACKEN

Larchfield, Churt, Surrey

Purse Strings of Uno

SIR,—In your note you state that "It is almost impossible for students of foreign affairs to get detailed summaries of what is said and done in Uno meetings." I should like to assure you that very considerable efforts have been made to make United Nations material readily available in this country. Nobody will regret more than those whose job it is to organise an effective United Nations document service, if present arrangements do not meet all requirements.

The student of foreign affairs in this country can find up-to-date comprehensive accounts of United Nations activities in the *Weekly Bulletin*, published by the United Nations Department of Public Information and sold through H.M. Stationery Office, who are also the agents for all printed United Nations documents and other publications. United Nations documentation in mimeographed form is also available through the Information Centre. A complete set of United Nations documents can always be consulted by the public in the Centre's library.

From The Economist of 1847

November 27, 1847

JANE EYRE: *An Autobiography*. Edited by Currer Bell. Smith, Elder and Co., Cornhill.

Of all the novels we have read for years, this is the most striking and, we may add, the most interesting. Its style as well as its characters are unhackneyed, perfectly fresh and lifelike, and the whole is as far removed from the namby pamby stuff of which fashionable novels are made, as from the cold, unnatural and often disgusting productions of the French press. It is thoroughly English—even somewhat provincial—which latter leads, in some of the scenes, to a certain raciness decidedly agreeable. It must be said that the drawing in some cases approaches to coarseness, and that in others the art employed in the construction of the story is too evident; but these are venial faults, and worse than these may be forgiven an author who inspires his reader with such an interest in his heroes and heroines as we feel for Jane Eyre, Mr Rochester, her elderly lover, and in fact for all the characters introduced into the book. . . . Here is the portrait of the *genius loci* of Lowood, Mr Brocklehurst, who, as principal subscriber and manager of the school, has been informed, or rather misinformed, by Mrs Reed of the character of Jane Eyre. . . .

[Here follows an extract of well over a column in length.]

Our limits prevent the insertion of the remainder of this scene, nor can we make room for other extracts we had marked; we must confine ourselves to a short allusion to the story. Fortunately for Jane Eyre, Miss Temple, the superintendent, is in every respect the reverse of Mr Brocklehurst, truly religious, kind-hearted, just and highly accomplished, possessing, besides, the manner of a gentlewoman; she gains the confidence of the hitherto ill-treated orphan, who under her kind rule becomes a strong, vigorous-minded girl, remains eight years in the establishment . . . and then by advertising obtains the situation of governess in the family of Mr Rochester. . . . Here the romance and mystery of the story begin, but we must leave our readers to find it all out for themselves, and will only repeat that the story is artistically managed, the characters boldly and vigorously drawn, and the whole calculated to interest and enchain the reader.

The problem of how to get the not unbulky United Nations material across the Atlantic economically, especially during the crowded days of the General Assembly, has been the subject of most painstaking investigation. Certain improvements are contemplated for 1948. The magnitude of the problem may be illustrated by the fact that the airmail freight for one copy of the United Nations Budget Estimates stands at 29s. "Purse-strings" will thus continue to control the distribution of United Nations documents.—Yours faithfully,

W. TANZER, Acting Director,
United Nations London Information Centre
Russell Square House, Russell Square, London, W.C.1

Wages and Profits

SIR,—In assessing your article "Wages and Profits" (November 15th) and your note on the Budget debate in the current issue I feel that two qualifications should be borne in mind.

The Note gives the 1945 distribution of net incomes as £5,000 million below £500 per annum and £1,400 above that level. A more detailed consideration of Table 10 of the National Income White Paper (Cmd. 7099) shows that £3,449 million are accounted for by those earning under £250 per annum; people living on such a low level of wages at present costs can hardly be accused of reckless spending. It is more likely that Mr Morrison's "loose money" is contained in the £2,454 million earned by the £250-£1,000 group, far in excess of the £775 million total of the groups above £1,000 per annum. This contention is borne out by a comparison with the 1938 figures, which show increases over the seven years as follows:—

Under £250 p.a., £833 million increase.
£250-£1,000 p.a., £1,711 million increase.
Above £1,000 p.a., £410 million increase.

Such statistics in themselves are not conclusive, but they are indicative of the trends. Nevertheless, it is dangerous to draw 1947 conclusions from 1945 incomes, inflated as they were by wartime influences.

In your otherwise excellent article "Wages and Profits" you base your assumptions partly on average earnings. Would not a truer picture be obtained by analyses of the movements of the various wage levels as well as of the average? Without some knowledge of the distributions about the mean it is difficult to arrive at any truly objective conclusions.—Yours faithfully,

66 Wood Green, Wednesbury JOHN C. CLEWS

Tariffs and Trade

SIR,—In your article on "Tariffs and Trade" you take bicycles as an example of the British manufacturer ignoring divergences in taste and argue that in America "the utilitarian British bicycle is not popular, at any price." In the Boston area, where I spent

the past year, I noticed many British bicycles in use. People who had used both American and British bicycles, for example on holiday trips in the country, referred to the British product as much nicer to ride, and I heard of cases where boys who were saving up to buy bicycles preferred the British product in spite of its much higher price.

I would suggest that there is a definite market in America for utilitarian bicycles; this includes things like 3-speed gears and chain cases which are not to be found on American models. For this market the standard American products are inferior substitutes which can only compete with the British through much lower prices. The market for bicycles as toys may be larger but it is one in which the British manufacturer could only compete by selling a model built on a small scale for export to this one market at prices below those of the standard models of American makers.—Yours faithfully,
M. LINDSAY.
Balliol College, Oxford

Steelworks in the Making

SIR,—We have read with much interest your well-informed article on the progress which is being made in erecting the new continuous strip plant of the South Wales Steel Company. We agree with you that the future of this plant is fundamentally important, both to the tinplate industry itself and to the many other industries which directly or indirectly depend for distribution of their products on availability of tinplate supplies. We were, however, concerned to see that for your estimate of tinplate production in pre-war years you quote the production figures for 1938, i.e., 612,000 tons.

We have long been concerned at the use of the output figures for this particular year, insofar as they appear to be completely untypical of tinplate output in pre-war days. This will be seen from the figures for other pre-war years, which are as under:—

						Tons
1934	...	...	...	...	...	748,000
1935	...	...	...	...	...	708,300
1936	...	...	...	...	...	814,800
1937	...	...	...	...	...	957,800
1939	...	...	...	...	...	919,400

The effect of quoting the 1938 figures instead of, say, a pre-war average of 750,000 tons per year, is that the statistics tend to mask the decline in tinplate production which has taken place during the past few years, and to disguise the very damaging effect of this decline on both the home and export trade. The fall in production is due in the main to shortage of labour supplies in the tinplate industry, and there is little indication that the position will materially improve until such time as the South Wales development plans reach their maturity.—Yours faithfully,

JOHN RYAN,
Vice-Chairman, The Metal Box Company, Ltd.

Books and Publications

Facing the Facts

"The British in Asia." By Guy Wint. Faber and Faber. 12s. 6d.

BASED on an obviously discerning personal experience, and philosophical in its balanced appreciation of South Asian problems, Mr Wint's book is laced with a catholic range of pertinent quotations and livened by a dry and sometimes wicked humour. By the ingenious use of juxtaposition, by setting traditional Asia alongside British and Russian Asia, and the spiritual beside the political and economic aspects of Asia's changing scene, Mr Wint achieves a commendable balance over the whole vast field of his study without undue sacrifice of detail. The first and second parts of the book, self-contained and describing contrastingly the British and Russian Empires in Asia, form the background to an examination of future trends in Asia generally, with special reference to those parts of the British Empire which are now—or are about to become—self-governing states.

The substance of his thesis is this, that by reason of the political circumstances of the day in Britain itself, our Empire in Asia, established by private enterprise and left virtually to its own resources, grew up to be an Indo-British Empire, based upon India's manpower, and directed mainly to meet India's needs. In this light he sees in the new Indian Dominions the heirs to a South Asian security bloc, coterminous with the defence zone of British India, and traces possible combinations of world and regional

security organisations within which such a bloc could play its contributory part, thus gaining respite for the newly enfranchised territories to set their own houses in order. And what a task awaits them! Mr Wint concludes sadly, "This may be a gloomy book, but it is difficult to see where its thesis is wrong." But if any success is achieved in steering South Asia through its present troubles, it will be because men like Mr Wint are prepared to face gloomy facts without losing faith in man's ability to overcome them, and to strive after solutions to seemingly insoluble problems. Fortunately—and Mr Wint has not missed the point—youth in Asia seems filled with a spiritual energy and optimism in strange contrast to the apathy in Europe. These remain their strongest shield against the national and sectional jealousies that threaten to destroy the co-operation through which alone they can achieve greatness.

The Parents' Charter

"Women and Children First." By W. H. Wallace. Oxford University Press. (Geoffrey Cumberlege.) 345 pages. 15s.

THIS is the sort of book which the reader mentally punctuates now with loud cheers, now with heated explosions of disagreement. The cheers predominate; and, cheering or disagreeing, one is invariably interested. It is a study of Australia's population problem, by a practising gynaecologist who is also an alert

and imaginative citizen and has evidently retained a human rather than a professional attitude to life. If his book were merely another presentation, however neat and convincing, of the known but inadequately publicised facts about net reproduction rates, the economic disadvantages of sparse population and small national units, the strategic needs and particular economic circumstances of Australia, and the possibilities of immigration, it would interest comparatively few English readers. But it is vastly more than this. It is possibly the most far-ranging, wise and sympathetic study extant of the reasons why babies do not get born, or, if born, are unwanted; reasons just as applicable in Great Britain as in Australia. Dr Wallace ranges from postwar employment problems to maternity frocks, from housing (inadequate) to home helps (unobtainable), guided partly by his own common sense and imaginative sympathy but mostly by what he has learned directly from the patients asking him for contraceptive advice; and follows his analysis with recommendations—some of these revolutionary, some trivial, but in psychological matters the trivial may count disproportionately high—on what should be done to make families of four or more the desired and usual thing instead of the unwanted exception.

He has a not uncommon obsession—namely, that it is the "competitive economic system" which makes early marriage difficult, housing scarce, and education expensive, and, in general, in the words of the song, fills the butchers' shops with large blue flies. He is enthusiastic, and understandably so, about Russian maternity grants and children's allowances; he never wonders how Russian women feel about raising six children in a single room. There is also, one suspects, even in the spacious conditions of Australia and under any economic system whatever, a certain impracticality in the simultaneous demand for marriage loans; child endowment to cover the whole "basic cost" of rearing each child; free education from kindergarten to university; higher sickness and unemployment insurance; adequate housing, complete with labour-saving devices, for all; a national domestic help service, with higher wages and better living conditions; crèches, day nurseries, community centres and rest homes; improved medical services, improved hospitals, and "a campaign to glorify, enthroned and reward motherhood"—all accompanied by "extensive developments of primary, secondary and tertiary industry, thus increasing production in every sphere," by "expansion of our export trade," and (believe it or not) by lower taxation.

But to hint at the need for priorities and posterities in this cloud-cuckoo agenda is not to condemn any one of its items, still less the spirit which it embodies. As the inspiration for a campaign extending over the next fifty years or so, Dr Wallace's programme and his title are alike to be commended.

Half the Equation

"The United States and the Near East." By E. A. Speiser. Geoffrey Cumberlege. Oxford University Press. 263 pages. 9s. 6d.

THE "American Foreign Policy Library," that commendable enterprise under the editorship of Mr Sumner Welles, has now succeeded its volume on "The United States and Britain" by a companion work on the "United States and the Near East." The sequel is opportune; there are few zones in the world in which Anglo-American relations so badly need re-examination and clarification. The choice of author also seems sound; Mr Speiser

knows his Near East well and writes with a scholar's background and respect for facts. Nevertheless, for the English reader at least, this book is a disappointment. Its English publishers warn the reader that it is "concerned with the outlines of the Near East problem, with recent history and very largely with British policy, rather than with American policy itself." The warning is timely; it is not until the last chapter, when there are only 17 pages to go, that the question of American policy as such is broached. But not even then are the fundamental questions answered—what are America's interests in the Near East? How do they relate to those of Britain and other powers? What recognition and support can they expect from American public opinion and government? The result is a book oddly like one of the Near East's own river systems, which finds its only outlet in a Dead Sea.

Apart from the brevity and superficiality of his treatment of oil (surely a key motif in any Near Eastern study?), the most surprising lacuna in Mr Speiser's book occurs in his depiction of the Palestine problem. There is entirely lacking any recognition, leave alone analysis, of the part played in it by American Jewry and American politicians. It may be argued that to the American reader that chapter of the tragic story ought to be sufficiently familiar not to need retelling, though Mr Hecht's advertising and the fate of the Stratton Bill scarcely suggest that public education is complete. All the same, to omit it altogether is rather like performing *Rigoletto* without *La Donna è Mobile* on the grounds that everyone has heard the tune before.

These faults of Mr Speiser's treatment are so obvious that they must necessarily form a prominent part of any criticism of his book. At the same time it must be admitted that they apply only to the smaller portion of his volume. The rest, to which he has chosen to devote the larger part of his space, is a useful, careful, objective, if sometimes inelegant, historical narrative and cultural depiction of the Near East. Unfortunately, even when spiced with a little grated geopolitics, such ingredients do not add up to a meal.

World Stocktaking

"The World's Wealth." By W. G. Moore. Pelican Books. 250 pages. 1s.

DESPITE its title, this is not a book on economics, though a good deal of economics is implicit in its pages. It is a brilliantly carried out survey of the resources—animal, vegetable and mineral—from which man gets his living; a geographer's work, based on the consideration of climatic zones, of rainfall, prevailing winds, soils, the geological past, and their results in terms of mineral deposits, vegetation, transport routes and human settlements, but illuminated by a lively concern with today's and tomorrow's resultants.

Mr Moore is a Socialist, primarily, one feels, by reason of the geographer's natural disgust at the narrow time-horizon of the individualist. His passages on soil erosion, robber lumbering, competitive drilling for oil, and other similar manifestations of the individual profit motive, attack *laissez-faire* at its weakest point, and very effective they are. It is not, however, from his politics, explicit or implicit, that his book derives its value, which lies rather in the presentation, eminently readable without being meretricious, condensed without being sketchy, up-to-date without being ephemeral, of a great mass of facts the knowledge of which should be part of the essential mental furniture of all good citizens of the world.

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AMERICAN SURVEY

Position of Labour—II

(From Our US Editorial Staff)

IF he can hold his gains, Mr Walter Reuther's decisive sweep in the United Auto Workers' elections puts him in the line of succession to Mr Philip Murray, the President of the Congress of Industrial Organisations (CIO). At last year's convention of the CIO Mr Murray's reluctant willingness to serve again was compounded of pressures of which the strongest was the importance of bridging the split between the left and right wings of the organisation. On the CIO headquarter's staff, Mr James Carey, the secretary, is an important right-wing figure, but a man without a union since he lost the presidency of the CIO Electrical Workers in a fight in which the left won a victory that it has since been able to maintain. Mr Lee Pressman, the organisation's counsel, is a similarly controversial personality, with strong left-wing support countered by vigorous right-wing antagonism. (Among other things, he is credited with having killed the chances of introduction into Congress last session of a labour bill that would have provided a milder alternative to the Taft-Hartley Act.)

Last November, of the CIO's big three unions, the Electrical Workers were controlled by the left; the Auto Workers were balanced on a knife-edge between left and right; the Steel Workers alone had no internal problems. So Mr Murray, head of the Steel Workers, disregarded reasons of health and remained president of the federation. Now, the Auto Workers' Union, the largest of the Big Three, has a unified higher command, with the near-Communists, for the present at least, dismissed to the side lines.

A somewhat comparable emergence of an heir presumptive occurred at the Convention of the American Federation of Labour. At the time of the United Mine Workers' reunion with the AFL, the possibility was canvassed that, age and health to the contrary notwithstanding, Mr John L. Lewis might be the one to take over from Mr Green, the present president. But the antagonism that subsequently developed between Mr Lewis and Mr Tobin of the Teamsters raised doubts. And when Mr Lewis, at the recent San Francisco convention, withdrew from the AFL's executive council because of its willingness to comply with the Taft-Hartley Act, terming it a "debased, denatured board" of "fat and stately asses," the likelihood of succession turned to Mr George Meany, the secretary-treasurer.

Of course, his defeat at San Francisco may not have exhausted Mr Lewis's capacity for dissidence. In political judgments he may be almost reliably wrong. But he is gratefully regarded by many trade unionists as the man who makes economic deliveries: it was he, after all, who started the CIO; it was he who concluded the crucial negotiations with General Motors when the UAW was in its infancy. Hence the interest in Mr Reuther's preconvention charge that Mr Lewis has been conniving with UAW left-wingers. The charge bore the earmarks of campaign oratory; yet the miscellaneous make-up of District 50 of the United Mine Workers would suit it to be the embryo of a national movement—a third, make-weight force. One factor limiting Mr Lewis's activities, however, must not be lost sight of. He will not go beyond what the Mine Workers can be led to regard as reasonable.

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

Mr Reuther's decision, just before the October 31st deadline, to register under the Taft-Hartley Act, apparently reflects an increasingly general intention among labour leaders to make use of the National Labour Relations Board after all. It is estimated that there are some fifty to sixty thousand local unions in the country, most of them related to the 105 major units of the AFL, the 40 such units of the CIO or the Railway Brotherhoods. Many unions have no immediate occasion to file, either because they are operating under long-term contracts or because their products do not enter into interstate commerce and hence are outside the jurisdiction of Federal agencies. By the filing date, 66 national or "international" (i.e., US-Canadian) unions had signed from the AFL, 14 from the CIO and 30 independents. The major hold-outs are the Miners on the AFL side, and the Steel, Maritime and Furniture Unions on the CIO side.

*

Within the past few weeks business at the NLRB has looked up. For the first two months after the Act took full effect on August 22nd, the devising of new administrative procedures and the answering of queries took most of the time of the Board itself, and the Counsel. (The two are quite different entities, these days—the Board reversed the Counsel on his first major ruling, concerning whether the officials of the national federations had to file before their member internationals could be in compliance.)

Many of the cases now being heard are leftovers, charges of unfair labour practice on which the preliminary work had been done before the new law was enacted, or union petitions for plant elections. A number of the cases are bringing up the complicated problem of the position of a non-complying union. In October, the Board heard two cases charging unfair labour practice, filed before August 22nd by unions now not in compliance. The reason given for hearing these cases was recognition of a legal obligation on the part of employers to bargain collectively. One case, brought by a CIO union, concerned discouragement of union activity, including one dismissal by the employer on that ground, and an effort on his part to get employees to prefer the AFL; the company was ordered to desist and reinstate the employee. The other case, brought by an AFL union, where the employer had refused to bargain collectively, ended in a decision by 3 votes to 2 ordering the employer to bargain and giving the union thirty days to get into compliance.

Early in November, however, the Board refused to two non-complying unions places on the ballot in collective bargaining elections. This principle, laid down on requests filed before the Act became effective but announced as applying to future cases as well, makes it clear that the intent of the Act is to leave the non-complying union with only its own economic strength to rely on in gaining recognition from an employer. It also offers opportunity for an "intervenor" or rival union which is in compliance, to ask for an election, and, if the Board grants the request, to appear on the ballot as the sole alternative to no union. What the procedure will be when the request for an election comes from an employer is as yet undecided.

Two further cases, now moving from trial examiners to the Board, concern whether an employer's obligation to bargain collectively includes bargaining when companies desire to institute pension or retirement plans. The examiners have recommended requiring the companies to bargain, accepting the union attorneys' contention that pensions and lay-offs are

not unrelated. Both these cases concern the Steel Workers, whose decision not to file non-Communist affidavits has just been reaffirmed by the Union's Executive Board; if, in the event of a decision favourable to the Union, the Board requires filing as a condition of the award going into effect, the union is going to feel a considerable squeeze.

These cases are of particular importance also because of labour's current emphasis on "fringe" issues as contrasted with demands for straight wage increases. The labour attitude on the wages—prices—cost-of-living proposals made by Mr Truman at the opening of the Congressional session is forming slowly—the CIO Board meets in the first week of December; so does the executive council of the AFL—but it is certainly unlikely that labour will do anything in the immediate future

calculated to make wage control measures attractive to the public.

On the other aspect of the President's message, support of the labour movement for the Marshall Plan—except among left-wingers—is far more specific than is usual in connection with general foreign policy issues. Labour's own men have been in Europe; they appreciate the part that American trade unionists could play in refuting charges of American intent to achieve capitalist domination of the Continent. In the trades associated with munitions, the military are doing a certain amount of briefing of the unions on strategic positions. And the sophistication which union leaders have acquired in recent years from dealing with Communists in their own ranks gives them a vivid appreciation of current diplomatic problems.

Physical versus Fiscal Controls

(From Our US Editorial Staff)

THE special session of Congress was called for two purposes: to consider foreign aid and to curb the inflation which is now raging. The two objectives are clearly very closely inter-related because the European demand is superimposed on a very high domestic demand, itself chiefly responsible for the powerful upward pressure on prices. The Administration, in devising a programme to curtail inflation, had the choice of two broad alternative courses. One was to try to sit on the lid of the boiling demand for goods and services by such direct methods as the use of rationing, price and wage controls and allocations. The other was to try to reduce the pressure under the lid by curtailing spendable money income to reduce the unprecedented domestic demand for goods. The latter course was that which the Paris conference of 16 nations primarily prescribed for Europe in its commitments for budgetary and monetary reform and with which, as a prescription for Europe, both the Administration and the American public apparently heartily agree.

The President's message to Congress seemed to indicate that the former course has been chosen, though there are very brief passages suggesting some attention to the latter. The number of words is not a sure indication of where the emphasis is to be placed, but in terms of number of words and number of legislative proposals, sitting on the lid received predominant prominence. The much less publicised, but not less significant highly inflationary action of the monetary authorities in the same week in expanding the credit base to support long-term US Government bonds at a yield of less than 2½ per cent seems to bespeak the same decision.

The choice which the Administration seems to have made was no doubt dictated by politics. It clearly was an effort to put the Republicans on the spot. They had primary responsibility for the abolition of price, rationing and other controls last year, and the position they then took has not been thoroughly vindicated by subsequent events. The choice likewise represents an attempt to throw to the Republican Congress the onus for restrictionism and to avoid the necessity for the Administration itself to give the economy a cathartic by using remedies it already has in its power. With the election approaching, the Administration is itself loth to reduce purchasing power, but presumably it is perfectly happy to try to place on the Republicans the blame for less availability of goods and for large black markets if they will pass the legislation, or the blame for higher prices, continuing inflation and greater difficulty of getting goods for Europe if they do nothing.

But in time the desire to try to sit on the lid instead of reducing spendable income is in all likelihood going to prove to be an unfortunate one both in economic and in political issues. The Republican Congress is wholly apt to refuse to impose sufficient curbs to make the lid-sitting effort successful. Whatever it does do will require months during which inflation may spiral onward. More than that, it is dubious whether controls could be effectively administered in this country in peacetime; the great diversity and the lack of that feeling of peril which marked the war years make an effective degree of success

very doubtful, especially if the basic cause of the upward pressure on prices is not to be reduced. The alternative course of reducing spendable income could be pursued immediately without the delays of trying to get legislation. The Administration has adequate powers to go a long way—probably the whole way.

The excess of demand over the available supply of goods and services, which constitutes inflation, is made up of expenditures for consumption and expenditures for investment goods. The monetary authorities can clearly reduce the expenditures for investment goods by cutting down the amount of funds available to finance such expenditures. For such a course they have available powers to curtail bank reserves by open market operations, by increasing reserve requirements, by retiring public debt held by the Federal Reserve through application of the large Treasury cash balance and the budgetary surplus which, on present revenues, will amount to more than \$5 billion in the first quarter of next year. By reducing investment outlay, the strain on goods and labour could be lessened. This course could be strengthened again by restraints on consumer credit and on the use of credit in commodity trading, for both of which the President has asked and both of which Congress seems ready to grant—though neither is absolutely essential for the purpose. A really vigorous effort to stimulate saving, which has fallen to a very low level as increasing proportions of income have been turned to consumption, would also be a part of this course.

In addition to such curtailment of expenditures in the private sector of the economy, the Government could curtail its own outlays to the minimum. Some reductions, or at least deferments of expenditures, could certainly be made in a budget which is a multiple of its prewar size, without any curtailment of any essential activity, either domestic or foreign. It would be an essential part of such a programme that Government receipts should be maintained at their present high levels, and on this the Administration is apparently still of the same mind as it was when two tax reduction measures were successively vetoed last year.

To a degree, the Administration has been pursuing a monetary course to restrain inflation by increasing short-term interest rates, putting bank reserves under pressure, and curbing the capital markets. But, simultaneously with the President's message, a point was reached where the Reserve Board was faced with a direct clash between anti-inflationary measures, and support of the long-term Bond rate of 2½ per cent on Treasuries.

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Courage was lost, and the Board proceeded to support the cheap money structure by open-market operations, thus adding directly to bank reserves, and the credit base for future expansion.

This week, the Governors of the Reserve system have joined with leading bank officials to deplore continuing inflationary trends, and to urge all member bank officials to exercise "extreme caution" in loan policies. Bank loans, on this view, should be made only for "productive purposes." In so far as bankers are already rather more cautious than in earlier months of 1947, this appeal may have some effect, but the relative weakness of such methods has already been stressed by Mr Marriner Eccles in his capacity as chairman of the Reserve Board.

The truth seems to be that political thought has lagged badly behind economic developments. During the war, monetary and budget methods to control inflation were not very relevant, since capital investment and government outlays were, for all practical purposes, regarded as untouchable. And during under-employment in certain prewar years, low interest rates and plentiful credit were desirable in order to stimulate investment. At present, neither war nor unemployment exists, but the theory and concept of earlier periods still dominate many minds.

The possibility still exists that the Administration intends to move more vigorously to curtail demand. Mr John W. Snyder, secretary to the Treasury, this week told the House Banking Committee that new Bond issues were planned to "mop up" purchasing power. He also made a flat demand for consumer credit curbs, and reinforcement of bank reserve requirements. But the Administration altogether seems very reluctant to press these steps to a conclusion, and unless the present course is changed abruptly, the Administration must move in a direction which will lessen materials available for foreign aid, and make a further contribution to the cause of "boom and bust."

American Notes

The Interim Aid Bill

The Interim Aid Bill, authorising \$597 million of relief for France, Italy and Austria, got off to a flying start with the unanimous approval of the Senate Foreign Relations Committee and the impressive appeal of Senator Vandenberg for measures to ward off "winter hunger, winter cold, and the lurking tyranny that feeds upon such disaster." The Bill, he said, was recommended not only by its appeal to the traditional American humanities, but by self-interest, not the self-interest of imperialism or war, but a self-interest which knows that America cannot prosper indefinitely in a broken world. He specifically denied that the relief measure or the Marshall Plan were declarations of economic war and underlined the "grievous need for a restoration of east-west trade and friendship in a live-and-let-live world." His tribute to the "amazing documentation and scrupulous screening" of the estimates by the State Department is the measure of the skill with which the Department has handled the programme.

Senate agreement this week is in no doubt, even if it does not come in time to make Thanksgiving a European as well as an American festival. In the House, the Bill approved in committee would cut \$100 million from European aid and give \$60 million to China; influential magazines like the Luce group, and influential politicians like Governor Dewey, have been taking the line that unless China receives aid within two months the anti-Soviet struggle will be lost; and that Asia is a more important battlefield than Europe. In conference the Senate view is likely to prevail, but there is bound to be some delay in a tight timetable while the State Department presses its belief that substantial aid to China now would in truth be "Operation Rathole" and jeopardise European recovery.

The Senate amendments to the State Department draft are minor, but they are interesting indications of the way the wind is blowing. One provides that up to 25 per cent of the funds may be spent outside the United States and that petroleum and its products should be procured outside as far as possible. The post-Unrra relief measure limited "off-shore aid" to 6 per cent. Another provision that the Act implies no availability of specific commodities is a reflection not only of general shortage-mindedness, but specifically of the belief of the Herter Committee that the Italian grain quota cannot be met.

Both the Senate Foreign Relations Committee and Mr Vanden-

berg have insisted that the present Bill is a relief measure, not a "little Marshall Plan," and that its acceptance did not commit Congress to a long-term programme. Yet in one particular the Marshall Plan will, as Senator Vandenberg put it, be a "lengthening shadow" of interim aid. The relief Bill contains a provision that relief supplies shall be sold at reasonable prices and the proceeds held in a special account to be disposed of according to agreements between the United States and the recipient countries. This probable condition of long-term aid is to be tested at once. The interim aid Bill does, in fact, in its provisions for supervision, publicity and management of funds, bridge the gap between the old methods of relief, incorporated in the post-Unrra measure, and the new ideas which are to make the Marshall Plan distinctive.

Congress and Tariffs

Tariff spokesmen in Congress have wasted no time in declaring their determination to resist the Geneva agreements and to oppose renewal of the Trade Agreements Act, which becomes due for renewal next June. Mr Harold Knutson, chairman of the House Ways and Means Committee, and other Republican Congressmen declare that American industry has been "sold down the river," while the American Tariff League can mobilise some powerful support from a number of disgruntled trade groups, including wool growers, textile manufacturers, leather and steel specialists, and marginal metal producers. Expiration of the Trade Agreements Act (which forms the specific authority for every tariff adjustment since 1934) would not bring an abrupt close to the agreements recently announced, since the executive branch of government holds the right to declare the term of any pact—usually for three years. But Congress, which must also ratify the final charter for establishment of an International Trade Organisation, will determine longer-term policy.

Enthusiasm in the State Department itself may have gone some way to reinforce opposition in Congress. Official declarations have stressed the fact that the US tariff is now back to the 1913 level—"the lowest tariff of modern times"—while the reductions achieved in the Geneva agreement are described as "quite unprecedented in scope and volume." But spokesmen have been careful to add that no very substantial adjustments need be faced by US industry for some time to come.

From this side of the Atlantic, it can only be said that the American tariff remains as a still-formidable barrier when assessed in relation to the fully competitive manufacturing industry of the United States, and its predominance in world trade. Perhaps the most relevant argument put forward by the tariff spokesmen is that the US government has sharply under-stated the potential benefits of the agreement to foreign countries by measuring import possibilities on a prewar standard. The very sharp rise in national income does, indeed, suggest a somewhat wider market, if it can be assumed that domestic activity is sustained at relatively high levels. But there is no apparent ground for any suggestion that American industry altogether would be threatened, or that manufactured imports would form more than a very modest fraction of domestic output.

The strength of vocal protests in the near future may conceal the fact that outright opposition to tariff adjustments is now less formidable than in the past. Despite a great deal of clamour, for example, the Republican Party over recent months has carefully avoided any formal demand for the abandonment of the Administration's powers to reduce tariffs, and the fight for renewal of the Trade Agreements Act next year will quite probably centre on the long-established demand that Congress should hold the power to approve, or to reject, each agreement. It was presumably to meet this damaging type of amendment that the State Department agreed earlier this year to concede the right of any individual business to appeal through the Tariff Commission on the ground of "substantial injury" suffered as the result of new concessions.

Global Price Supports?

With wheat reaching a record Chicago price of \$3.14 a bushel, the time was ripe for the Secretary of Agriculture to ask Congress for authority to stimulate food production abroad. Congress itself, by permitting 25 per cent of interim aid to be spent abroad, has given a green light. In his statement Mr Anderson pointed out that to continue to expect the United States, which before the war supplied less than 5 per cent of world grain exports, to continue to supply more than 50 per cent, was too great a gamble on the weather in one country. To avoid a "collision with

America's own domestic shortages" as well as the risk of land exhaustion, the Administration is asking for a revolutionary extension of powers in peacetime.

The main proposal is that the Commodity Credit Corporation should have authority to enter into contracts for agricultural expansion at planting time with foreign nations, buying the surpluses for relief. In addition, the CCC might contribute farm production materials, and technical aid. Mr Anderson mentioned the Near East, the Far East, parts of Africa, and Latin-America as regions which might grow more food if they had technical assistance, adequate and assured prices, and better supplies of consumer goods.

This bold proposal of Mr Anderson's holds out the only effective promise of relieving a world hunger which looks like becoming endemic. The price supports which in the past in the United States were associated with acreage cuts and the slaughter of little pigs are to implement a policy of world abundance. Mr Henry Wallace's derided "quart of milk for every Hottentot" speech came close to prophecy—the only change being to substitute "from" for "for."

Despite Mr Anderson's assurances, the plan can hardly avoid raising prices, with awkward repercussions on Britain's long-term contracts. But the greatest difficulty is likely to be the conciliation of American farmers. A \$3 guarantee for foreign wheat, for example, might, if prices fell sharply, leave the foreign grower better off than the American farmer, whose wheat is "supported" at present at the quite irrelevant figure of \$2.10. The Administration may have to reconsider its plan for cutting the level of domestic price supports.

In the special case of Argentina, which at present receives between \$5 and \$6 a bushel and pays its farmers only a fraction of this figure, Mr Anderson's reference to other incentives is significant. Argentina itself has suggested that it would accept a more reasonable price for wheat in return for assurances of supplies of American manufactures at reasonable, rather than "grey market," prices. The allocation and export price controls requested by the President may prove very useful in persuading Argentina to make a fuller contribution to world food needs.

Commodity Controls

In his renewed demand for closer government controls over the commodity exchanges, Mr Clinton P. Anderson, the Secretary of Agriculture, is no doubt reinforced by the knowledge that the alleged evils arising from "commodity speculation" can at most times attract the denunciation of many spokesmen for both parties, and that with prices rising so sharply, and crop prospects for 1948 so uncertain, speculative activity assumes a steadily more menacing appearance as the elections come nearer. Since the farm vote could quite possibly carry the Republican Party to victory next year, it seems obvious that all commodity controls will be held to a minimum; it is thus all the more significant that government forces seem to be pressing so steadily for price control and allocation powers.

At the moment, Mr Anderson is insisting upon new Federal controls covering sugar, coffee, cocoa, pepper, hides and wool and a general revision of the Commodity Exchange Act to permit the direct regulation of margins. The present Federal authority is the Commodity Exchange Administration which holds no power whatever over margin regulations, though it can impose limits upon open commitments and "speculative transaction," and can investigate, and take steps to prevent, "market manipulation."

Mr Anderson's proposals (for which he carried on a vigorous campaign during the Spring commodity boomlet) are now fiercely opposed by the National Association of Commodity Exchanges on the ground that free markets are thereby endangered. These pleas, however, would now carry more weight, had the various exchange authorities taken a more determined line in recent months. It is true that Mr Anderson's remedies can do nothing to remove the basic supply deficiencies and it may well be true that the influence of purely speculative transaction is generally exaggerated. But last autumn's brief panic in the cotton market, and this year's tremendous growth in futures dealings in Chicago, can hardly be regarded as the reflection of a healthy market. The case for complete freedom in dealings, and for nominal margins only, is seriously weakened when a combination of sustained demand through government purchasing, and a succession of adverse crop reports tilt the scales almost entirely in favour of the less attractive type of speculator.

Where the exchange authorities themselves seem to have a valid case for argument is in their contention that such Federal

controls tend to stay far beyond the period needed; that they tend to become rigid and inflexible, and thus to act as a brake upon genuine covering operations. Moreover, there is little real evidence that the commodity speculator is a damaging influence upon the national economy under conditions of normal supply and demand. The reverse, indeed, is often true. But the Secretary of Agriculture seems to have left the door open for a compromise arrangement.

"Big Inch" Profits

A recent successful issue on Wall Street by the Texas Eastern Transmission Corporation, brought to a close the long and stormy controversy surrounding the postwar fate of "Big Inch" and "Little Inch," the petroleum pipe lines, covering more than 2,800 miles from Texas through to the industrial north-east, and terminating near Philadelphia, and Linden, New Jersey. The corporation will supply natural gas from the oilfields for commercial and domestic use.

This operation is important, first of all because it marks a new phase in the rapid development of the natural gas industry, and secondly, because it marks defeat for a number of pressure groups which at one time seemed likely to doom this valuable wartime asset to a condition of stand-by maintenance, or possibly even to abandonment and complete neglect. All sorts of competing interests have tried to stop the use of Big Inch and Little Inch. Anthracite miners and owners joined with the State of Pennsylvania in predicting ruin and desolation for the coal industry, the coastal tanker industry opposed operations, the oil industry joined in with divided counsel, and finally the Southern States concerned demanded that the natural gas should be left for local industry at the expense of the north-east. But the pipe lines are now secure.

Texas Eastern Corporation has brought considerable profits to the purchasing syndicate since its first modest capitalisation of 150,000 no par value shares, for which the purchasers contributed \$1 per share. Since then, Dillon Read, the investment bankers, have raised \$120 million in Bonds, and have sold 3,564,000 new shares at \$9.50 each. The original 150,000 shares, split into 1,050,000 new shares of no par value (costing their owners scarcely more than 14 cents each) now have a market value of more than \$9 apiece. These not ungenerous rewards for private enterprise have brought a certain amount of excitement and criticism. But there seems to be no disposition on the part of any authority to interfere with the operation. The War Assets Administration believes itself to be fortunate; it has secured \$143 million for a property which cost \$146 million, and WAA has not often realised a price so near to construction cost. Texas Eastern itself is an established, and even a prosperous, concern, regulated by the Federal Power Commission, which estimates its 1948 earnings at \$1.40 per share. And the Army-Navy Petroleum Board retains the right to renew its former authority under emergency conditions. From the ground floor, at least, the horizon for Texas Eastern is certainly rosy.

Shorter Notes

The revulsion against heresy hunting in Government Departments has been sharp. After Mr Truman issued a statement that the civil rights of Government workers must be respected during loyalty probes, the State Department gave way on the seven employees it had discharged as security risks. They are to be permitted to resign without prejudice, and the Department promises that in future its employees will have the right of appeal to the new Loyalty Board. Eight screen writers who refused to tell the Committee on un-American Activities whether or not they were Communists may be less fortunate. Twentieth Century-Fox has ordered the dismissal of any of its employees in this group, and other film companies may follow suit.

The dollar value of gross national product is still rising, the level for the September quarter being an annual rate of \$232 billion, against \$229 billion in June, and \$203 billion for the whole of 1946. Most of this gain represented price advances, with the physical volume of output showing no decisive change. A slight rise in home capital outlay, and a further jump in consumption expenditures, outweighed a fairly sharp contraction (from \$10.5 to \$7.7 billion) in net foreign purchases of US goods and services.

THE WORLD OVERSEAS

Who will Save the Republic?

(From Our Paris Correspondent)

IT would be hard to resist the conclusion that the latest French political crisis is one more nail in the coffin of the Fourth Republic. At a time when the nation was cracked with social conflicts; when news of riots and disorders was daily reaching Paris; when in one important nationalised factory the technicians confessed they had been fabricating incendiary bombs to use against the police; when companies of gendarmerie were being disbanded for failing to maintain public order, and when all industry was being paralysed by swiftly extending strikes, the only excuse for a change of leadership should have been a desire for the rapid strengthening of executive authority. What, in fact, took place in Paris last week was a lamentable wobble in high quarters, caused by the rising fear of Communist violence, an embarrassed reaction following the results of the municipal elections, and ultimately a half-hearted shift to the right.

On the eve of an international conference of the highest importance to France, the world was treated to a spectacle of ludicrous indecision and weakness, which must inevitably diminish the prestige, authority and influence of its representatives in London.

The political eruption originated inside the parliamentary group of the MRP (Popular Republicans), who found themselves bewildered and divided after their *dégringolade* of October. A resolution was passed advocating a "strong and stable government." By this some meant a move towards Gaullism, the others suggested that the famous "third forces," anti-Communist and anti-Gaullist alike, could provide a re-invigorated leadership. Confused in purpose and intent, the resolution nevertheless decisively weakened M. Ramadier, at a time when there was no evident alternative, and, before most of the MRP had realised that it would involve moving one of their own men into the Hotel Matignon. In fact, there is a curious parallel between the MRP, decisively beaten at the elections, immediately afterwards assuming leadership, and the SFIO forming a homogeneous Socialist government immediately after legislative elections last year, when they were proved weaker than either Communists or MRP. In both cases the inversion of the normal rules of democracy and the rebuff to the sovereign electorate is remarkable; but in the earlier case there were many people who, not themselves Socialists, felt France had something to gain by being given a united and coherent leadership. In the present combination Ministers are, if possible, more at variance on political and economic issues even than their predecessors.

M. Ramadier Betrayed?

The MRP having struck the first blow, it was left to the left wing of the Socialist party, dismayed by the accelerating strike movement and the successes of de Gaulle's RPF, to propose strengthening their authority and restoring their own self-confidence by another appeal to their venerable leader. In a remarkable address, not to a representative French body but to a lunch party of British and American journalists, the Secretary-General of the Socialist Party, Guy Mollet (exhibiting a tact which induced the representative of a leading British newspaper to compare him with Mr Harold Laski), announced that M. Blum was ready to succeed M. Ramadier. At this moment M. Ramadier was grappling with a situation which was rapidly becoming revolutionary. The Marseilles episode had dangerously impaired the authority of the state. It had become obvious that the Communists were bent on bloodshed, and that martyrs must be laid on the Cominform altar in order to vilify M. Ramadier as—to quote a current Communist phrase—"a hired assassin" and "American stooge." M. Ramadier is notoriously a tenacious man, but no prime minister could have hoped to restore order within a democratic framework and without recourse to dictatorial methods, unless he had the backing of his own team.

There has been a good deal of speculation in Paris as to whether or not M. Blum wanted to succeed M. Ramadier. His gratuitously violent abuse of the Gaullists suggests that, consciously or unconsciously, he organised his own defeat. The task

of governing within the next few weeks will be an ungrateful one, and it would be unfair to blame the ageing and frail Socialist leader for hesitating to head a government whose first task would be to break—perhaps by force—a strike movement, which, even if it is officered by professional politicians for partisan ends, is manned by industrial workers, with genuine grievances.

The present government is not expected, in "informed quarters" to enjoy a very long lease of life: though in this paradoxical political scene prognostications are often unwise. In any case, there is no doubt at all that the overwhelming vote of confidence which the Assembly gave Robert Schuman does not reflect any overwhelming confidence. The agreement was purely anti-Communist and involves no solidarity on any positive issue. Characteristic of the prevailing state of mind, was the statement by the Socialist secretary, Charles Lussy, that his party would refrain from asking for any particulars about policy or programme (the General also says he has no programme), as in the present emergency "for the salvation of the Republic and the safeguard of public order" the abandonment of authority must immediately cease.

So, with a mandate to "save the Republic," Robert Schuman takes over with a government which is regarded by many as a stage on the road from an ailing Fourth Republic towards the new Gaullism. M. Schuman has entrusted the control of the nation's economy and finances to a Gaullist "sympathiser," M. Rene Mayer an excellent and irrepressible administrator. Colonies and agriculture move to MRP control, while the Socialists retain the hardest of the immediate tasks: the restoration of order and social appeasement. It is they who will have to induce the workers to return to their jobs, without being able to give them any assurances about the financial and economic methods by which the government proposes to redress their grievances.

Time Against the Communists

Events here are now moving rapidly and within a few weeks or even days, this unfortunate coalition, torn by internal suspicions and dissension (already apparent in the great difficulty that M. Schuman had in distributing portfolios) will be put to the test. The criterion of success will be whether it can settle the strikes, keep the franc this side of disaster, and above all, avert civil war.

It would be unjust to deny tribute to M. Schuman for unhesitatingly accepting the challenge. This austere and reserved doctor of law, well versed in the intricacies of state finance, has never imposed himself as a forceful or dramatic personality. But the fact that, at a time of crisis he has not shirked the highest responsibility entitles him to respect. For his government and for the Republic, it is the time factor which counts: the Communists have not much longer to go. Already the machinery by which they control the trade unions and enforce political pliancy is creaking. Secret ballots on the strikes issue have challenged their authority. The prestige of the party's leadership has been gravely impaired by Maurice Thorez's prolonged stay in Moscow. The party retains immense powers to obstruct, to sabotage and to wreck the national economy, not only through its control of the unions but also through command of key posts particularly in nationalised industries. But a wave of resentment against the methods by which the Communist minority exercises its power is gaining force.

There is no reason to suppose that a democratic Government working within the structure of Republican law, should be disqualified from taking advantage of this resentment to reimpose order. But if, as at present seems the case, the Republicans lack resolution and unity of purpose, the opportunity will fall to the extreme right, whether the present Gaullist leaders intend it or not. Already in the town halls and *mairies* of the provinces, Vichy names are reappearing. Who can be certain that, when these people take possession of the higher offices of state, the time will not have come for a Pétainist revenge, with the rupture of the constitution, and the dissolution of the trade unions and political parties by ex-Nazi mercenaries?

Colombia—A Liberal Republic

(By a Special Correspondent)

COLOMBIA is politically one of the most stable nations in Latin America. For half a century or more it has not had a revolution—though there have been some attempts—and during that time it has become the custom, unusual in South America, for a president to fill out his term of office. Twice in the last two decades the political pendulum has swung, and both changes were made with comparatively little fuss.

Colombia is now passing through another period of change. For sixteen years, until 1946, the country had been in the hands of the Liberal Party, who had brought about a number of fundamental economic and social reforms. During the first administration of Dr Alfonso Lopez, from 1934-38, they established a social security system, encouraged the growth of a trade union movement, and stimulated the industrialisation of the country. But in the presidential elections in the middle of 1946 the Liberal vote was split and a Conservative Party leader, Sr Ospina Perez, was put into the presidential chair.

The Conservative Party in Colombia is very closely associated with the Catholic Church. It ran the country for most of the period after the coming of independence and continuously between the last revolution at the turn of the century and 1930. It includes a wide variety of opinion, from a species of Catholic Socialism to the most dark reaction.

The Liberal Party is also divided. One reason why Colombia has been able to maintain the two-party system is because the Liberals have included within their ranks all rebel ideologies. On the right was the group led by Dr Eduardo Santos, president from 1938-42 and publisher of the country's most important daily newspaper. This group stood for more conservative economic policies, was not very friendly towards the labour movement, and not quite so devoted to economic nationalism. The left-wing group was led by Dr Lopez who, during his first administration, gained the unquestioned loyalty of the labour movement and of most of the left wing of the party. During Dr Lopez's second term, however, from 1942-46, he failed to go further along the road which he had taken during his first period in office, and the Left began to look elsewhere.

Demagogue or Saviour?

Interest centred on Jorge Eliecer Gaitan. Gaitan was a member of parliament and an old Liberal stalwart who in 1944 launched a campaign against what he called the "Liberal oligarchy," that is, most of the politicians who had been dominating the Liberal Party for a decade and a half, and who—said Gaitan—had come to regard it as their own personal property.

Gaitan himself is a controversial figure. His enemies class him as a demagogue with messianic tendencies. His most rabid supporters regard him as the saviour of his country. More moderate supporters believe he is a man who from conviction or convenience is in revolt against the stodginess and self-satisfaction which brought about the downfall of the Liberals, and that he is willing to carry further the reform programme which won the Liberal Party the votes and loyalty of the people for four consecutive elections from 1930 to 1942.

No matter what his motives may be, Gaitan has fundamentally changed the Liberal Party. Pushing his campaign against the "Liberal Oligarchs," he launched his own candidature for president in 1946 against the official nominee of the Liberal Party, Dr Gabriel Turbay. Gaitan continued his policy of splitting the Liberal vote in the congressional elections in early 1947 and pulled far ahead of his rivals in the party.

The result was the surrender, at least for the time being, of the right-wing group of the Liberal Party. The Liberal members of Congress combined to elect Gaitan unanimously Leader of the Party. He has already taken advantage of this situation to launch his campaign for the 1950 presidential election.

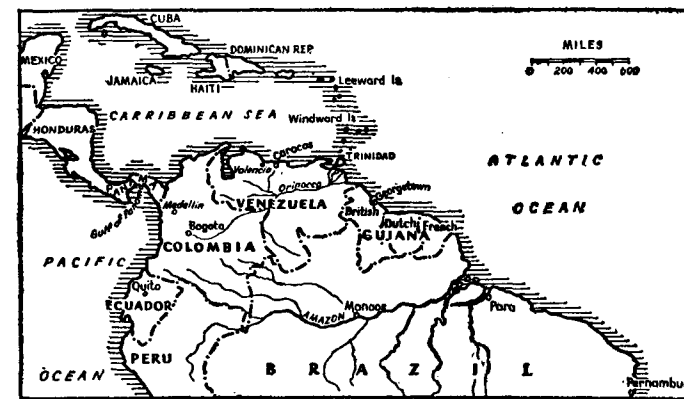
Meanwhile a Conservative administration remains in office. Under the Colombian constitution, the powers of the president

are vast, and the Liberals are fearful of the result of having their rivals in office for four years.

So far, however, the Ospina Perez regime has been moderate. Its opponents talk noisily about its "persecution" of the labour movement and other similar matters, but most of the alleged "persecution" seems to rise more from the stupidity of those in opposition than from any particular malice on the part of the government. The present regime is still a coalition. Liberals have continued in the cabinet even after the rise of Gaitan to the leadership of the party—with his blessing. As for the Communists, the few seats they obtained in the 1944 congressional elections were all lost to Gaitan's party in 1947, and they have now split into three groups.

There are two principal Trade Union organisations—the *Confederación de Trabajadores de Colombia* (CTC) sponsored by the Liberal Party, and the *Union de Trabajadores de Colombia* (UTC) sponsored by the Jesuits. The UTC, which was only established a year ago, is making good progress, but groups within the UTC are chafing at the close control of the Jesuits; they are trying to form a united front with anti-Communists of the CTC against doctrinaires of both organisations.

The coalition government has made no striking moves in any direction. Like all Latin American regimes since the end of the war, it has been faced with a difficult economic situation. The price of coffee, the country's principal product and almost sole export, has kept up well, but prices of manufactured goods which



the country must import—principally from the United States—have continued to rise rapidly. The upshot of this has been that dollars have been drained out of the country, and the government was forced in the middle of this year to institute strict exchange control, which is working a little better than in some other Latin American countries. Whether respect for the law in Colombia is stronger, or for some other reason, the dollar black market is certainly not as flagrant as it is in Peru or Chile.

To a large extent Colombia's economic future will depend for some time to come on the price of coffee. Although there is a growing industrial movement, particularly around Medellin, it is not yet sufficient to offset the effects of a sudden drop in the price of coffee. Politically, it is certain that there will be a predominantly Conservative administration until 1950—unless Sr Ospina Perez should die, in which case he would be succeeded by Dr Eduardo Santos, elected by the Liberal parliament as his "first alternate." Sr Gaitan's hold on the Liberal Party seems firm, at least for the moment, and he will almost certainly be the candidate of that party in 1950. Indications are that the country is still predominantly Liberal in sympathy and there may be interesting developments between now and the 1950 poll.

(To be continued)

Greece and American Aid

(By a Special Correspondent in Greece)

CIVIL war in Greece today overshadows every aspect of the people's life and the country's economy. In Athens, the words "civil war" are not used; it is referred to euphemistically as "the troubles," "the disturbances," "the problem of restoring order." This ju-ju has not been effective, for by whatever name you call it, the problem remains—grave, unsolved and a drain upon the resources of the country.

Greek rebels are fighting throughout the mainland down to the northern coast of the gulf of Corinth, and, to a smaller extent, both in the interior of the Peloponnese, and in certain parts of the island of Crete. The highest figure given for their numbers is 15,000-20,000. The Greek army and militia number 150,000 with an additional 50,000 government defence forces or national guards. But rebel activity remains unchecked; more and more of the wealth of the country, and of the aid that is going into Greece, is being drained off into the civil war.

It is reliably estimated that since the war, and up to the spring of 1947—that is before the present American Mission for Aid to Greece started its work—£250 million worth of supplies had been put into Greece by Anglo-American aid and Unrra. Yet Greek economic conditions have improved little and very little progress indeed has been made in reconstruction. Before the Americans took over, the Greek budget deficit was estimated at £72,500,000, which represented about three times the amount of currency in circulation at that time. The cost of the army in this estimate was £45 million (as against £10 million before the war).

Against this background the American Mission started its work this summer. It arrived in Greece to give help and to advise the Government on the best way to make use of the \$350 million which Congress had voted for one year only. The work of the Mission is planned to finish by the end of June, 1948. Of the \$350 million, \$150 million have been earmarked for expenditure on military and defence purposes, \$80 million on reconstruction, \$50 million on food, \$20 million for agricultural purposes and livestock, and \$50 million for the stabilisation of the Greek currency. But some alterations in this programme have already been made, and President Truman reported to Congress on November 10th that already funds assigned to reconstruction have had to be transferred to the military programme.

The American staff for their gigantic task is small—in the civilian branch 140 including secretaries, and a total of 81 officers and men in the military and naval branch; but many other people, including employees of US contracting firms as well as military engineers, are also taking part. There is a feeling that time is short, and work must get under way if it is to be anything like finished by June next year. Contracts to a total value of \$82,400,000 have already been placed with American engineering firms for work to be done on Greek railways, roads, bridges and ports. The total has been divided up into \$64 million on railways, highways and bridges; \$17½ million on repairs to the ports of Piraeus, Salonika and Volos and clearing the Corinth canal; and \$900,000 for steel for the repair of 14 bridges. The contracts have been given on a cost-plus basis, and the total for each item has been divided into the amount that will be spent in dollars in the United States, and the amount to be expended in drachmae in Greece. For instance, the amount to be spent on the repair of roads and highways is divided into \$10,300,000 for dollar expenditure, and \$38,700,000 for local expenditure in drachmae.

The American ships bringing supplies into the Piraeus ever since August are a sign that, on the military side, the Americans mean business. \$53 million worth of military supplies have already arrived from the USA. There has also been a steady delivery of food, for both the military and civilian population; in July they received \$9,000,000 worth, in August \$17½ million, and in September \$14½ million.

The Americans are also helping with Greek export problems. A programme has been drawn up for the year ending June 30, 1948. It estimates Greek exports for this year at a total of \$93,760,000, of which the main categories are as follows: tobacco, \$40,000,000; currants, \$18,200,000; sultanas, \$10,560,000; olives, \$4,000,000; hides, \$3,000,000; and minerals, \$3,000,000.

Steps are already being taken to carry out this programme by trade treaties with many European countries. In some cases agreement has already been reached, in others it is still under discussion. Before the war, most of Greece's trade (about \$200 million) was with Germany, so that now Greece has had to look

elsewhere for markets for her exports. Trade agreements have been, or are being made with Great Britain, Italy (\$12 million), Switzerland (\$4,500,000), Sweden, the Anglo-US zones of Germany, and Czechoslovakia.

The figures represent the most optimistic view of Greek export possibilities. It is by no means certain that all available surpluses will reach the export market, but a foreign trade administration has been established as part of the Ministry of National Economy, and an American has recently been appointed as its chairman. He is to help in the administration of the new scheme of foreign exchange certificates, which has been launched to help Greek exporters and act as a check on imports. Under this scheme exporters selling foreign exchange at the banks receive in addition to the drachma value a certificate for the equivalent sum in foreign exchange. Importers, when applying for an import licence, must produce a certificate for the amount of foreign exchange they wish to buy. These certificates are negotiable on the Stock Exchange and the temporary exchange rate for the certificates has been fixed at 5,000 drachmae to the pound sterling and 3,000 drachmae to the dollar. The system subsidises the exporters at the expense of the importers, who have for some time past been making notoriously high profits because internal prices in Greece are much higher than world market prices.

At the best of times only 20 per cent of Greece is suitable for grain cultivation, and the civil war is steadily reducing the crop-growing area. Immediately before the war Greece's normal wheat harvest produced about 900,000 tons towards the annual consumption of 1,600,000 tons. This year the harvest is only 450,000 tons. Greece has asked the International Emergency Food Council for an allocation of 700,000 tons of bread grains. The danger is not that the Government supporters in Greece will starve this winter—for it seems certain that American food will continue to go in—but that this decline in grain production will become a permanent factor in the Greek economy.

In tackling all these problems, one of the most serious difficulties the Americans face is inflation. Prices have risen a lot since the arrival of American aid this summer. The official price of food is 150 times that of 1938, of clothing 229 times, and the general average 158 times. These estimates were made several months ago, and are already well outstripped by further rises in prices. Free and black market prices are, of course, higher still, and are more representative of prices actually paid. It was thought that the arrival of the American Mission might bring about a solution of the wages problem; but no agreement has yet been reached, and there is still imminent danger of a strike of Government employees, who, until the cuts now being carried out, constituted 20 per cent of all employed people in Greece.

Gold continues to be used—though illegally—for all major transactions whether commercial or merely the payment of a tailor's bill. Prices are quoted in gold sovereigns and paid for in drachmae against the gold quotation for the day of payment. The value of the gold sovereign has risen to 193,000 drachmae as against the 20,000 drachmae paid for £1 on a traveller's cheque. All those who can are busy changing available possessions into gold. It is rumoured that there are 10,000,000 illegal gold sovereigns in Greece today, with 20,000 changing hands each day. If this seems a large figure, it is not an impossible one, for gold was literally showered into Greece during the war to finance underground operations against the Germans, and this only added to the gold that was already in circulation in Greece before the war. An American was heard recently to complain, "But if we have sufficient confidence in the country to put 350 million dollars into it, why don't the Greeks have enough belief in themselves to stop using gold?"

The reply of the ordinary Greek is made in the light of past history and future expectations; seen against present needs the sum of \$350 million looks like the one swallow that does not make a summer. Thus most Greeks are thinking along lines of long-term insecurity. There is no end in sight to the civil war. Already \$9,000,000 of the American aid programme has been transferred from civilian to military aid. Even the end of the civil war would not of itself mean the end to inflation. There will be aid from the US for one year; American influence on policy and planning, if not on politics until June, 1948, . . . and then what?

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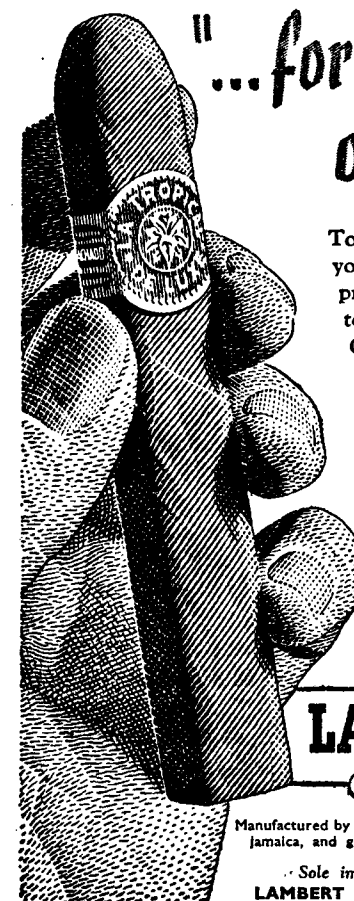
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THE BUSINESS WORLD

New Union Nemesis

THE first report issued in Johannesburg by the judicial managers, who were only appointed on October 28th to handle the affairs of New Union Goldfields, following the resignation of its chairman Mr Erleigh, and his co-managing director, Mr Milne, is a workmanlike document produced in commendably short time. New Union Goldfields was incorporated in South Africa in 1934. On October 8th this year Mr Hersov, the chairman of Anglo-Transvaal Investment, took over the chairmanship of New Union from Mr Erleigh at the latter's urgent request. The disclosure at the time of the appointment of the judicial managers that New Union had borrowed from associated companies sums in excess of its borrowing powers amounting to approximately £5,000,000 had given them a clear brief on which to work. In addition to their own observations, they have also made public what the auditors had discovered during the preceding five months, and the balance sheet of the company at June 30th accompanies their statement with suitable annotations to bring the picture up to date. For the rest, the judicial managers do not mince their words in listing some of the methods by which the previous co-managing directors have sought to enrich themselves and their friends.

New Union's early activities were confined to three digging claims in the district of Pietersburg, Transvaal, and it also owned over two thousand base metal claims. The 5s. shares were quoted around 6s. in 1938—a figure to which they have rapidly returned in recent weeks from 32s. earlier this year. Up to 1941, the company had been only moderately successful; profit came mainly from mining operations and the issued capital had been raised from the original £140,000 to £320,000. But in the next six years its growth was phenomenal and over 120 additional companies were floated and many others acquired. Conditions were propitious. Industry was flourishing under the spur of heightened wartime demand; and easy money conditions enabled the company rapidly to extend its interests all over South Africa. When the annual meeting was held last February, the capital of the parent company stood at £1,500,000, a further issue of capital was mooted, the market capitalisation approached £10,000,000 and a list of the group's interests resembled a classified business directory.

It is understandable, on that occasion, that Mr Erleigh should have been enthusiastic in his references to the great expansion and variety of the group's interests. During 1945-46, revenue from the production of metals, coal and by-products totalled £1,000,000 and the turnover of industrial enterprises was around £4,000,000. But later events show only too clearly that this industrial edifice was of less importance to the principals of the group than the intricate financial web which they had spun, with all its opportunities for profitable share dealing. Mr Erleigh, therefore, probably felt even more at home in describing New Union's interlocking interests with the full range of other mining houses interested in the new enterprises of the Orange Free State and the Eastern and Far Western Rand. He pointed, too, to the growing diamond interests within the group's orbit and to the plans to exploit the coal resources of South Africa in conjunction with Anglo-Transvaal. Cement, cinemas, air transport, hotels, country clubs, electrical equip-

ment, timber, confectionery, cold storage, footwear, foundries, rubber manufacturing and many other lines of business were given as lesser appendages to the list of the companies under the group's sway.

NEW UNION FINANCES ANALYSED				
	Years to June 30th			
	1938	1945	1946	1947
Earnings and Dividends:—				
Total income	85,529	326,633	1,382,824	1,603,501 ¹
Mining, development and prospecting costs	33,261	37,278	Nil	28,815
General expenses	3,056	39,831	52,502	388,667 ²
Taxation	6,518	84,277	788,660	579,458
Capital expenditure	40,000	Nil	Nil	Nil
Ordinary Capital:—				
Earned	2,694	165,247	541,662	606,561
Paid	Nil	100,000	343,750	450,000 ³
Earned %	1.9	16.5	39.4	40.4
Paid %	Nil	10	25 ³	30 ³
Carry forward	5,337	73,000	166,000	321,000
Balance Sheet Analysis:—				
Fixed Assets:—				
Of which:—				
(a) Mining assets, etc.	2,100,000	2,766,000	2,921,000	
(b) Motor vehicles, furniture etc.		196,000	406,000	701,000
(c) Goodwill		24,000	41,000	
(d) Shares in subsidiaries, at cost ..		20,000	20,000	
(e) Shares in assoc. companies at cost ..		391,000	464,000	510,000 ⁴
(f) Shares in other companies, at cost ..		3,012,000	2,172,000	3,603,000 ⁵
(g) Borrowings by directors				423,000 ⁶
(h) Owed by associated companies				470,000 ⁶
(i) Owed by subsidiary companies		111,000	268,000	1,852,000
Total Current Assets:—				
Of which:—				
(j) Cash	1,454,000	6,492,000	3,731,000	
(k) Advances and loans		741,000	5,174,000	3,537,000
(l) Other		504,000	791,000	
Current Liabilities:—				
Creditors				
Due to subsidiaries		348,000	451,000	264,000
Advances from associated companies ..		7,000	1,000	67,000
Taxation provision		658,000	5,717,000	7,378,000
Dividend		95,000	800,000	285,000
Net current assets				
Reserves	1,358,000	1,454,000	Dr. 4,713,000	
Share capital	722,000	1,166,000	1,321,000	
	1,354,000	1,500,000	1,500,000	

(¹) Of which profits from share transactions, £1,395,388. (²) Includes: £40,000 options granted to third parties; £125,451 legal costs on behalf of company; and £45,669 in settlement of claims against Mr N. S. Erleigh personally, auditors do not consider satisfactory explanations have been given for charging these to the company. (³) Including bonus of 5 per cent. (⁴) Payment deferred although charged in the accounts. (⁵) Of total of these three items: unquoted shares at cost, £1,884,412; quoted shares at cost, £2,651,389 (value at June 30th, £2,810,819); the present value is much less. (⁶) Certain shares are held by company arising from these loans; value of these at June 30th, £780,844 in respect of Mr. Erleigh and £362,969 in respect of Mr Milne.

This vastly expanded structure was built on the back of South Africa's war and postwar boom and it is not surprising that its collapse has coincided with signs of postwar recession. Yet the real cause of disaster lies more obviously in the reckless financial activities of the directors who were only too willing to dabble in speculative propositions with the plentiful financial resources at their command. By June 30th the financial position

was critical; it needed only the general slide in security values since then to set the seal on the group's difficulties.

As nemesis had clearly overtaken New Union, Mr Erleigh, in the face of growing rumour, appealed to Anglo-Transvaal Investment to come to the rescue, though he had, according to Johannesburg report, long been out of sympathy with the less speculative endeavours of that group. But why, it has been asked, was the Anglo-Transvaal board willing to take over Mr Erleigh's tottering structure, whose impending fall was the gossip of the exchanges, without first ascertaining the extent of its difficulties? Can Anglo-Transvaal have been just as much in the dark as the public about the true financial state of the company? It appears so, for soon after taking over New Union it confirmed both the payment of the 30 per cent dividend—an increase of 5 per cent—and the proposed issue of new shares. Only on October 28th, some three weeks later, was it apparent that Anglo-Transvaal had discovered the true weakness which others had only been guessing at, and as a result both the dividend and the new issue were held in abeyance. It is interesting to note that the negotiations for the take over were carried on by Mr S. G. Menell for Anglo-Transvaal and that Mr A. S. Hersov (the chairman) was in America at the time. On the other hand it is significant that the other big mining finance houses have also considered it in their general interest to save New Union from collapse, so that by supporting the action of Anglo-Transvaal something might be saved from the wreckage and at least their joint enterprises safeguarded. A policy of consolidation is now to be applied to the interests of New Union.

The expected—yet surely doubtful and distant—benefits of this step will also be shared by American Anglo-Transvaal through its one-third participation in any new interests acquired by Anglo-Transvaal. Early in October much was made of the advantages to South Africa which would result from this linking of American capital with the Rand and also of the gains

which would accrue to American Anglo-Transvaal from its interest in New Union. It is doubtful whether the American backers are very satisfied with the present spectacle of judicial managers presiding over a salvage operation to rescue what can be saved of their first enterprise.

Many competent observers at first interpreted the intervention of Anglo-Transvaal in an optimistic light. But what seemed at first to be a story of over-ambitious expansion capable of being nursed to success, turns out, in the light of the latest revelations, to be far more serious. None can say what will remain after the inter-company indebtedness of New Union has been disentangled, for the judicial managers are not likely to complete their task for some years. The rather obvious tendency on the part of the "shops" to play down the seriousness of the affair has been set aside completely by the incriminating charges which have been laid by the judicial managers against Mr Erleigh and Mr Milne.

As matters stand at present, the balance-sheet of the group, even when taken in conjunction with the auditors' report and the statement of the judicial managers, gives only a rough measure of the group's difficulties. There has been much conjecture about the identity of the main creditors among the associated companies; on this, the latest accounts of Rooderand (one of the New Union group) throw some light, though it is not very clear. At the balance-sheet date (June 30th) New Union was a debtor to the extent of some £1,800,000 directly and indirectly to that company. Since then, New Union appears to have repaid all but £335,000 of this debt, though the position is rather obscure. An analysis of the balance-sheet of New Union on June 30th and the subsequent adjustments to it gives a global impression of the sums involved. The assets have been itemised in the accompanying table and can be examined in order. Items (d), (e) and (f) had a total value of £4,536,000 on June 30, 1947, but the current value will be considerably less owing to the intervening fall in Stock Exchange values and to



No fewer than 3,000 islands go to make up the beautiful chain known collectively as the Bahamas. Of these only a few are inhabited—among them Watling Island where Columbus first made landfall on his voyage of discovery in 1492. The best known of the islands is New Providence where Nassau, the capital and one of the Empire's most inviting playgrounds, provides wonderful bathing and big game fishing with a climate which combining as it does a northern sky with a southern sea, has earned for the Bahamas the name of the "Isles of June." During the war a Royal Air Force training base was established in Nassau. Later, when it became important to secure a steady flow of aircraft to the Allied Forces in Europe and Africa, the island proved an important link in the famous Atlantic "plane ferry" service.

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the deterioration in the value of unquoted investments. Many of these securities must consist of a heterogeneous collection of shares with problematical value and marketability, and it would be premature to give them more than a nominal value pending the disentanglement of the group's affairs. Items (h) and (i) will certainly prove to be intractable. Item (g) will have to be sorted out by the courts, for against these borrowings by directors—£298,622 net by Mr Erleigh and £171,831 net by Mr Milne—securities valued on June 30th at £1,143,813 remain deposited with the company. Item (i) has been inflated by the use of the cash balances of associated and subsidiary companies; since June 30th it has been reduced to £400,000 by the repayment of amounts due and the net indebtedness to associated companies has apparently fallen from £7,445,000 to around £5,000,000.

Two associated companies, Rooderand and West Rand Development, both recently taken out of Mr Erleigh's hands by Anglo-Transvaal, have received different treatment since they were taken over. Rooderand has been heavily supported by the mining houses and the shares have risen sufficiently to warrant proceeding with the new issue planned some time before the New Union disclosure, though these plans have this week suffered a setback by the Treasury's refusal to give consent to the issue in this country. West Rand Development, on the other hand, has been given over to a different set of judicial managers. The fate of a large number of other companies obviously lies in the hands of the judicial managers of New Union.

Little can usefully be added to the stern words of the auditors on the activities of Mr Erleigh and Mr Milne over the past six months or so. The facts of inside share dealings financed by unauthorised borrowings from different companies in the group, and the retention of the resulting profits by the principals make an unsavoury story. A curious sense of morality has become identified with certain aspects of mining finance. Much of it is beyond reproach, but when it is bad, it can be very, very bad. It is all too common for sharedealing activities to be regarded as

part of the game. Perhaps it is on this easy construction of personal responsibility that Mr Milne saw fit to continue his activities. Thus he salvaged four companies with interests predominantly in the Orange Free State to form the Union Free State Group and until last week had continued to be their chairman; he has also applied on behalf of certain creditors of New Union to have them represented as additional judicial managers of New Union.

There are indeed some unpleasant morals to be drawn from this case both by investors and by mining finance houses. The whole technique of creating options and rights of vendors, on which the financial development of the South African gold mining industry has been based, presupposes the right to acquire shares on the cheap—though not, of course, with other people's money—and it is not always easy to distinguish a fair consideration for the generous discounts and advantages which have become customary for both companies and associated individuals to receive as vendors. Some financial recognition of the mining risks which are involved can be justified. But this has created an atmosphere in which share market operation has been elevated far above the economic tasks of the mining industry. The less reputable elements in the industry will always be able to carry the speculators with them, so long as they are manufacturing their booms. More thoughtful investors, however, have long been disturbed by these practices, for they are bringing into disrepute the entire range of mining finance, good and bad alike. Messrs. Erleigh and Milne could hardly have got so far as they did unless speculators, in the hope of profit, had not relaxed their standards of what is desirable. They have only themselves to blame. Many of them are now nursing heavy losses. Let them seek what consolation they can from the following passage from the auditors' report: "Profits amounting in all approximately to £270,000 which arose on certain share dealings carried out by the company and which in our opinion belong to the company, were paid to or credited to the personal accounts of Mr Erleigh and Mr Milne in equal proportions."

Business Notes

Gilt-edged Adrift

The City, in its second thoughts on Sir Stafford Cripps's reaffirmation and defence of cheap money, seems to have made up its mind that the differences from Daltonian policy are likely to be more marked than the similarities—at least in the field of technique and short-term tactics. At all events, the gilt-edged market has this week had its worst tumble since the spectacular cracks which developed during the summer. On two successive days there were falls of 1 to 1½ points, carrying prices of the irredeemable stocks back to the levels at which they stood before Mr Dalton, in his Mansion House speech, tried to whip up speculative interest afresh. Even more significant, perhaps, than this fresh break in the undated stocks has been the weakness of the medium-dated issues and short bonds, which in the previous week or so had been relatively resistant to the sagging trend. On Tuesday, however, when the real slide in the market began, the declines spread right through the list.

The market has been busily conjuring up rival theories to explain this new collapse, and early this week a much-favoured explanation alleged a definite decision by the authorities to launch the Rail compensation stock on a round 3 per cent yield basis. This notion, indeed, gained so much credence that at one time the suspicious-minded were beginning to wonder whether some leakage of information had occurred. But in fact there is no need to seek subtle or sinister explanations. Even Mr Dalton would have found it very difficult—and might have deemed it inexpedient to try—to push prices much above the levels to which his hint to speculators had levered them. At around 90, the irredeemables were beginning to look very vulnerable; even with the champion of cheaper money still in the saddle, the only hope of holding such prices lay in the possibility of a tough Budget, from which the Government shied away. After this Budget, the prospect, even with Mr Dalton, would have been uncertain. But now there

is a Chancellor who, in his first speech as such, implicitly condemns the primary Daltonian technique—the use of Departmental support—and who is obviously temperamentally unfitted to an attempt to lift the market by the only other short-term technique which is available—the technique of ballyhoo.

Some of these home-truths have begun to sink into the market's consciousness. But what frightened it so suddenly this week was not merely the bleakness of the prospect but the fact that the new circumstances might be crystallised this very week-end, which is the moment for giving notice of redemption of the 3 per cent Conversion Loan next March. Up to the moment of writing, no formal announcement has appeared. But it will be surprising if the market's fear—of an immediate Conversion issue—proves to be justified. A very high proportion of the £302 million of 3 per cent stock has certainly already found its way into Departmental floating debt would not involve more than a technical infringement of Sir Stafford's maxim that Departmental purchases cause inflation has already occurred. But, for that very reason, the absence of any replacement issue—and the postponement, therefore, of any crystallisation of the new situation—would be only a very minor bull point. The yield basis for the Transport stock and may even be a full 3 per cent if a very long date is chosen. And this is certainly what wise financial policy would dictate.

New Chancellor and Old Policy

It was hardly to be expected that this week's shortened debate on the Finance Bill would shed much further light on the Government's financial policy or upon the prospect that the new Chan-

cellor might later take a firmer line than his predecessor. On Tuesday Sir Stafford Cripps and Mr. Glenvil Hall both stood squarely on the ground mapped out in the Budget speech. Yet, in principle, Sir Stafford came very near to accepting the essence of the formidable body of expert criticism which the Government has been facing in this context for months past. He agreed that physical controls—

can be jeopardised by black market activities arising from inflationary pressure, and that same principle can, of course, apply to the market in consumer goods where in the same way rationing and other physical controls may be weakened by too great inflationary pressure. It is to assist this proper direction of the national effort . . . that financial measures are necessary to uphold economic planning.

The critics' case could scarcely have been put more succinctly. Yet, despite these admissions, the Government still believes—or professes to believe—that its proposals are adequate to hold the inflationary pressures in check, and pretends that they will suffice to prevent any conflict between the economic and the financial sides of policy. "I hope," declared Sir Stafford, apparently in a new role of Pooh-Bah, "that those who are responsible for these two sides of the policy of the Government will be able to work in as good amity as we [Mr Dalton and he] were able to do."

As for cheap money, Sir Stafford's latest defence—pointing interestingly the contrast between his temperament and Mr Dalton's—puts negatively the very fallacy which Mr Dalton always perpetrated positively. The ex-Chancellor always contended that a rise in interest rates would be inflationary; the new Chancellor contends that a fall in interest rates is deflationary. The fallacy in this argument, in either of its forms, of course lies in its failure to consider the effects of changing interest rates both upon the general volume of spending (and indirectly therefore on prices) and upon the main elements in the Government's own expenditure. Meanwhile, as a curious addendum to his illuminating comments last week on the vexed question of Departmental support for gilt-edged, Sir Stafford now admits that there have been such supporting purchases yet solemnly declares that "they were never any major factor in the price position of securities."

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On the detailed Budget proposals, very little of significance emerged. But Sir Stafford, in an attempt to defend the principle of the profits tax, was entrapped into a misinterpretation of figures recently given in *The Economist* and quoted by Mr Ascheton. Sir Stafford seemed to suggest that *The Economist's* figures for the year 1946-47, when grossed up by the amount of EPT and compared with the similar figures for the last prewar year, could be regarded as a measure of the volume of profits which will be subject to taxation this year. But in fact, as the article in question made plain, these figures relate not to profits earned in 1946-47, but to those shown in company accounts issued during that period from which EPT had already been deducted. It is unsafe, therefore, to assume that they afford any accurate guide to the current level of profits. They may, or they may not. But the whole point of *The Economist's* exercise was to compare what had happened to different forms of income since 1938. What happens in future rests largely on the Chancellor. On the broad principle of profits taxation, Mr Dalton's attitude always was that EPT was a thoroughly undesirable form of taxation, particularly in peacetime, but that after its disappearance it might be necessary to find a substitute. An impartial approach to this problem would admit that taxation which falls specifically upon the equity shareholder—that is, upon the return from risk-bearing and even upon that from business enterprise—is scarcely the most appropriate substitute. But Sir Stafford, despite his approach towards the critics' view of the proper role of finance, persists in treating the whole problem on the level of party politics, by declaring simply that the Opposition "would rather protect the pocket and attack the stomach," whereas he took the opposite view.

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Odeon Consolidation under Fire

Mr J. A. Rank has been on the defensive this week, following his announcement of the intention of Odeon Theatres to purchase the entire share capital of General Cinema Finance Corporation. General Cinema Finance Corporation is a private company which controls General Film Distributors, and also, through the Metropolis and Bradford Trust, the Gaumont British Picture Corporation. The essence of the present plan is for Odeon Theatres—a public company which was originally exclusively

concerned, and is still very largely concerned, with the exhibiting side of the film business—to acquire complete control of a company of which the share capital is largely held by Manorfield Investments (which is the apex of control of the Rank organisation) and has substantial interests in film production. Mr Rank has claimed that this move will give Odeon Theatres a guaranteed supply of films, though in the latest report of Odeon Theatres it was already claimed that the company was obtaining great benefit from a working arrangement with the Rank producing interests.

Now it is apparently decided, without consulting the shareholders, further to tighten this connection by a controlling financial link. It is relevant here to point out, without overstressing the fact, that the original prospectus for the public issue of debentures and ordinary shares made by Odeon Theatres in 1937 stated in bold type that it was not the intention of the company under any circumstances to engage in the production side of the industry. Companies do, of course, change their policies, but if they are wise they take the precaution of consulting their shareholders. In 1944 Mr Rank was already suggesting to Odeon shareholders that a greater interest in film production might be necessary in order to ensure continuity of supplies, and he referred to an investment in British and Dominion Film Corporation, which had this object. Now he has gone a stage further in proposing that Odeon Theatres should acquire General Cinema Finance Corporation, for which Mr Rank claims that he has secured approval of more than 90 per cent of the ordinary shareholders. This, of course, is not a difficult feat, for the equity of Odeon Theatres is small in relation to the capital invested by the public in the other securities of the company, and it is largely controlled by or on behalf of Mr Rank. At the annual meeting of Odeon Theatres this year Mr Rank congratulated himself and his investment advisors on having successfully raised from the public over £13 million of prior charge capital for the Odeon group at an average of 3½ per cent. But these operations must have owed at least some part of their success to the understanding that the investment was primarily in the exhibiting side of the Rank organisation and to a minor extent only in film production. It is at least doubtful, given the more speculative nature of film production, whether large sums would have been forthcoming at such a low rate of interest if the prospectuses had laid the same stress on the acquisition of film producing by Odeon Theatres that Mr Rank is now expressing.

* * *

Mr Rank's Reply

In replying to criticisms occasioned by the tone and uninformative character of his initial statement, Mr Rank has shown himself somewhat sensitive and not wholly convincing. In the first place, although he states that the deal will be financed from the resources of Odeon Theatres, at June 28th, the date of the latest accounts, the Odeon Theatres group had net current liabilities (consolidated) amounting to £1,849,115. The finance of the film industry is something of a law unto itself, but in view of this large apparent deficiency of working capital, can the purchase of the share capital of General Cinema Finance Corporation, which, according to Mr Rank, will involve the sum of over £1,000,000, be financed without a further appeal to the capital market? Presumably the deal is not a mere matter of exchange of shares. It is worth noting that out of the £1,225,000 capital of General Cinema Finance Corporation, consisting of £1,175,000 £1 preferred and £50,000 in deferred shares, Mr Rank himself says he is directly or indirectly interested in 631,870 preferred shares and 478,497 rs. deferred shares and that he is selling these at the price which he paid for them. This is not an argument which would sway Odeon Theatres shareholders so effectively as the knowledge of what assets they were acquiring from the deal. If it is merely a matter of putting Odeon Theatres in a position to dictate what type of films it requires for exhibition, surely Mr Rank, through his private interest in General Cinema Finance Corporation and through his other investments on the producing side, could have ensured that, with the monopoly weapon of his great exhibiting circuits to bargain with, he would be able to obtain the films of his desire.

Odeon Theatres shareholders outside the inner conclave of the group require as a minimum to be given the latest statement of accounts of the General Cinema Finance Corporation. At present they are completely in the dark about the quality of that company viewed as a long-term investment. No one would call in question the acumen and energy with which Mr Rank has built up his interests in the film industry. But he holds a substantial vendor interest in the company which he proposes Odeon Theatres should

acquire. It is a business ranging beyond the exhibiting sphere. It may involve new capital for Odeon Theatres. And even without recourse to new capital, it is surely desirable that shareholders and representatives of the prior charge capital should be consulted before any irrevocable step is taken. It is not enough for Mr Rank to wave the flag of the national film industry in defence of his latest move, though he of all people is entitled to be its chief standard bearer. And it would be dangerous for him to suppose that the Rank Organisation is something apart from the public companies, with their millions of publicly subscribed capital, which are the main sources of earning power of the group. It is recognised that existing production facilities must be fully used and extended to make up the leeway in the supply of foreign films caused by the 75 per cent *ad valorem* duty. The President of the Board of Trade has again been in consultation with British producing interests about it this week. Mr Rank's objects are understandable; but his method of presenting the case for a closer participation by Odeon Theatres in film production falls short of what is necessary and desirable.

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On Not Building Houses

One by one—but all too slowly—the Government spokesmen are beginning to approach the truth that finance has a part to play in the effort to solve Britain's economic problem. Until only a few months ago every one of them would have contended that the volume of priority work done—the amount of building, re-equipment, electricity plant installation and so forth—was governed almost wholly by the volume of resources “provided” for such purposes in the planners' programmes and allocated to them by the physical controls. But now Mr Morrison has discovered “a real link between the money you don't save and the house that doesn't get built.” He was speaking at a “Silver Lining” savings meeting, in the course of which he also gave a novel and colourful, but on the whole quite apt, classification of the varieties of money—ranging from speculators' “hot” money to the “cool, calm and collected” money of those who soberly do their savings duty.

Mr Morrison should continue his essays in simple economics. He will find the next step in logical progression to be both illuminating and salutary—and perhaps unpalatable. Since voluntary savings are demonstrably unable to release all the resources which capital projects and exports now require, those unbuilt houses, unerected plants and unexported goods are even more directly linked to the taxes which are not levied and the subsidies which are paid. But this last point, unhappily, seems likely to prove the *pons asinorum* of Socialist economics. Mr Morrison, in the very same breath, re-affirmed the Government's determination to maintain real wages.

At first glance, the latest figures suggest that the Silver Lining drive is succeeding in arresting at last the depressing trend of net savings. In the week to November 15th gross receipts, at £19.3 million, were the best since end-July. Apparently reflecting the end of Budget forestalling, withdrawals and repayments declined by £1,200,000 from the high level reached in the pre-Budget week. Hence the week's net savings, at £5,500,000, were the best since early May. This looks heartening, but unfortunately the figures relate to a week in which the cheques for £100 million of war damage value payments were posted and in which the Exchequer's actual disbursements on this account totalled £52 million. Properly construed, therefore, the figures really disclose a large net dis-saving. For the first thirty-three weeks of this financial year net savings totalled £89.2 million in contrast with £199.1 million in the similar period of 1946-47; they are running at more than 60 per cent below the target rate. Moreover, in the financial year to date £56½ million of 3 per cent Defence Bonds has been repaid at maturity. These repayments are not included in “encashments” for the purpose of computing the so-called net savings, nor do the figures take into account the interest portion of the sums disbursed on encashments of Savings Certificates.

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“Selective Priorities” in Steel

After questions on Thursday last week Mr Marquand made a statement on steel supplies which for obscurity would be hard to match. The statement purported to deal with the situation which has been created by the grant of special priority for steel required for the expansion of fuel and power supplies—famously known as the “Prime Minister's List.” It has been

evident for several months past that these programmes were absorbing an inordinate amount of steel and might jeopardise the competing programmes for the expansion of exports or saving of imports. To accord to the latter the same priority which at present attaches to “PML” might, in Mr Marquand's words, “create a position in which the priority element in steel would exceed the non-priority element, with the result that the priority label would tend to become meaningless.”

The plain meaning of this muddy prose is that the priority classes, hurriedly set up in the fuel crisis of last winter and since unchanged, have been taking too large a share of current steel production. What that share is has never been disclosed, but estimates range between 30 per cent and 40 per cent of total output, excluding sheet steel. The machinery for allocation of steel has for some time been under review; Sir Stafford Cripps, who reported several weeks ago that a good start had been made in wringing out the inflation from the excessive supply of “M” forms, has this week disclosed that the new system will not be in operation before the spring. When the new scheme is working it will gradually be possible (to quote Mr Marquand again) “to reduce bulk priority allocations without detriment to the carrying out of the programmes concerned.” It has been decided “to introduce concurrently” (presumably with the new system, though Mr Marquand did not make this clear) “a strictly limited system of selective priorities” so that schemes for export expansion or import saving will not be held up for lack of particular quantities or qualities of steel.

If this means that the existing “PML” priorities are to be tapered off, as Mr Marquand appeared to suggest, it will be generally welcome, though much will depend on how far one batch of priorities for the expansion of fuel and power is supplemented or replaced by another batch for export programmes. But since there are no figures of allocations, nor of supplies of steel provided under bulk priorities, the new system does not carry the matter very much further so far as the non-priority—though still essential—user of steel is concerned. Is it really necessary that these important matters should be discussed on the plane of official metaphysics and not in words of meaning? And what is the objection to the disclosure of the quantities of steel which are involved? Without them it is impossible to decide whether the scheme is good or bad or whether the allocation machinery is working well—until it becomes only too obvious that it is not.

* * *

Anglo-Swedish Payments

The supplementary monetary agreement signed between the governments of Sweden and the United Kingdom this week is of exceptional importance, both on monetary and commercial grounds. It was only last July that a first supplementary agreement had been signed between the two countries. This agreement amended the basic agreement of March, 1945, under which no specific provision had been made for a mutual undertaking to hold one another's currencies. The supplementary agreement of last July froze up to the end of 1949 the balance of £25 million which had been accumulated by Sweden, and further provided that each central bank would be prepared to hold the other's currency up to £5,000,000 or its equivalent, any excess over that figure being convertible into gold. Within a few weeks of that agreement being signed, sterling had ceased to be convertible and the new arrangement had to be further amended. The terms of this new amendment have been announced this week. The two central banks have now agreed to sell their currencies against the currency of the other until a limit of £8,000,000 or its equivalent has been reached, after which sales will be against gold. The convertibility provision does not, however, come into operation until May 1, 1948, and until that date the Swedish Riksbank may be called upon to accumulate sterling balances in excess of this ceiling of £8,000,000 in its number one account at the Bank of England. This is in addition to the £25 million which remains immobilised in the number two account and in the account of the Riksgaldskontoret until the end of 1949. Balances held by each central bank will be covered by a reciprocal exchange guarantee on terms to be agreed between them.

The wording of the agreement appears to suggest that the guarantee will follow the Anglo-Belgian pattern and provide protection for changes in value between the two currencies concerned and not against depreciation in terms of gold. Under the new agreement Sweden remains a member of the transferable account group of countries but it is interesting to note that the freedom to make sterling available for payments outside Sweden and the sterling area applies only to “such countries as may be agreed between the contracting governments.” In other words, the



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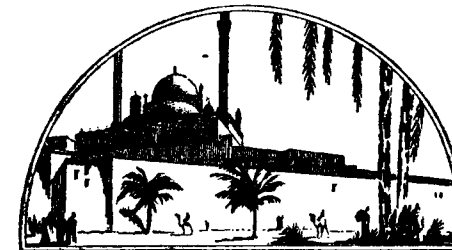
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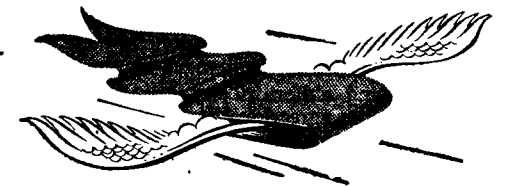
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principle of "administrative transferability" enters into the Swedish agreement almost as obtrusively as in the agreement with Belgium.

The Anglo-Swedish negotiations have been as urgently concerned with trade matters as with the machinery of payments. The two governments have agreed that their objective should be to bring payments between the two monetary areas into balance and to encourage commercial exchanges at the highest possible level without involving either in any loss of gold. Under the general plan Sweden has agreed to lift restrictions on a wide range of goods imported from the sterling area and the United Kingdom Government has undertaken to do all it can to encourage exports to Sweden. Sweden, for its part, has agreed to facilitate the export to the United Kingdom of timber, pulp, paper, iron ore and certain other products. The two governments hope that payments between the two monetary areas in 1948 may be raised from the present annual level of some £30 million to about £50 million in each direction. This is the most interesting experiment yet made in attempting to achieve bilateral equilibrium in payments with a non-sterling country and much interest will focus on the result. The experiment has certainly begun on the right lines by setting a goal of mutual trade well above the figure of that now being transacted.

Companies Act in Operation

On Monday next, the first batch of provisions of the new Companies Act will enter into force under a Board of Trade Order. During the final stages of the Bill in the House of Lords, it was indicated that the new Act would be brought into effect in stages, beginning with concessions and alleviations and those provisions which place duties on the Board of Trade rather than the business community; the accounting provision (on which an announcement is shortly expected) would be brought into effect after giving notice of not less than six months, while the detailed provisions would be left until the new Act had been consolidated—a step which is foreshadowed in the King's Speech.

The provisions which come into force on December 1st relieve companies from the need to disclose previous nationalities of directors (Section 27), from having to give distinctive numbers to fully paid shares (Section 69), and provide easier means of altering the Memorandum of Association (Sections 76 and 77). The new powers conferred on the Board of Trade under Sections 42 to 45, permit it to investigate the affairs of companies on application by shareholders (not less than 200 or holders of not less than one-tenth of the issued shares) or by special resolution of the company or Court Order, or on the Board of Trade's own volition in circumstances suggesting fraud or misconduct or lack of reasonable information to shareholders. This power of investigation will now extend to the whole group of companies of which the company under investigation may be a member.

Sections 46 to 48, which contain the new powers of investigation of beneficial ownership of shares—which were inserted into the Act in substitution for the original clauses requiring disclosure of beneficial ownership by registered holders of shares—also come into operation. These powers may be exercised on the Board's volition where it finds good reason to do so, or on a *bona fide* application by shareholders.

Motors and the New Tariffs

The motor industry, from which a great contribution is expected towards the export drive, does not appear to have derived any noteworthy benefit from the Geneva tariff agreements, and it has to face the consequences of a number of concessions which may benefit its foreign competitors. Among the latter, the reductions of preferences on British motor vehicles imported by New Zealand and India—in the latter case they will eventually be eliminated—will expose the British motor industry more directly to the winds of international competition. Certain reductions in the Australian tariffs on motor bodies and panels have been secured, though the preferences on imports of chassis is being reduced.

But the "biggest blow" to British car manufacturers is the change in the basis of duty on cars valued up to £400 fob imported into South Africa from £1 3s. per 100 lb. weight to 20 per cent *ad valorem*. The industry calculates that for a typical small British car this will treble the duty—one well-known model which now pays £23 will in future pay £70. The only change in the United States tariff is a reduction in the duty on trucks and buses from 25 per cent to 12½ per cent which is not likely to prove of great advantage to British manufacturers, in view of the superiority of the typical American heavy-duty vehicle. The new import

restrictions introduced by Canada will also have an adverse effect.

Mr L. P. Lord's speech to the shareholders of Austin Motors this week showed that, despite fiscal and industrial difficulties, the group is going ahead with its plans for developing a large export trade to the United States. The chairman hoped to be able to ship "many thousands" of cars next year; they would not provide much direct profit (they will, of course, spread the overheads at Longbridge over a larger volume of production) but the company should bring back "many millions of dollars." It will not be merely the shareholders who wish the company well in a task which it has undertaken with such confidence—at the very time, indeed, when the chairman anticipates the possibility that "invaluable export markets . . . may remain open to us for no longer than the next nine to twelve months." Meanwhile, the difficulty of seizing these fleeting opportunities for export trade is increased by the failure to increase production to the level of installed capacity—a failure which arises from shortage of materials of all kinds, and is enhanced by the inevitable difficulties arising from the change over of models which is now in progress at the Austin works.

Credit Control in USA

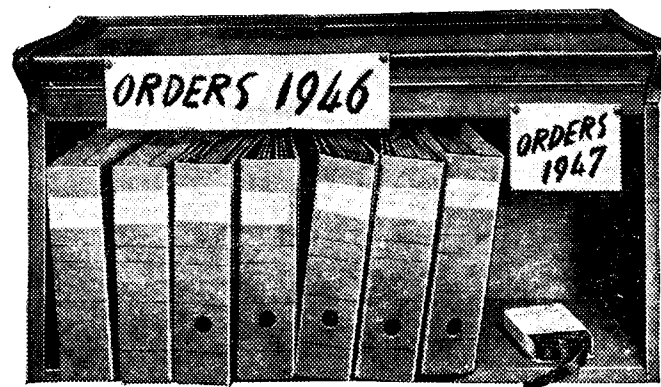
First on the list of President Truman's ten points for an anti-inflationary programme was legislation "to restore consumer credit controls and to restrain the creation of inflationary bank credit." The proposals have not yet found specific and detailed form, but there have been recent indications of the manner in which they will crystallise. The control of consumer credit, that is of the terms on which hire purchase facilities were granted, lapsed at the beginning of this month. In the present economic situation a large extension of consumer credit would have damaging inflationary effects and the administration is likely to demand at least a restoration of the powers of control wielded until November 1st by the Federal Reserve system. The demands for additional restraints on the creation of bank credit are likely to take the form of raising the ceilings to which the Federal Reserve Board is now entitled to lift the reserve requirements of member banks of the Federal Reserve system. These ceilings for demand deposits are now 26 per cent for banks in central reserve cities (the figure actually in operation is 20 per cent), 20 per cent for banks in reserve cities and 14 per cent for country banks (the actual requirements for the last two categories are at these ceilings). According to a statement made this week by Mr Snyder, Secretary to the Treasury, Congress will be asked to adjust these ceilings to a single figure of 25 per cent for all member banks, irrespective of their location. In addition, the maximum reserve requirement against time deposits, which is now 6 per cent for all banks, is to be raised to 10 per cent. With these added powers at the disposal of the Federal Reserve authorities considerable deflationary pressure could be brought to bear on the credit situation. The banking position is highly amenable to control since excess reserve balances are at present at a comparatively low level.

These designs make it evident that the United States are about to apply orthodox measures of monetary control in neutralising the additional inflationary impact of any assistance to Europe. The general lines of policy were marked out with great clarity in a joint statement issued this week by the Board of Governors of the Federal Reserve system, the Controller of the Currency, the Federal Deposit Insurance Corporation and the National Association of Supervisors of State Banks. The statement said that the country was experiencing a boom of "dangerous proportions" and urged banks to curtail all loans that helped speculation in real estate, commodities or securities. It added that bank credit, under existing conditions, "should be confined to financing what will help production rather than merely increase consumer demand." The contraction of credit thus foreshadowed is already producing its effects. This week there has been a general upward adjustment of all commercial bank loan rates by around ½ per cent. The margin between British and American short money rates promises to widen further and the question must soon arise whether, despite the insulation of the London and New York markets, the former can completely divorce itself from the trends so clearly under way on the other side of the Atlantic.

Middle Witwatersrand Inquiry

The Johannesburg Stock Exchange has now issued a report following its inquiry into dealings there in Middle Witwatersrand shares on November 3rd, several hours before the announcement

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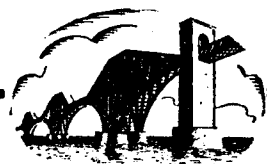
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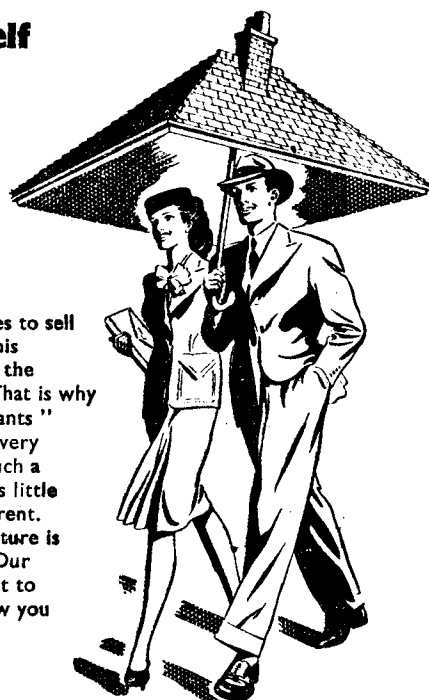
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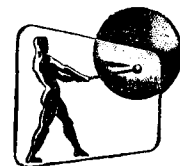


DISCOVERY OF BRITAIN 1947

Yes, it's Britain's turn to be discovered! Cinema audiences in most countries are getting a good look at British folk, maybe for the first time, as a result of the much increased showing of British films abroad.

It seems they're glad to know us. The way we walk, talk, dress—where we work, what we play, the way we live. These are the commonplaces of life, but they are what men and women have in common. Sometimes they emerge from a nation's literature, sometimes they take a hundred years to find their way across land and sea and other barriers.

Good films, being invitations to friendly voyages of discovery, are helping in this urgent task of wiping out the 'blind spots,' the ignorance and insularity and the silly fears which follow from all these. Once there was talk of 'a far-away country' and 'people of whom we know nothing.' But such phrases need to be erased from every language. Films are one of the best means, ready to hand, of taking the blinkers off the human race and of spreading this knowledge and understanding of which we are all in such need.



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of the exceptional bore-hole results on the company's properties that day. While the report exonerates the members of the Johannesburg Stock Exchange, this is not quite the point, for it was not suggested that any member was implicated. Had the inquiry been pursued into the whole range of dealings on that day, the findings might have provided a more conclusive answer to the suspicions that some persons were able to act with advance information of the bore-hole values. It will be remembered that the price of the shares on the London Stock Exchange rose from 13s. 3d. at the opening on November 3rd to 19s. before the news of the phenomenal values of 1,652 inch-dwts. was announced. This rise was engendered solely in sympathy with the advance in the price of the shares on the Johannesburg Exchange during the day. No action was taken by the London Stock Exchange, for Middle Witwatersrand shares are dealt in here under the old Appendix 34E, which allows reciprocal dealings in shares quoted on Empire exchanges.

If irregularities did in fact occur, their expurgation would be essentially a domestic matter for the Johannesburg Stock Exchange, and it would be impolitic to press the matter further from London. But is not the liaison between the two exchanges intimate enough to convey something of the dissatisfaction which is felt in Throgmorton Street and to translate it into further action in Johannesburg? Investors in London have recently had their full share of shocks from South African mining circles, and they have good cause to remember the past two months on account of the New Union affair alone. Many observers had been intrigued by the timely diversion of attention from the New Union revelations caused by the sudden rise in the shares of Middle Witwatersrand. The report of the Johannesburg Stock Exchange authorities tries to have it both ways, for while it declares that no member in Johannesburg acted improperly, it goes on to say that the committee has taken such action as it considers necessary with a view to preventing a similar occurrence in future. Exactly what is to be prevented? Was mischief done and, if so, who was responsible? This brief and disappointingly uninformative report will not succeed in allaying the suspicion that this is a case where a flagrant breach of trust occurred and improper use was made of the facilities of a recognised stock exchange. It is to be hoped that the Johannesburg Stock Exchange does not regard the matter as closed.

Strength of Sterling

There has been a welcome hardening in free sterling rates in New York in the last few days, a paradoxical development given the continuing evidence of the British balance of payments difficulties. The paradox must be explained largely in terms of technical factors. During the period that preceded the suspension of convertibility of sterling there can be no doubt that sterling was oversold. In a few cases this overselling was actual bear speculation which took the form of forward sales by overseas operators to others who were prepared to buy at a discount. Such sales were probably substantial in August, when the three-months quotation for forward sterling in New York was at a discount of 1 cent per month on the spot quotation. These forward sales are now being covered and this helps to explain the shortening of discount of forward sterling, which has come down to under 2 cents for 3 months. Another form taken by the overselling of sterling was the hastening of genuine authorised purchases of dollars in anticipation of the normal timetable and, conversely, the delaying of purchases of sterling. The effect of these can be compared with that of more speculative operations, since a considerable amount of sterling which in the normal course would have been bought a few weeks ago, is being acquired now at the eleventh hour.

The impact of purchases of sterling on the rate in New York is accentuated by the fact that sterling working balances maintained by American banks and other institutions have run down to almost negligible proportions. This absence of a normal cushion of sterling balances makes itself felt when substantial sterling payments have to be made on American account. It has recently become a normal experience for London banks to be asked by the American banks for which they act as agents to sell them sterling at shorter delivery than the two days which have to elapse before sterling acquired through official purchases from the Bank of England is made available. In the New York market the rate for sterling has this week hardened to 4.03½-4, showing how close the market rate is pressing against the official range of 4.02½-4.03½. This range of open market quotations shows clearly that buyers predominate. If this behaviour of the rate for authorised operations in sterling can be trusted as a guide to the prevailing trend of sales and purchases of dollars it

follows that the encroachment on the British gold reserves should now be running at a decidedly slower pace than a few weeks ago. Even if sterling working balances are not being built up by non-sterling countries, the mere attempt to meet current requirements of sterling together with the covering of short positions that were opened in the crucial July and August period, should be bringing their belated relief to the sterling position.

Nickel and the Tariff Agreement

The International Nickel Company has announced a reduction in its price for refined nickel in the United States of 1½ cents to 33½ cents a lb. The new price will become operative on January 1st, when the Geneva Tariff Agreement will be provisionally introduced by the eight "key countries," which include the United States and Canada. Already last April Mr Robert C. Stanley, chairman of the International Nickel Company, told the shareholders that if the United States import duty on nickel were reduced, the company would pass on the reduction to consumers. At Geneva the United States agreed to cut its import duty on refined nickel by 50 per cent—from 2½ cents to 1½ cents a lb. Hence the adjustment in the United States price. It is not, however, intended to change the nickel price for the rest of the world, and in Britain nickel will therefore remain at £190 per long ton. But this will hardly affect the normal relationship between the American and world nickel prices. Even before the war the United States used to pay slightly less, and it was only in the autumn of 1945 that the American price was adjusted to the world price level with an increase from 31½ cents to 35 cents to meet the increased production costs which took place during the war.

The United States has, of course, always been the world's leading market for nickel, and its position has assumed further importance since 1945 by the virtual disappearance of German, Japanese and Russian markets. Thus the reduction in the American import duty is of great significance to the Canadian producers, although the United States has in the past imported duty free about one-third of its nickel requirements, in the form of ore, matte and oxide. The reduction in price will hardly have any immediate repercussions, but it may play an important part if demand should slacken. In 1946 consumption of nickel in the United States established a new peacetime record of 71,500 tons in spite of the strikes in the American steel and motor car industries. This year a peak of nearly 90,000 tons may be reached, while consumption in the rest of the world, despite the closing of the three important prewar markets, is described as most satisfactory.

The heavy accumulation of stocks which overshadowed the market in 1945 has been absorbed, and Canadian production, which was limited to 50 per cent of capacity until the autumn of 1946, now exceeds 80 per cent of its maximum potential. As a result, world output of nickel this year is expected to exceed 148,000 tons, compared with 125,000 tons last year and 120,000 tons in 1939. If the present trend of consumption is maintained, the wartime peak, established in 1943, may be surpassed next year. After the first world war it took ten years before the wartime rates of production and consumption were regained. The great progress which is being made in the industrial application of nickel alloys, together with the increased use of nickel in coinage, may materially help the current expansion in demand.

Scottish Banking Results

It is seldom that the accounts of individual banks call for any special comment, but for a variety of reasons the statements of two of the Scottish banks, the Royal and the Commercial, are of unusual interest. The Royal has this year brought its accounts into line with established practice by publishing comparative figures for the first time and by consolidating deposits with drafts outstanding, and loans with advances. The distinctions here had lost any real meaning and the loss of information is insignificant, but it is a pity that the bank did not at the same time differentiate between money at call and transit items. For lack of this distinction, it is impossible to determine net deposits, but the gross figure has risen during the year by some £12 million, or over 10 per cent. The corresponding rise for the Commercial is some 8½ per cent, to £107.8 million, these figures comparing with increases of some 5½ per cent for the London clearing banks for the year to mid-October. Even allowing for the fact that favourable balances in one or two very large accounts can distort the

total figures of a Scottish bank, it seems clear that industry north of the border has obtained its full share of expansion in the past year.

In the case of the Royal the bulk of the new money has gone into longer dated investments, which are up by over £6,000,000. The date of the accounts, October 11th, saw gilt-edged only a trifle above the lowest of the recent fall, and this fact may account for the adoption of a rather less precise wording in the report. The expression "a valuation of the bank's investments at October 11, 1947 is in excess of the sums at which they appear in the annexed State of Affairs" is substituted for the assurance—customary at least since 1932—that all investments were taken in at or under the prices ruling at the date of the accounts. For the rest, there is a rise in money market assets, partly offset by a modest drop of £1,000,000 in the holding of deposit receipts, while advances show an expansion of some 12 per cent, or £3,250,000. The Commercial Bank, evidently pursuing a different policy, shows a very modest increase in money market assets and a slump from £12 million to £7,000,000 in TDRs. In consequence, it is able to show a substantially larger proportionate increase in investments, while advances have risen by 26½ per cent, or rather more than those of the clearing banks over a corresponding period. Investments in this bank amount to 63.5 per cent of gross deposits, compared with 52.1 per cent for the Royal; their valuation basis is described, as for many years past, in a form of words essentially the same as that now adopted by the Royal Bank. The accounts are made up to October 25th, by which time a further material recovery in gilt-edged prices had occurred.

The feature of the Commercial Bank's report is, however, the payment of a dividend in excess of that ruling before the war. Last year it split its "A" shares and paid up, out of undisclosed reserves, 1s. for every 5s. previously subscribed. It is now paying 15 per cent on 6s., compared with 16 per cent on 5s. before the war. This increase of one-eighth in the actual payment will rapidly compensate the shareholders for the ultra-cautious reduction in the dividend to 15 per cent during the war period.

* * *

Larger Exports in October

The increase in exports last month was encouraging; the total for October is £108 million compared with £99 million in September, and is only £2,000,000 less than the peak figure for July. This expansion was primarily due to considerably larger shipments of vehicles and machinery—which together accounted for one-third of total exports—and to increased exports of textiles, particularly rayon and woollen goods.

The value of exports of vehicles, locomotives and ships (£19.4 million) was nearly £3,000,000 above the previous record in July, owing to a significant expansion in the sales of merchant ships abroad. The number of new cars sent abroad last month totalled 14,786 and exceeded the record figure for September by 1,600; the chief markets, however, were not in the dollar countries but

in Belgium, India and South Africa. Similarly, exports of bicycles (136,400) also reached a record level, for the second month in succession, with India and South Africa as the main destinations. Although shipments of machinery showed an increase of £1,000,000 on the month, the total of £16.8 million was slightly below the July figure, and they are now taking second place to the vehicle group. India and South Africa were the principal markets. Exports of silk and rayon goods reached a record level of £2,800,000, going mainly to Australia, New Zealand, South Africa and Canada. Wool manufactures (£5,700,000) were the highest since 1928, and some 5 per cent went to the United States. Exports of cotton goods were slightly smaller than in September, but apart from that month they were the highest attained since the war.

It is impossible to assess from these figures for a single month the degree of progress towards the achievement of the export targets. But it is evident that the vehicle group is making good progress, although current reports suggest that at least a temporary limit may have been reached to any further export expansion. The tonnage of machinery exported was 64 per cent above the prewar level compared with the volume target for next June of 125 per cent. Tonnage and volume are not, of course, identical, but they can be used as a rough approximation. There is still a long way to go before next year's targets are achieved—if indeed they can be achieved. Expansion in exports of machinery, textiles, electrical goods, chemicals and rubber manufactures will have to be considerably larger than at present to justify optimism about Britain's trade position.

Shorter Notes

The note circulation this week shows another large contra-seasonal fall, by £7,600,000, following the abnormal decline by £12 million in the previous week. The fourth week in November normally marks the beginning of the Christmas currency demands, with an expansion of some £3,000,000 to £4,000,000 in the circulation. One partial explanation may be that much "Christmas" spending has this year already occurred, being merged into the Budget forestalling rush. Another factor, possibly even more important, may be the disgorging of black market notes for fear of the calling in of the existing issue.

*

Demand for wool is still strong both in Britain and the Dominions. America has resumed purchases in Australia although no definite reports of quantities are yet available. In the United Kingdom, prices for greasy merinos have tended to be steady at their upper limit whilst those for fine, medium and even coarse crossbreds have risen. The demand for British-grown wool has also shown no signs of weakening and speciality wools are being purchased almost regardless of price.

SECURITY PRICES AND YIELDS

A fuller list containing 370 securities appears weekly in the *Records and Statistics Supplement*. Notes on the following company reports also appear in the Supplement: Dorman Long; Furness Withy; Tate and Lyle; Bass Ratcliff and Gretton.

Prices, Jan. 1-Nov. 26, 1947		Name of Security	Price, Nov. 19, 1947	Price, Nov. 26, 1947	Net Yield, Nov. 26, 1947 (a)	Gross Yield, Nov. 26, 1947	Prices, Jan. 1-Nov. 26, 1947		Last Two Dividends	Name of Security	Price, Nov. 19, 1947	Price, Nov. 26, 1947	Yield, Nov. 26, 1947	
High	Low						High	Low						(a) (b) (c)
Other Securities														
103½	100½	Conversion 3% March 1, 1948-53	101½	101½	6 7	0 19 2e	113½	99½	%	Australia 3½ 1965-69	107	105	2 19 2e	
103½	100½	War Bonds 2½ August 1, 1949-51	101½	101½	0 6 7	1 13 2e	105½	89	(d)	Birmingham 2½ 1966-71	96	94	2 17 7½	
102½	98½	Exchequer Bonds 1½ Feb. 15, 1950	100½	100½	0 11 6	1 9 2	102½	100½	(e)	Argentine 3½	101	101	3 10 4	
105½	98½	War Bonds 2½ March 1, 1951-53	102½	101½	0 18 8	2 2 8e	150½	113½	(f)	Anglo-American Corp. 10s.	143½	147½	3 7 10	
108½	97½	War Bonds 2½ March 1, 1952-54	101½	100½	1 5 2	2 8 1½e	83½	118½	5 a	Anglo-Iranian Oil £1	67½	69½	4 6 4	
108½	101½	War Loan 3½ (after Dec. 1, 1952)	103½	103½	1 4 9	2 15 7e	80½	56½	10 c	Assoc. Port. Cem. Ord. Stk. £1	36½	38½	5 3 3	
106½	97½	War Bonds 2½ Aug. 15, 1954-56	101½	100½	1 7 1	2 10 4½	42½	25½	40 c	Austin Motor 'A' Ord. Stk. £1	79½	80½	3 9 7	
106½	99½	Funding 2½ June 15, 1952-57	101½	101½	1 7 3	2 11 9½	245½	167½	7 b	Barclays Bank Ord. 'B' £1	200½	193½	2 11 7½	
108½	99½	National Def. 3% July 15, 1954-58	103½	103½	1 7 8	2 15 4½	115½	80½	12 b	Bass Ratcliff Ord. £1	101½	105½	3 17 2	
109½	99½	War Loan 3% Oct. 15, 1955-59	103½	102½	1 8 0	2 15 0½	58½	40½	8 a	British Oxygen Ord. £1	44½	44½	3 8 9	
108½	97½	Savings Bonds 3% Aug. 15, 1955-65	102½	102½	1 10 10	2 19 10½	29½	22½	28 a	Courtaulds Ord. £1	28½	27½	3 16 4	
105½	95½	Funding 2½ April 15, 1956-61	99½	98½	1 10 1	2 13 0½	81½	57½	12 c	Dorman Long Ord. £1	76½	76½	3 18 1½	
109½	98½	Funding 3% April 15, 1959-69	102½	101½	1 11 3	2 18 3½	53½	49½	7 b	Imp. Chem. Ind. Ord. Stk. £1	50½	50½	4 0 0	
122½	109½	Funding 4% May 1, 1960-90	113½	112½	1 2 3	2 16 1½	10	3	10 c	Lancs. Cotton Ord. Stk. £1	45½	45½	4 7 8	
110½	97½	Savings Bonds 3% Sept. 1, 1960-70	102½	101½	1 12 4	2 19 8½	57½	45½	5 c	Lever & Unilever Ord. Stk. £1	52½	53½	3 12 9	
104½	92½	Savings Bonds 2½ May 1, 1964-67	96½	95½	1 13 3	2 16 6½	77½	48½	10 e	London Brick Ord. Stk. £1	79½	80½	5 1 3	
123½	109½	Victory Bonds 4% Sept. 1, 1920-76	115½	115	1 4 5	2 17 10e	84½	73½	12 c	L.M.S. 4% 1st Pref. Stk. £1	34½	34½	4 2 4	
111½	96½	Savings Bonds 3% Aug. 15, 1965-75	102½	101½	1 12 6	2 19 10½	36½	32½	28 a	N. Eastn. Elec. Ord. Stk. £1	34½	34½	4 10 11	
117½	105½	Consols 4% (after Feb. 1, 1957)	110½	110	1 2 7	2 18 3e	68½	47½	47 a	P. & J. Ord. Stk. 10s.	34	34½	4 9 9	
115½	102½	Conversion 3½ (after Apr. 1, 1961)	106½	105½	1 9 6	3 0 6e	39	29½	169-58c	Prudential 'A' £1	54½	57½	1 18 9½	
100½	80½	Treas. Stk. 2½ (after Apr. 1, 1975)	86½	85½	1 13 0	3 0 1½	63½	44½	44½	Stewarts & Lloyds Def. £1	73½	77½	3 2 6	
110½	95½	Treas. Stk. 3% (after Apr. 5, 1966)	100½	99½	1 13 8	3 1 0½	108½	74½	12 c	"Shell" Transp. Ord. Stk. £1	133½	136½	3 13 5	
117½	97½	Redemp. Stk. 3% Oct. 1, 1966-96	105	102	1 12 0	2 18 10½	147½	108½	12 c	Tube Invest. Ord. Stk. £1	76½	80½	3 19 7	
99	80½	Consols 2½	86½	85½	1 13 0	3 0 1½	96½	68½	8 b	Turner & Newall Ord. Stk. £1	76½	80½	3 19 7	

Redemption yields on stocks optionally or finally redeemable within the next five years are worked out on the assumption that they will be repaid at the earliest date. Redemption yields on other dated stocks assuming that stocks paying over 3 per cent will be redeemed at the earliest date (these are marked 'e'), and those paying 3 per cent or less will be repaid at the latest date (marked 'l'). (m) Net yields are calculated after allowing for tax at 9s. in the £. (f) Flat yield. * Assumed average life 17 years 6 months.

(a) Interim. (b) Final. (c) Whole year. (d) Int. paid half-yearly. (e) To earliest redemption date. (f) Also a capital bonus of 2½ per cent free of income tax. Yield worked out on 15 per cent basis. (h) Fifteen months to March 31, 1947 (yield basis 7.6 per cent). (i) To latest redemption date. † Free of tax.

REPORT BY THE COURT OF DIRECTORS OF

The ROYAL BANK of SCOTLAND

To the ANNUAL GENERAL COURT OF PROPRIETORS, on Wednesday, 26th November, 1947

The Court of Directors now submit to the Proprietors the annexed Abstract Statement of the Affairs of the Bank at the Second Saturday of October, 1947, with relative Profit and Loss Account, certified by the Auditors.

The Net Profits of the year, after providing for all bad and doubtful debts, contingencies and taxation, amounted to ... £621,338 4 2

Dividend for half-year paid at Midsummer at the rate of 17 per cent. per annum, required ... £361,250 0 0

Less Income Tax ... £162,562 10 0

It is now proposed to pay a Dividend at Christmas for the second half-year at the rate of 17 per cent. per annum, which will require ... £361,250 0 0

Less Income Tax ... £162,562 10 0

There has been transferred to Property Maintenance Reserve Account ... £30,000 0 0

Contributed to Staff Pension Fund ... £75,000 0 0

And added to Rest, the Balance of ... £118,963 4 2

The Rest now amounts to £4,449,319 5s. 0d.

A valuation of the Bank's Investments at 11th October, 1947, is in excess of the sums at which they appear in the annexed State of Affairs.

The Directors record with regret the resignation of Mr. Herbert William Haldane, who had been an Ordinary Director since 1917.

In virtue of the powers conferred upon them by the Royal Bank of Scotland Act, 1873, the Court of Directors, on 29th October, 1947, elected Mr. Septimus Erik Houstoun, Chartered Accountant, Glasgow, and Mr. Ronald Mackintosh Robertson, Edinburgh, as Ordinary Directors. Mr. Houstoun and Mr. Robertson hold office until this General Court only, but are eligible for re-election.

The Governor, the Deputy Governor, the Extraordinary Directors and the Senior Ordinary Director (The Right Hon. Lord Bradbury of Winsford, G.C.B., LL.D.) retire at this time and are eligible for re-election.

Auditors also fall to be appointed for the ensuing year, and Mr. George James Gregor, C.A., and Mr. S. W. Murphy, C.A., offer themselves for re-election.

By Order of the Court of Directors,

J. M. THOMSON,
Cashier and General Manager.

ABSTRACT STATE OF AFFAIRS, at 11th October, 1947

1946		LIABILITIES		1947	
£119,038,543	DEPOSITS with accrued Interest and other Credit Balances	...	...	£131,001,902	
9,799,710	NOTES in Circulation	...	...	9,428,922	
4,206,371	ACCEPTANCES and INDORSEMENTS of Foreign Bills and other Obligations	...	...	4,327,928	
				£144,758,752	
4,250,000	CAPITAL	...	...	4,250,000	
4,330,356	REST	...	...	4,449,320	
198,687	Proposed Half-year's DIVIDEND payable at Christmas (less Income Tax)	...	...	198,687	
				8,898,007	
£141,823,667					
1946		ASSETS		1947	
£17,190,390	COIN, BANK OF ENGLAND NOTES, NOTES of other Banks, and CASH with Bank of England and other London Bankers	...	...	£17,615,073	
11,440,067	MONEY in London at Call and short notice, and Cheques, etc., payable on demand, in hand, and in transit	...	...	13,948,075	
10,000,000	BRITISH GOVERNMENT TREASURY DEPOSIT RECEIPTS	...	...	9,000,000	
61,084,379	BRITISH GOVERNMENT SECURITIES and Securities guaranteed by British Government	...	...	67,041,959	
791,952	DOMINION and COLONIAL GOVERNMENT SECURITIES, and CORPORATION STOCKS	...	...	913,551	
435,719	Other Securities	...	...	447,610	
				£108,966,268	
33,300	Industrial and Commercial Finance Corporation Ltd. Shares—333 Shares of £1,000 each, £200 paid	...	...	66,600	
3,093,750	Williams Deacon's Bank Ltd. Shares—1,562,500 "A" Shares of £5 each, £1 paid, and 312,500 "B" Shares of £1 each, fully paid	...	...	3,093,750	
2,800,000	Glyn, Mills & Company £1,060,000 Stock	...	...	2,800,000	
3,114,497	Bills discounted (of which £2,960,000 British Government Treasury Bills)	...	...	3,532,867	
26,540,702	LOANS AND ADVANCES	...	...	29,771,180	
4,206,371	BANKING CORRESPONDENTS and other Customers for Acceptances and Indorsements and other Obligations, per contra	...	...	4,327,928	
365,329	BANK BUILDINGS (partly yielding rent)	...	...	370,749	
162,211	PROPERTY yielding rent	...	...	162,417	
565,000	FREEHOLD PROPERTIES in London (partly occupied by Bank and partly yielding rent)	...	...	565,000	
				44,690,491	
£141,823,667					
				TOTAL ASSETS	£153,656,759

PROFIT AND LOSS ACCOUNT

1946		1947	
£30,000	To Property Maintenance Reserve Account	£30,000	By Rest at 12th October, 1946
75,000	" Staff Pension Fund	75,000	" Net Profits after deducting expenses of Management at Head Office and 230 Branch Establishments, allowing for rebate on Bills Current and providing for all bad and doubtful debts, contingencies and taxation
198,687	" Dividend for half-year, paid at Midsummer, less Income Tax	198,687	
198,687	" Dividend for second half-year, to be paid at Christmas, less Income Tax	198,687	
4,330,356	" Balance, being free Rest or undivided Profits, carried forward	4,449,320	
£4,832,730		£4,832,730	
			£4,951,694

T. BROWN, Chief Accountant.

AUDITORS' REPORT

As Auditors appointed by the Proprietors of THE ROYAL BANK OF SCOTLAND, we have checked the Cash on hand at Head Office, Glasgow and London (City Office), verified the cash with London Bankers, the Securities for money at call and short notice, the Government Securities and other investments, and examined the details of the other Assets and of the Liabilities set forth in the foregoing Abstract State of Affairs; and we now certify that in our opinion said Abstract State is a full and fair Balance Sheet, properly drawn up, and exhibits a true and correct view of the state of the Bank's Affairs, as shown by the books, at 11th October, 1947.

GEO. JAMES GREGOR, C.A., Auditor.
S. W. MURPHY, C.A., Auditor.

EDINBURGH, 6th November, 1947

THE BRITISH LINEN BANK

DIVIDEND OF 16 PER CENT.

The annual court of proprietors of The British Linen Bank was held on the 25th instant, at the head office in Edinburgh.

The Earl of Airlie, the governor, who presided, in the course of his speech, said:—

You would be gratified at the announcement that His Grace the Duke of Hamilton had accepted election as deputy governor of the bank. We feel that we have been fortunate in securing his interest in the bank's affairs.

RESULTS FOR PERIOD

As stated in the report which has been in your hands for some time it was found convenient to change the date of the bank's annual balance from January 15th to September 30th. The accounts now submitted for your approval therefore cover a period of eight and a-half months. It will be appreciated that the change in the balance date renders it impracticable to make an exact comparison of the results for the period with those of a full year, as seasonal factors have some influence on the figures. It will be noted from the balance sheet that the item "deposits and other accounts"—in which we now include drafts in accordance with general practice—exceeds £70,000,000, showing an increase of about £1,500,000 over the January total. On the other side advances have risen by practically the same amount to over £10,000,000, the industries able to take advantage of increased borrowing being mainly those concerned with agriculture and the building and engineering trades.

Net profit for the period amounted to £174,223. A dividend at the rate of 16 per cent. per annum for the half-year to July 15th has already been paid, and it is proposed to pay a dividend at the same rate for the period to September 30th. An increased allocation to the staff pension fund of £39,000, and the transfer of £50,000 to contingency fund, are recommended, leaving £7,000 to be added to the carry forward.

BANKING SERVICES

We are glad to take this opportunity of thanking the staff for their loyal co-operation. The scope of banking services has been considerably widened in recent years, and the calls made on the staff grow more onerous and complex. To the daily routine of meeting customers' ordinary needs in great volume and variety, there has been added the detailed working of the complicated Exchange Control Regulations, including the recent requirements of the deposit by the public of certain classes of securities. While the banks have perhaps not always been accorded full recognition of the part they have taken in the encouragement of the National Savings movement, their services have again been called upon in a special campaign to maintain the volume of savings.

In view of the special efforts being made to develop export trade, reference may be made to the facilities available to our customers in this connection. At the head office, the principal Glasgow office and London City office there are foreign departments fully equipped to handle every description of overseas business, and the managers at our branches throughout Scotland are always ready, in any matter in which the bank can be helpful, to give guidance to customers in their business problems.

The report was adopted.

Mr Anthony William Tuke, deputy chairman of Barclays Bank, Limited, was elected a director in place of Mr Lionel Gurney Buxton, who did not seek re-election. The remaining directors were re-elected.

AUSTIN MOTOR COMPANY, LIMITED

EXPORT EFFORTS INTENSIFIED

The thirty-third ordinary general meeting of the Austin Motor Company, Limited, was held, on the 26th instant, at Birmingham, Mr L. P. Lord (chairman and managing director) presided.

The chairman, in the course of his speech, said:—

At our last meeting in December, 1946, I said that we approached a future full of uncertainties, but in spite of many warnings few of us then believed that this country could fall to its present deplorable condition in such a short space of time.

Let us hope that this phase will pass quickly and that a solution to our national difficulties will soon be found.

FINANCE AND TAXATION

Our present financial position as disclosed by the balance-sheet is satisfactory. There are two items on which you may like me to comment.

The first is depreciation. The sum of £383,387 is provided for depreciation. This amount is calculated at such rates as to write off the book value of each type of asset over the period of its anticipated life.

I must point out, however, that when the time comes for plant to be replaced by a more modern type, the cost of replacement at current price levels is considerably more than the original cost of the old plant. Provision has to be made for this excess cost by a policy of building up reserves and so conserving the resources of the company.

The second item is taxation. No doubt you will be wondering what effect the new taxation on profits, announced in the autumn Budget, will have on the year under review. The total additional payment is estimated at £66,000. This, of course, covers seven months only, from January 1st to July 31, 1947.

When considering the increased gross profit it must be borne in mind that this was achieved in spite of the fact that your cars were sold during the year at substantially lower prices than those of equal specification produced by your competitors.

The question of quality is often raised. I need hardly assure you that not only are Austin products fully up to prewar standards in every detail, but that in many instances they are better.

PRODUCTION

Production for the last six months has been running at the rate of 1,950-2,050 vehicles a week, but I am sorry to say that during that time no increase in rate has been possible owing to shortages of supplies of all kinds.

The present capacity of your factory is 3,400 vehicles per week, working two shifts. If the Government carry out their promise to give priority in supplies to the motor industry and to allocate materials to individual firms on the basis of past performance, this output should be reached in a few months. If they do not, invaluable export markets which may remain open to us for no longer than the next nine to twelve months may be closed, or partly closed, and a great opportunity lost.

During the year under review 36,401 vehicles were exported through our subsidiary, the Austin Motor Export Corporation, comprising 30,765 cars and vans and 5,636 commercial vehicles, to a total value of £11,250,197.

Over two hundred main distributors now hold the Austin franchise and they, together with our resident overseas representatives, cover every territory open to trade with Great Britain.

As you will have seen from the directors' report, we have acquired a controlling interest in Ruskin Motor Bodies, Limited, of Melbourne, Australia. This was done because

for some time now the production of bodies in Australia has not been keeping pace with the shipments of chassis from Longbridge. Members of our production staff are at present in the Ruskin factory, and we hope by rearrangement and by new tooling and assembly methods to increase the output considerably. The equipment for producing the A40 "Devon" and "Dorset" bodies is now being installed.

All over the world the market for our light cars is being consolidated and the new A40s have been extremely well received. Our range of commercial vehicles also continues to gain in popularity and demand. This side of our activities has proved most valuable during the last few years, and the new 25-cwt. models and ambulances recently announced have been welcomed everywhere.

AMERICAN AND CANADIAN MARKETS

As dollars are the prime necessity today, I will deal particularly with the American market. I have been to the United States twice in the last six months, the first time to examine the market and the second time to put into effect the programme on which your board decided.

There is no doubt that an important market exists for British cars of new design, above and below the American mass production range.

Our displays of the new A40s, "Sheerline" and "Princess" saloons in New York, Chicago and Los Angeles, however, were received enthusiastically, and unless anything unforeseen happens we can reasonably hope to ship many thousands of cars to the United States during 1948. An American subsidiary, called "The Austin Motor Company, Ltd. (England)," has been incorporated and office accommodation and warehouse space have been taken in New York City. This subsidiary will act as our distributor in the United States and all dealers will be signed up direct with it.

It would appear that the latest excise duty proposals and import restrictions will reduce the Canadian market very considerably. Through the Geneva Tariff Conference proposals the motor industry will suffer serious setbacks, chiefly in South Africa, Belgium and Luxembourg, and in the Empire by the reduction of United Kingdom preferences.

CURRENT FINANCIAL YEAR

The selling prices of the new A40 Devon and Dorset saloons have been fixed lower than the previous 10 h.p. This is in continuation of our policy of reducing prices at the earliest possible moment and passing on to our customers the benefits of any economies we may effect. Although the cost of the material for the new models is considerably higher than that of their predecessors, we believe that the reductions in cost consequent upon increased output will justify the lower selling prices. If the Government fail in their promise to deliver more material, or if wages and costs of materials rise, then the present low prices cannot be held, and a sharp increase will have to be announced. This would not reduce the home market demand, but would be disastrous in the export field.

From what I have said, you will realise that this current year is one of changes, of new models, of varying conditions in export markets, of old markets drying up and new outlets being explored with a desperate sense of urgency, but with an acute consciousness of stifling controls at home.

Your works at Longbridge are in better shape than at any time in our history, your staffs and workpeople are applying themselves to their tasks with commendable zeal, and real enthusiasm, and I feel sure you will all join with me in expressing to all of them our sincerest thanks and good wishes. The report and accounts were adopted.

DALGETY AND COMPANY, LIMITED

RECORD WOOL FIGURES

The sixty-third annual general meeting of Dalgety and Company, Limited, will be held in London on the 4th proximo.

The following is an extract from the statement of Sir E. Lionel Fletcher, C.B.E., the acting chairman, circulated with the report and accounts for the year to June 30, 1947:—

The company's business during the period under review has been well maintained, and all sections have contributed to the improved results. The operations of both the Wool and Produce and the Stock and Station departments have been satisfactory, attributable to a continuation of improved seasonal conditions, the higher prices ruling for wool, and buoyant markets for both fat and store stock. It is to be hoped that the favourable conditions may continue to enable primary producers to build up their depleted flock numbers and to ensure good cereal crops. The Merchandise department has also done remarkably well, despite the many difficulties experienced by all branches in obtaining supplies of most commodities.

Both Australia and New Zealand have enjoyed a prosperous year, and present indications point to another good season, but the difficulties of the transition from war to peace are far from over. There seems to be yet no solution to the dollar crisis, and the general economic conditions throughout the world make it impossible to foresee the future trend of events, so that I feel sure you will agree it is a wise course to conserve our resources.

ALL EXPECTATIONS SURPASSED

With regard to Wool—the chief business of your company—I can only say that the results of the season under review have surpassed all expectations. Australian growers received the largest wool cheque in the long history of the industry, and whilst the results in New Zealand were less spectacular, they too were eminently satisfactory. I am pleased also to be able to report that production in the Commonwealth showed some recovery from the low level of the previous season when, as a result of the severe drought in 1944-45, the wool clip was the smallest for many years.

New Zealand registered a small decline in production, though the baleage was higher, due to lighter packing. The combined total of sales sold in Australia and New Zealand was, however, only a little above the appraisal figures for 1945-46, due mainly to the shipment for sale overseas of certain wools, chiefly slipes, previously appraised in New Zealand. Our own sales in the countries of origin were well maintained and amounted to 589,367 bales, or 38,370 bales more than in the previous year, and this, coupled with the high level of values ruling, materially increased our earnings on wool.

STRONG DEMAND

It is at all times dangerous to attempt to forecast the future course of values, and more than ever so now with world affairs in the condition they are at present, but I can only say that since the new season opened there has been a further sharp advance in prices, the chief reason for this being much increased buying by the Home Trade, coupled with continued strong support from the Continent.

We are recommending the payment of a final dividend of 5 per cent. on the ordinary shares, which, with the interim dividend of 3½ per cent. paid in May, represents a distribution for the year at the rate of 8½ per cent. similar to that of last year. We also recommend a bonus of 1 per cent.

ROYAL BANK OF SCOTLAND

HIGHLY LIQUID POSITION

SCOTLAND'S PART IN ECONOMIC RECONSTRUCTION

THE DUKE OF BUCCLEUCH'S REVIEW

The Annual General Court of Proprietors of the Royal Bank of Scotland was held in Edinburgh on 26th instant, His Grace the Duke of Buccleuch and Queensberry, P.C., G.C.V.O., governor of the bank, presiding.

The governor said:—I assume it is your pleasure that the annual report and balance sheet, with auditors' report, which have previously been circulated, shall be taken as read.

Before dealing with the ordinary business of the meeting, I have to refer to changes in the court of directors. Mr Herbert William Haldane, chartered accountant, Edinburgh, who had been a director since 1917, retired at October 11, 1947, and the board have placed on record their high appreciation of the valued service he has rendered to the bank throughout these thirty years and their warm regard for him as a colleague. The court of directors on October 29, 1947, elected Mr Septimus Erik Houstoun, chartered accountant, Glasgow, and Mr Ronald Mackintosh Robertson, Edinburgh, as ordinary directors, and we consider ourselves fortunate in securing their services for the bank. Mr Houstoun and Mr Robertson hold office till this court but are eligible for re-election.

The directors are pleased again to submit what in their opinion is a very satisfactory statement. It may be observed that there are slight changes in presentation this year; the shillings and pence are omitted from the balance sheet and the space thus saved has been utilised in showing the comparative figures for the previous year.

DEPOSITS AND OTHER LIABILITIES

Looking at the liabilities first, I should explain that this year the total of the Deposits and other credit balances, conforming to what is now almost universal practice, includes Drafts Outstanding, which formerly appeared as a separate item. The Deposits again constitute a new record in the history of the bank, amounting to £131,001,902—and thus showing an increase of £11,963,000 over the comparable figures of last year. Our notes in circulation at £9,428,922 show a slight contraction on last year's total. It seems a natural trend and is comparable with what occurred shortly after the conclusion of the first World War.

Acceptances and endorsements of foreign bills and other obligations are little changed on the year at £4,327,928. Bound up as it largely is with foreign trade, this is an item which we should be glad to see increased and we would welcome enquiries in this connection from friends and connections at home and abroad.

LIQUID ASSETS AND INVESTMENTS

On the assets side the highly liquid position of the bank is again emphasised in the balance sheet. Cash, balances with the Bank of England and other banks, money in London at call and short notice, etc., amounting altogether to £31,563,148, represent over 22 per cent. of our liabilities to the public. Our treasury deposit receipts at £9,000,000 are £1,000,000 down on last year, this being in accordance with the general experience. Treasury bills, on the other hand, show an

increase of about £500,000, and there is a slight fall in commercial bills.

British Government securities at £67,041,959 show an increase of £6,000,000 on last year, and the market value is again considerably in excess of the value at which these investments stand in our books—a remark which also applies to our Dominion, Colonial and other investments. A further £100 per share has been called up on the 333 shares we hold in the Industrial and Commercial Finance Corporation, Limited, thus doubling the figure represented by this item.

It will be observed that advances on cash credit and current accounts and loans on stocks and securities have been combined this year, and the total, £29,771,180, shows a welcome increase of £3,200,000 over the comparable figures for last year. The increase is well spread over agriculture, trade and commerce, and while it is no doubt due partly to the increased level of prices, there have been increasing signs of a demand for accommodation for development. The bank is prepared, as always, to give most careful consideration to proposals which conform to sound banking principles.

PROFITS AND APPROPRIATIONS

I now come to the profit and loss account, in which we show an increase of £10,000 over last year's profit, which the directors consider a satisfactory result keeping in mind the additional sum to be provided for taxation and the ever-increasing total of charges of management. Following our usual practice, full provision has been made for contingencies and all bad and doubtful debts.

The directors recommend that a dividend for the half-year, payable at Christmas, at the same rate as formerly—17 per cent. per annum—be declared; that £30,000 be carried to property maintenance reserve account and £75,000 to the staff pension fund, both allocations being similar to those of last year; and that the remaining £118,963 after these appropriations be added to the rest or reserve, raising it to £4,449,319.

ECONOMIC SITUATION

Since I addressed you a year ago the outward signs of the economic situation have undergone a noticeable change. In some respects the position has been aggravated by contemporary happenings but, in the main, it cannot be said that our present difficulties are due in any great degree to the sudden emergence of unfavourable events. Rather is it—and this was bound to take place sooner or later—that simple economic laws have begun to assert themselves. As a nation, we have become impoverished as a result of our sacrifices in two wars, and we no longer have the resources, as we had before, to command to the same extent the fruits of other lands.

We now have to pay for what we want, and that we can only do by producing what other countries need from us. Assistance from the outside—although, properly applied, it can be very helpful—will not provide a lasting solution. The remedy—and it will not be easy of achievement—lies largely in

our own hands and, in the light of this simple truth, it is to be regretted that, at a time which calls for whole-hearted unity of purpose, our productive efforts should so frequently be hampered by difficulties of our own making. We cannot, of course, ignore the influences which in recent years have disturbed our everyday existence, but the effect of these would largely be overcome if, based on good will and mutual understanding, there were more in evidence a better appreciation of the simple fact that the welfare of each of us is inseparably bound up with the prosperity of the nation as a whole.

SCOTLAND'S PART

One takes hope from the fact that, even if somewhat gradually, the needs of the situation are now becoming better understood and, so far as Scotland is concerned, we must see to it that she is equipped to play once again a leading part in the rehabilitation of our commercial greatness. One is glad to note in this direction an enlivening of the national conscience which augurs well for the future, and one sincerely trusts that, while the urgency of the export drive may impede for a time the development of certain old and new industries, the efforts of the Scottish Council (Development and Industry) and others will meet with the success they deserve.

UNEXCELLED QUALITIES OF CRAFTSMANSHIP

The day will come when, owing to the competition of other countries, our prospects in the markets of the world will largely depend on the superior attractiveness and quality of the goods which we have to offer, but, given the will, there can be no doubt that in the native skill of our workers there are qualities of craftsmanship which are unexcelled in any other country. Mindful of our great traditions, the aim must be to ensure that our products will set a standard by which all similar wares are judged.

AGRICULTURE AND AFFORESTATION

While, as I have said, certain developments in our industrial set-up may have to wait on the more immediate need to attain our export targets, there is one home industry—agriculture—which is of vital importance to us at the present time, and it is gratifying to note that during the present session of Parliament a Bill will be introduced to provide for the improvement and development of agriculture in Scotland. It is not always realised that in Scotland more people are employed in agriculture than in any other industry, and, on this score alone, it merits every attention. But overruling all other considerations at the present time is the need to grow our food supplies within our own borders to the greatest possible extent, not only for the purpose of easing the foreign exchange position during the present period of stringency, but for ensuring also that the nation's food supplies may be safeguarded so far as possible by our own efforts.

Recent events have emphasised how essential it is that in matters of food we should strive to look after ourselves as much as we can but, nevertheless, it is to be hoped that in the planning which is contemplated every attention will be given to the framing of a fair and equitable long-term policy. The

bank, in keeping with its policy over the years, is always ready to meet the reasonable requirements of its farming customers. Another matter of special importance to Scotland is an effective programme of afforestation. While this may not appear so very urgent at the present time, it is none the less a development which we must continue to pursue to the fullest possible extent. It is in itself a most important industry, which will give useful employment to many and, looking ahead, we can be sure that the fruits of our labour in this particular direction will in many ways prove of the greatest value to the nation in future years.

THE THREE BANKS

Our Associated Banks, Glyn, Mills and Company and Williams Deacon's Bank, Limited, continue to make good progress, and their businesses, like our own, show every evidence of healthy development along sound lines. Many of you, I have no doubt, will have observed the series of advertisements appearing in the Press setting forth the services which the three banks are in a position to offer and stressing the close liaison which exists in the conduct of their affairs. The services of our three banks are at the disposal of the customers of any one of them, and none need hesitate to make use of these extended facilities at any time.

TRIBUTE TO OFFICIALS AND STAFF

To Mr Thomson the general manager, the assistant general manager and the officials and staff at head office, London City and West End offices, Glasgow, Dundee, and all the other branches, the directors again desire to express their thanks for their services and loyal support during the year. Our managers at the London City office and Dundee have recently retired under the bank's superannuation scheme after long and valued service, and the directors feel sure that the high standards of service set by them in these important offices of the bank will be maintained by their successors.

I now beg to propose that the report, containing a statement of the accounts and balance sheet, be approved, and that out of the profits of the year a dividend at the rate of seventeen per cent. per annum for the half-year, under deduction of tax, be declared in conformity therewith.

The report was approved, and the governor, deputy-governor, extraordinary directors and the retiring ordinary directors were re-elected and auditors were re-appointed for the ensuing year.

JOHANNESBURG CONSOLIDATED INVESTMENT COMPANY, LIMITED

The annual general meeting of shareholders of Johannesburg Consolidated Investment Company, Limited, was held, on the 25th instant, in Johannesburg.

Mr K. Richardson, who presided, in the course of his speech said:

It is my privilege to submit for your consideration and approval the directors' report and the accounts for the year ended June 30,

1947. Although the conditions prevailing during the year under review were, in many respects, unsettled, the company experienced a successful year, and the profit, which amounted to £1,672,794, showed an increase of £517,488 over the corresponding figure for the previous year. An amount of £762,207 was provided for taxation, and of the remaining £910,587 your directors have transferred £300,000 to reserve fund, which now stands at £4,600,000. In addition, they deemed it necessary, in view of present conditions, to set aside £100,000 to provide for increases in the benefits payable by the company's pension funds and for voluntary pensions not covered by such funds. Dividend No. 55 of 3s. 6d. per share plus a bonus of 1s. per share, less United Kingdom income-tax at the standard rate of 9s. in the £, absorbed £488,812, and after these appropriations the balance of undistributed profits carried forward showed an increase of £21,775 to £337,505.

The book value of the assets totals £12,222,753, whilst current liabilities and provisions, together with the provision for United Kingdom income-tax, 1948-49, amount to £3,335,248, thus leaving an excess of assets over liabilities of £8,887,505.

The company's holdings in stocks and shares, including those in subsidiary companies, at £7,561,633 were increased by £159,375, which is accounted for by the excess of purchases over the book value of investments sold and depreciation written off. The reduction in the book value of shares in subsidiary companies is due to the transfer to the main heading of stocks and shares of the book value of the company's holding in Phoenix Colliery, Limited, which no longer falls within the definition of a subsidiary company. As stated in the directors' report, stocks and shares are included in the balance-sheet at or below cost and in no case above the market value at June 30, 1947, or in the case of unquoted investments, above the valuation by the directors, who have also revalued certain holdings below both cost and market value. The aggregate market value of the company's investments is substantially in excess of the value shown in the balance-sheet.

A strong liquid position has been maintained, the excess of current assets over current liabilities and provisions at £1,494,324 showing an improvement of £423,494 when compared with the corresponding figure for 1946.

The operations of the gold mining industry were adversely affected by a continued shortage of European and native labour, and the tonnage mined in 1946 at 56,927,500 tons showed a further decline of nearly two million tons compared with the previous year. The production was, in round figures, 11,918,000 ounces of fine gold, which compares with 12,213,000 ounces, reflecting a reduction of 295,000 ounces.

Working costs continued to rise owing to various causes, notably increased cost of living allowances, higher costs of stores and the fact that the mines were not able to work at full production because of the labour shortage. The effect on the profits of the industry of the reduction in tonnage crushed and the increased costs was a reduction of £5,577,000 to a total of £26,329,000 in the working profit earned for the year 1946.

The report was adopted.

GOVERNMENT RETURNS

For the week ended November 22, 1947, total ordinary revenue was £43,540,000, against ordinary expenditure of £59,003,000 and issues to sinking funds £180,000. Thus, including sinking fund allocations of £10,079,891 the surplus accrued since April 1st is £231,614,000 against a deficit of £530,932,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1947-48	Receipts into the Exchequer (£ thousand)			
		April 1 to Nov. 23, 1946	April 1 to Nov. 22, 1947	Week ended Nov. 23, 1946	Week ended Nov. 22, 1947
ORDINARY REVENUE					
Income Tax	108,600	487,283	455,770	5,688	11,855
Sur-tax	80,000	19,772	23,105	550	700
Estate, etc., Duties	155,000	95,359	105,999	3,140	3,550
Stamps	57,000	23,247	32,370	1,080	300
N.D.C.	206,000	222,150	169,663	5,798	5,754
E.P.T. Refunds	1,000	168	120	...	...
Other Inland Rev.	...	...	...	...	...
Total Inland Rev.	158,500	868,059	810,307	17,771	22,809
Customs	742,460	385,265	511,466	9,811	13,273
Excise	668,540	371,400	368,000	7,500	5,800
Total Customs & Excise	1,411,000	756,665	879,466	17,311	19,073
Motor Duties	50,000	12,545	13,053	...	...
Surplus War Stores	95,000	75,985	126,878	1,067	43
Surplus Receipts from Trading	55,000	30,000	30,175	10,000	...
Post Office (Net Receipts)	...	5,750	5,030	600	700
Wireless Licences	11,000	4,200	5,170	...	...
Crown Lands	1,000	650	650	40	...
Receipts from Sundry Loans	21,000	21,082	18,863	...	...
Miscell. Receipts	270,000	23,595	189,638	388	914
Total Ord. Rev.	3,449,000	1,798,532	2,099,249	47,176	43,540
SELF-BALANCING EXPENDITURE					
Post Office	144,230	77,700	86,650	2,200	2,600
Income Tax on E.P.T. Refunds	49,000	126,850	15,256	2,335	580
Total	3,692,230	230,082	220,115	51,711	46,719
Issues out of the Exchequer to meet payments (£ thousand)					
Expenditure	Estimate, 1947-48	April 1 to Nov. 23, 1946	April 1 to Nov. 22, 1947	Week ended Nov. 23, 1946	Week ended Nov. 22, 1947
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	525,000	310,730	321,629	2,768	2,853
Payments to N. Ireland	23,000	10,593	13,110	...	...
Issue to Nat. Land Fund	...	50,000	...	...	...
Other Cons. Fund Services	8,000	3,990	3,856	...	...
Total	556,000	375,313	338,595	2,768	2,853
Supply Services	26,511,4	19,445,12	15,189,61	65,170	56,150
Total Ord. Exp.	3,191,114	231,982	185,756	67,938	59,003
SELF-BALANCING EXPENDITURE					
Post Office	144,230	77,700	86,650	2,200	2,600
Income Tax on E.P.T. Refunds	49,000	126,850	15,256	2,335	580
Total	3,383,344	252,437	195,942	72,473	62,183
After increasing Exchequer balances by £513,427 to £2,873,888 the other operations for the week increased the gross National Debt by £61,193,496 to £25,894 million.					

NET ISSUES (£ thousand)

P.O. and Telegraph	450
E.P.T. Refunds	709
Overseas Trade Guarantees	73
Local Authorities Loans Act, 1945, Sec. 3 (1)	6,400
War Damage: War Damage Commission	22,000
Finance Acts, 1946 and 1947, Post-war Credits	2,403
Housing: Temporary Accommodation Act, 1944, Sec. 2 (1)	13,000
	45,037

Statistical Summary

CHANGES IN DEBT (£ thousand)		NET REPAYMENTS	
NET RECEIPTS		3% Def. Bonds	*3,197
Nat. Savings Certs.	2,350	Other Debt	26
2½% Def. Bonds	1,512	Internal	1,098
1½% Reserve Certs.	293	External	1,594
Treasury Deposits	25,000	3% Term. Ann. ties	14,335
Treasury Bills	52,288	Ways & Means Advances	20,250
	81,443		

* Including £2,533,580 paid off on maturity.

FLOATING DEBT (£ million)

(£ million)						
Date	Treasury Bills		Ways and Means Advances		Treasury Deposits by Banks	Total Floating Debt
	Tender	Cap	Public	Bank of England		
1946						
Nov. 23	2060.0	2481.5	392.4	...	1742.5	6676.0
1947						
Aug. 16	2180.0	2428.2	336.7	1.75	1380.5	6337.7
" 23	2180.0	2467.9	336.9	9.75	1350.5	6345.5
" 30	2190.0	2428.5	339.8	4.75	1323.0	6286.0
Sept. 6	2190.0	2466.4	369.6	4.75	1304.0	6334.0
" 13	2190.0	2499.9	357.1	4.25	1296.5	6347.0
" 20	2190.0	2533.3	327.7	8.0	1299.0	6357.0
" 26	2190.0	2557.1	322.3	...	1292.5	6361.0
Oct. 4	2200.0	2534.8	363.9	19.8	1267.0	6385.5
" 11	2220.0	2561.7	343.2	20.5	1253.5	6398.0
" 18	2230.0	2584.7	362.8	2.0	1253.0	6432.0
" 25	2230.0	2561.5	332.6	...	1252.5	6376.0
Nov. 1	2240.0	2543.4	354.8	1.75	1252.5	6392.0
" 8	2250.0	2539.3	337.7	...	1252.5	6379.0
" 15	2250.0	2527.5	346.7	13.0	1292.5	6535.0
" 22	2250.0	2579.7	339.1	6.8	1317.5	6593.0

TREASURY BILLS (£ million)

Date of Tender	Amount Offered	Applied for	Allotted	Average Rate or Allotment %	Per Cent. Allotted at Min. Rate
1946					
Nov. 22	160.0	272.9	160.0	10	1.67
1947					
Aug. 22	170.0	258.4	170.0	10	1.58
" 29	170.0	251.9	170.0	10	3.14
Sept. 5	170.0	276.8	170.0	10	2.54
" 12	170.0	269.7	170.0	10	2.85
" 19	170.0	253.5	170.0	10	5.10
" 26	180.0	277.4	180.0	10	2.66
Oct. 3	190.0	299.9	190.0	10	1.39
" 10	180.0	291.3	180.0	10	1.36
" 17	170.0	268.9	170.0	10	1.87
" 24	170.0	285.0	170.0	10	1.52
" 31	170.0	289.3	170.0	10	1.38
Nov. 7	170.0	270.1	170.0	10	1.49
" 14	170.0	271.2	170.0	10	1.85
" 21	170.0	271.2	170.0	10	1.70

On November 21st applications for bills to be paid on Monday, Tuesday, Wednesday, Thursday and Friday were accepted as to about 53 per cent. of the amount applied for at 99 17s. 6d. and applications at higher prices were accepted in full. Applications for Saturday were accepted at 99 17s. 6d. and above in full. £170 million (maximum) of Treasury Bills are being offered for November 28th. For the week ended November 29th the Banks will be asked for Treasury deposits to an amount of £20 million maximum.

NATIONAL SAVINGS (£ thousand)

	Week Ended Nov. 16, 1946	Nov. 15, 1947	Totals Mar. 31 to Nov. 15, 1947
Savings Certificates:—			
Receipts	2,800	4,000	136,400
Repayments	2,650	2,700	91,250
Net Savings	150	1,300	45,150
Defence Bonds:—			
Receipts	2,875	1,225	46,990
Repayments	840	683	25,274
Net Savings	2,035	542	21,716
P.O. and Trustee Savings Banks:—			
Receipts	13,622	14,054	418,109
Repayments	10,462	10,396	395,753
Net Savings	3,160	3,658	22,354
Total Net Savings	6,345	5,500	89,220
Interest on certificates repaid	424	486	17,427
Interest accrued on savings remaining invested	2,228	2,290	70,029

BANK OF ENGLAND RETURNS

NOVEMBER 26, 1947

ISSUE DEPARTMENT

Notes Issued:	£	Govt. Debt	£
In Circulation	1340,469,020	Other Govt. Securities	11,015,100
In Bankg. Department	109,778,813	Other Secs.	1438,394,831
		Other Secs.	579,818
		Other Gold	10,251
		Am't of Fid. Issue	1450,000,000
		Gold Coin and Bullion (at 172s. 3d. per oz. fine)	247,833
			1450,247,833

BANKING DEPARTMENT

Capital	£	Govt. Secs.	£
Rest.	14,553,000	Other Secs.	278,472,909
Public Depts.	3,396,679	Discounts and Advances	4,451,030
	14,025,140	Securities	23,597,767
Other Depts.	292,460,461	Notes	109,778,813
Other Accts.	385,792,563	Coin	1,466,863
			417,767,382

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

COMPARATIVE ANALYSIS (£ millions)

	(£ millions)			
	1946	1947		
	Nov. 27	Nov. 12	Nov. 19	Nov. 26
<i>Issue Dept. :</i>				
Notes in circulation	1366.0	1360.3	1348.1	1340.6
Notes in banking department	34.2	90.0	102.1	109.8
Government debt and securities*	1399.1	1449.3	1449.3	1449.4
Other securities	6.9	0.7	0.6	0.6
Gold	0.2	0.2	0.2	0.2
Valued at s. per fine oz.	172/3	172/3	172/3	172/3
<i>Banking Dept. :</i>				
Deposits :				
Public	10.1	13.7	11.0	14.0
Bankers	310.1	297.7	309.0	292.5
Others	56.3	94.5	91.8	93.3
Total	376.5	405.9	411.8	399.8
Securities :				
Government	309.6	304.1	301.3	278.5
Discounts, etc.	25.3	7.3	5.2	4.4
Other	34.3	20.6	19.4	23.6
Total	259.2	332.0	325.9	306.5
Banking dept. res.	35.3	91.8	103.6	111.1
	%	%	%	%
"Proportion"	9.3	22.6	25.2	27.7

NATIONAL BANK OF INDIA LIMITED

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Aden and Amritsar Bombay Calcutta Cawnpore Chittagong Dar-es-Salaam	Cochin (S. India) Colombo Delhi Kandy Karachi Lahore Mwanza	Madras Mombasa Nuwara Eliya Rangoon Tuticoria Zanzibar	Kisumu Mombasa Nairobi Entebbe Jinja Kampala Mbale
Tanganyika Territory			
SUBSCRIBED CAPITAL... £4,000,000			
PAID-UP CAPITAL... £2,000,000			
RESERVE FUND... £2,300,000			

The Bank conducts every description of Eastern Banking business. Trusteeships and Executorships also undertaken.

REFUGE ASSURANCE COMPANY, LTD.

Chief Office: OXFORD STREET, MANCHESTER, 1

ANNUAL INCOME EXCEEDS	£16,300,000
ASSETS EXCEED	£97,000,000
CLAIMS PAID EXCEED	£181,000,000

(1946 Accounts)

UNIVERSITY OF LONDON

A course of five lectures entitled "Les origines économiques de la Révolution française" will be given (in French) by Professor Ernest Labrousse (Professor in the Faculty of Letters, University of Paris) at 4.45 p.m. on December 1st, 3rd, 4th, 5th and 8th at the London School of Economics, New Theatre (East Wing), Houghton Street, Aldwych, W.C.2. At the first lecture the Chair will be taken by Professor R. H. Tawney (Professor of Economic History in the University of London). Admission free, without ticket.

JAMES HENDERSON, Academic Registrar.

VICTORIA UNIVERSITY COLLEGE

WELLINGTON, NEW ZEALAND
Applications are invited for the CHAIR OF POLITICAL SCIENCE. Salary £1,200 (N.Z.) per annum. Allowance for travelling expenses. Further particulars may be obtained from The Secretary, Universities Bureau of the British Empire, 8, Park Street, London, W.1. The closing date for the receipt of applications is January 31, 1948.

NATAL UNIVERSITY COLLEGE

(DURBAN)

Applications are invited for a SENIOR LECTURER IN ACCOUNTING AND AUDITING. Salary scale £600 x 25-£900 per annum, plus Civil Service cost of living allowance. Allowance for travelling expenses. A suitable applicant may be appointed at any point of the scale according to qualifications and experience. Further particulars may be obtained from The Secretary, Universities Bureau of the British Empire, 8, Park Street, London, W.1. Closing date for the receipt of applications is December 31, 1947.

NATAL UNIVERSITY COLLEGE

(DURBAN)

Applications are invited for the CHAIR OF ACCOUNTING AND AUDITING. Salary scale £850 x 30-£1,180 x 20-£1,200, per annum, plus cost of living allowance. In addition a bonus of £250 per annum is payable to the occupant of the Chair by the Natal Society of Accountants at their discretion. A suitable applicant may be appointed at any point of the scale according to qualifications and experience. Allowance is made for travelling expenses. Further particulars may be obtained from The Secretary, Universities Bureau of the British Empire, 8, Park Street, London, W.1. Closing date for the receipt of applications is December 31, 1947.

THE CONSOLIDATED GOLD FIELDS OF SOUTH AFRICA LIMITED

NOTICE IS HEREBY GIVEN that the Ordinary General Meeting of Members of THE CONSOLIDATED GOLD FIELDS OF SOUTH AFRICA, LIMITED, will be held at THE CHARTERED INSURANCE INSTITUTE, 20, ALDERMANBURY, LONDON, E.C.2, on THURSDAY, the 4th day of DECEMBER, 1947, at 11.30 a.m., for the purposes following, namely:—

To receive and consider the Statement of Accounts and Balance Sheet and the Reports of the Directors and Auditors thereon for the year ended June 30, 1947; to confirm the dividends paid on the First and Second Preference Shares; to sanction the declaration of a dividend on the Ordinary Shares; to elect Directors and Auditors and to transact the other ordinary business of the Company.

Dated this 26th day of November 1947.

By Order of the Board,

R. CARR TAYLOR, Secretary.

49 Moorgate, London, E.C.2.
Note.—Holders of Share Warrants to Bearer wishing to attend or vote at this Meeting must obtain the Certificate of an Authorised Depositary that the Share Warrants have been deposited in accordance with the provisions of the Exchange Control Act, 1947. The necessary Forms or Certificates (embodying the appropriate declaration of ownership) can be obtained from the Company and must be completed and lodged with the Company three clear days before the date of the Meeting.

EKCO-ENSIGN ELECTRIC LTD. require an Export Manager. Applicants must possess a good electrical technical background, and considerable export and commercial experience. The appointment carries a good salary, and the successful applicant must be prepared to travel abroad, for several months a year. The Export Office of the Company is in London. Apply in writing only, to:—Department JY, EKCO-ENSIGN ELECTRIC LTD., Ekco Works, Southend-on-Sea.

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L. R. Newman, Mgr.

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SUDAN RAILWAYS require for service in the Sudan a Senior Accountant with first class professional qualifications plus experience in administrative or executive finance with commercial or public utility undertaking. Age 40-45. Long term contract for 12 years in the scale £E480-986 with gratuity of £E4000 on completion or, alternatively, Provisional Fund Contract for not less than 7 years in the scale £E560-1100 with customary Provident Fund contributions and benefits. In both cases, starting rate according to age, qualification and experience, followed by periodic increases and with prospect of eventual promotion; also cost of living allowance now 45% of salary, subject to maximum £E225. There is at present no Income Tax in the Sudan. Strict Medical Examination. Application Form and further information from Sudan Agent in London, Wellington House, Buckingham Gate, London, S.W.1. Please mark envelope "Senior Accountant."

INDIA—Leading firm of manufacturing pharmaceutical chemists with large and growing business in India both in ethical and publicly advertised medicinal preparations invite applications for post as Manager of the Bombay branch. Candidate appointed will be required to train for the position in London and should have suitable background and education. Indian experience preferred but not essential.—Applicants should write giving full details experience and salary required to Box 610.

ACCOUNTANTS—Robson, Morrow & Co., have vacancies on their staff for outstanding Chartered or Incorporated Accountants, not over 37, who have held appointments in industry, and who are interested in being trained in the installation of modern Industrial Accounting methods.—Send full particulars of age, education, qualifications, experience and present salary to 58, New Cavendish Street, London, W.1., marking envelope "Application."

GENERAL Manager required for immediate engagement on a three years contract for British Egg Packing plant in Shanghai, China. Single man with University Degree preferred but not essential, must be a business man. Commencing salary £1200 p.a. plus high cost of living allowance. First class passage provided both ways. Reply giving personal and commercial references and qualifications.—Box 613.

VACANCIES for Building Surveyors in West Riding and Newcastle areas. Salary according to age and experience. Apply—William Townson & Sons, Ltd., Park Hill Street, Bolton, Lancs.

UNIVERSITY DEGREES, QUIETLY, in your own home, by studying our carefully prepared and tested courses, you can secure an external Degree of London University (B.Com., B.A., B.Sc., B.Sc.(Econ.), LL.B.). Expert and inexpensive tuition also given for Accountancy and Secretarial Diplomas, Matriculation, Civil Service posts, etc. Write now, specifying interest for the new 100-page FREE book "YOUR CAREER" to The Principal, The Rapid Results College (Est. 1928), F.176, Tuition House, London, S.W.19 (or call at 235, Grand Buildings, Trafalgar Square).

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Established 1843

One Shilling

December 6, 1947

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Britain in Europe

THE quick passage of the American Interim Aid Bill through the Senate offers some hope that not only emergency measures but the Marshall Plan itself may be enacted before too long. And the chance that the Plan may soon come into being makes the question of its administration a matter for urgent consideration.

The problem was first posed when Mr Marshall on June 5th asked the European nations to plan their recovery jointly, but at the Paris Conference, where the British delegation inevitably took the lead, the question of closer co-operation was shelved. The nations did not come prepared to sacrifice national sovereignty—for example, by permitting their estimates of need to be examined critically—and the British, anxious above all to produce a report speedily, did not press the issue. Nor was the British Government particularly anxious to give a lead towards the joint planning and administration of European recovery. Behind many plans for closer integration—for example, the scheme for the mutual convertibility of European currencies—seemed to lurk the chance that Britain would be asked to mortgage more of its shrinking supply of dollars. Similarly, plans for the scrutiny of national needs held the possibility that Britain's neighbours might find the percentage of aid it sought too high. No decisive lead towards greater economic integration was, therefore, given and in the Report even the proposal to keep some sort of multi-national body in being to supervise the Plan was inserted only as a result of American pressure. In Washington, too, where the chief responsibility for explaining the Paris Report fell to the British delegates, the issue of the continuing organisation was not pressed. The United States Administration and Congress have, therefore, been left to make up their own minds on this point. All are agreed that there will be an American agency of some sort. The question is: with whom in Europe will it deal?

A number of influential groups inside and outside Washington would like to see the Sixteen establish a joint agency among themselves to advise and assist the Americans in the scrutiny of national requests, in the establishment of priorities and in the allocation of supplies. No exactly comparable agency has yet existed, but the idea is that the spirit which animated the wartime Combined Boards—in admittedly different circumstances—should guide the work of the new agency. The argument for such a body is that, on the one hand, it could vastly reduce the possibility of direct American intervention and give Europe the chance to work out its own priorities and allocation. On the other hand, it could be a means of moving towards that larger conception of European unity with which Mr Marshall first made his offer and which, some Americans argue, is in the long run the only issue great enough to ensure continuing American support through the four years of the plan.

An opposite view has also emerged, particularly in Congress, and the influential Herter Committee has put its weight behind an American approach to Europe on a completely separate national basis. Each nation would work out with the United States the amount of aid it was to receive, and the only common denominator in all these bi-national

negotiations would be the American agency, on which would therefore fall the task of determining priorities and co-ordinating allocations. Between this scheme, which represents direct American intervention, and the opposite hope that the Europeans would set up their own multi-national agency, the Americans, it seems, have still to make up their minds, and it may be that a determined expression of opinion from Europe might influence them. What, then, ought the attitude of the European nations—and of Britain at their head—to be?

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There should be no mistake about it. The decision is a difficult one and the risks attending any policy are great. The immediate advantages appear to lie with the strictly national approach. It can be argued that a bilateral negotiation with the United States will secure a larger share of Marshall aid for Britain than could be obtained by any other method of allocation. Out of the first appropriation the British have asked for \$2.2 billion, the French for \$1.7 billion, Western Germany has been put down for \$1.1 billion. These sums account for three-quarters of the total, and it is open to doubt whether the Sixteen would have agreed to so large a proportion of the total going to three only of their number if any scrutiny of national requirements had taken place at Paris; but the British Government is convinced that any smaller allocation would confront Britain with the possibility of economic collapse.

The political risks of a joint scheme seem equally great at a time when large Communist parties are creating such uproar in France and Italy. The conflicting economic claims of the Commonwealth and of Western Europe to the British market could perhaps be worked out, at least so long as supplies remain a greater anxiety than markets. But how long will this be? In the longer term, might not more attractive prospects for Britain lie in moving towards closer association with the English-speaking peoples of America and the Commonwealth and in remaining a resolutely extra-European Power?

These doubts and hesitations have admittedly been deepened by reports reaching this country in recent months on the attitude of many Americans to the British dilemma. On several occasions, the British have been warned that they must "take their place in the queue" with the implication that that place might not be a very high one. The fact that Britain alone could give a lead in Europe, that the existence of both a Commonwealth and a sterling area gave Britain special commitments, and that these commitments were a factor of stability in an unstable world—none of this appeared to have made much impact on the American official mind. Thus at a time when bold and courageous thinking in Britain could have matched the generosity of the Marshall offer, the British were thrust back upon a defensive state of mind.

Yet even if the reasons for the timidity of present British thinking can be understood, the timidity itself is no less dangerous. It is dangerous, in the first place, because it leaves the United States with no alternative but to shoulder directly the major burden of intervention in the affairs of Western Europe. If the nations will not seek agreement among themselves, the only possible arbiter is America. Thus the kind of intervention that can most attract Communist attack seems inevitable. Nor is it certain that Britain can obtain even its limited aim of securing higher priority, if it negotiates directly with America and by-passes its European neighbours. The Americans may be as unresponsive as they have been in the last six months to a special British claim, and once the unity of the Sixteen is split, the other nations will be exercising all the ingenuity they possess to ensure that their own shares are enlarged. Instead of dealing with a responsible European organisation, the Americans may find themselves struggling with a rabble of queue-breaking clients.

These possibilities are all the more unfortunate in that the almost certainly spring from a British misconception of how European multi-national agency would work. Haunted by the United Nations, they are thinking in terms of voting strength and see their priorities fixed by a majority which exclude themselves but includes Iceland. But a functioning multi-national agency need not work according to such a rigid formula. Such bodies as the Middle East Supply Centre and Unrra are not strictly comparable, since in both Anglo-American preponderance was great, yet they worked nevertheless on the basis, not of voting, but of a mixture of economic reality and political good sense. In Unrra, for example, the Russians agreed that Greece should receive three times as much aid as the Ukraine. It is possible, even likely, that a European agency might show some of the same flexibility, particularly if American influence pointed in the same direction. And it is at least arguable that Britain might find its special needs as favourably considered by a Europe hungry for British coal as by an American agency impatient with a Socialist Government.

*

But it is in the longer run, in the perspective of history, that British timidity and hesitation are likely to reap their most dangerous harvest. Geographically, Britain is now an extension of the European Continent, and it is isolationism, no less crass than that of which the Middle West is accused, to believe that a purely extra-European existence is open to Britain in the twentieth century. It is indeed a profound contradiction in British thinking to imagine that America can be drawn into a Europe from which the British wish to cash out. The one withdrawal will ultimately entail the other, and then no dreams of an "English-speaking association" will alter the fact that the British Isles are on the wrong side of the Atlantic.

Economically, the sixteen sovereignties of 1938 are already an anachronism, and since it now seems almost certain that a separated Western Germany must somehow be absorbed in Western Europe, the need for a wider economic integration is immediate. British fears that the creation of a wider market might expose their industrial structure to difficult competition is in reality an argument for precisely that policy, for if Britain is to maintain its position as an exporter, it is common knowledge that something must be done to reverse the mounting trend of its *costs of production*. Another decade of economic protectionism may reduce Britain to a position in which over-costly British goods can no longer find foreign markets, and then of what assistance will its carefully fostered isolation prove to be?

It is not necessary to have the poet's eye or the historian's mind to feel that the year that lies ahead, 1948, centenary of Europe's year of revolution, will prove a turning point in history, one of those periods when a nation, when a whole civilisation perhaps, is offered the opportunity of resolving its conflicts and its instabilities and of moving forward to new frontiers of creativeness and freedom. Whatever criticism may legitimately be made of American policy in the past, or whatever doubts may still be held in reserve for the future, the fact remains that in considering a gift of three and a-half billion dollars to their neighbours in time of peace the Americans are making a departure from settled national policy so startling and so generous that of them at least it can be said that the new challenge has called forth a new response. The trouble lies in Europe. Are narrow interests, old parochialism, legitimate but outdated national policies to stand in the way of any new approach to Europe's needs? And if Britain, once the most far-sighted and enterprising member of the Western community, to take the lead in re-establishing the worn-out pattern of the past?

France in Confusion

AFTER the events of the past week it is obvious that parliamentary democracy in France will have a hard fight for its life. Any democratic system must be able to rely, as a minimum, on three things—on a certain underlying conformity of aim among the various social classes; on respect for parliamentary procedure and hence willingness to accept the vote in parliament as the ultimate arbiter of disputes; and on an equal willingness not to carry unsolved disputes out to the violent arbitration of the streets. In France at present, the largest political party—the Communist Party—flouts each of these three pre-conditions. The subservience of its leaders to Russian foreign policy—dramatically underlined by Thorez's return from Moscow in the middle of this week's turmoil—cuts the party off from even a minimum unity of purpose with the rest of the nation, since it is willing to jeopardise economic recovery to serve the diplomacy of a foreign Power.

As for any acceptance of parliamentary procedure, Communist tactics in the Chamber resemble nothing so much as the methods by which the hundred-odd Nazi deputies brought the Reichstag to an ignominious standstill in the last days of the Weimar Republic. Amid screams of insult—all turning now on who did or did not collaborate with the Germans—the singing of revolutionary songs, forced occupation by Communists of both the rostrum and the hall, parliamentary debate in France has been in virtual abeyance for a week. It may be that if the other parties had shown more restraint, the excesses of the Communists could have been checked, but of their intention to reduce the Assembly to an impotent "talking shop"—worse, a singing shop—there can be no doubt. And the total disorganisation of parliamentary procedure within the Chamber has been accompanied by the fomenting of strikes which, however genuine the economic grievances they exploited, have been purely political in character, designed to bring down the Government and reduce the French economy to a state in which it is unfit to participate in the Marshall Plan.

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Must the conclusion therefore be that we are witnessing 1922 and 1932 all over again? Is Schuman the Bruening of one more collapsing parliament? Is it only a short step now to the taking over of the French Republic by extremists of the Right who will be ready to crush working-class opposition, sweep away democratic institutions and provide—though at what cost!—the authority without which the violent conflicts of French society must tear the community to pieces? No one would risk the prophecy today that the passing of power to the Right, in the person of General de Gaulle, is either impossible or unlikely. But it is perhaps still possible to say that it is not absolutely certain. The Communists seem to have shot their bolt. In the pattern of strikes in the last weeks, the Communists' first hope was that if they could foment local strikes on the wage issue, the example would prove contagious and nationwide strikes in various branches of industry would become general. The technique was more or less successful in the coalfields and the steel industry but failed when the railwaymen did not follow the local strikers' lead. The Communist-dominated CGT then called a general railway strike and set up a National Strike Committee. But still the trains continued to run—even the trains which should not have been there to fetch M. Thorez from the frontier on his return from Moscow.

In other industries, the answer to the strike appeal has been sporadic. The public services are only partially disabled and many workers in a crucial and symbolic sector, the public utilities, after dimming the lights for twelve hours, have returned to their power stations. The Communist majority in

the CGT can still outvote the Moderate wing—the *Force Ouvrière* which, led by Léon Jouhaux, stands for non-political trade unionism—by eight to one, but the number of workers who, in the security of a secret ballot, vote to return to work suggests that the hierarchy of the CGT is getting out of touch with the rank and file. And in the last week, acts of sabotage of all kinds, but particularly on the railways, have produced a general revulsion, for workers as well as "fascist beasts" travel on trains. A wave of political strikes designed to paralyse the country's administration must either be successful or else its sponsors are left worse off than they were, with their bluff called and their weapon broken. The dynamics of the French situation may therefore turn against the Communists now that a great mass of workers is beginning to show a willingness to stay at work.

Another hopeful factor is the still tentative and unorganised state of the extreme Right. General de Gaulle's strategy is obviously to wait until the implementation of the Marshall Plan gives him some economic elbow room and the next elections give him a comfortable majority of the votes. But the timing is important. The French remain a libertarian people, and the memory of their dictators from Napoleon to Pétain is not exorcised. If aid under the Marshall Plan were to begin to restore a reasonable economy, it is not certain that the vote would be for the extremes. If Communism slackens and economic hope increases, the General may find himself with every advantage save that desperate situation he needs in order to become France's "saviour."

It is above all the fact that economic assistance—possibly on a massive scale—is on the way that distinguishes France today from the hopeless Germany of 1932. No moderate Government can survive the degree of economic maladjustment prevalent in France today. But it is just possible that it may not be asked to do so. The present wave of strikes, which have genuine economic roots, should not be allowed to mask the fact that between whiles the French have been working hard and well, with industrial production in October well above the level of 1938 in key sectors such as coal, steel, electricity, building materials, and a number of heavy industries. In production at least—distribution is another matter—France is suffering more from the maladjustment of the world economy than from any lack of effort on its own part. Hence there is hope that the Marshall Plan, by ending some of these maladjustments, will allow French production to reap its reward in better distribution, in rational prices and restored finances.

But to seize these chances of saving the Republic, M. Schuman's Government (or any other coalition which may succeed him) must face an incredibly delicate and difficult winter. The Communists' momentum has probably been broken. But they retain an enormous nuisance value. They will offer every provocation to an exasperated Government to strike not only at them, but through them at the whole idea of trade union organisation and at the working class itself. The aim of any moderate Government now should be to foster and strengthen at all cost the growing moderate wing of the CGT, to be scrupulous in its defence of the legitimate rights of the workers, and to seek a *ralliement* of all trade unionists who are sick and tired of Communist excesses, but rightly suspicious of a strike-breaking Government.

In this context, the Emergency Laws which are being passed by the Assembly in the teeth of hectic Communist filibustering, give grounds for uneasiness. M. Schuman has proposed six laws to Parliament, only one of which has been passed so far. The first Act calls to the Colours 80,000 additional men. In

view of the sabotage and the strikers' violence in towns all over France there can be little quarrel with this, nor can there be much objection to the third Bill—imposing heavy penalties for sabotage or violence against non-strikers. But the second, fourth and fifth, which lay down penalties for "interfering with the right to work," could easily become instruments breaking the right to strike. These laws have embarrassed M. Jouhaux and the moderates within the trade union movement. Had the Communists fought a parliamentary battle with force and reason on these points, they could probably have swung the Socialists away from the Government. Instead they chose to reduce the Assembly to a bear garden.

The second difficulty facing any moderate Government is the reality of the workers' grievances. The misery in the great cities of France has now reached such a pitch that even without Communist fomentation a strike wave would have been inevitable. The root of the evil is food prices and the black market. Between July and October, it is estimated that retail food prices have risen (1938=100) from 974 to 1309 and the rise was even sharper in November. Wages have never bought so little, not even in the trough of the Occupation. In these conditions a revision of wage rates is inevitable and it would almost certainly be the course of wisdom on the part of the Government, in its negotiations with the CGT, to concede—to M. Jouhaux if possible—the immediate increase of the minimum wage from 7,000 to 10,800 francs a month and to recognise that if further startling advances in the cost of living occur, further wage adjustments will be necessary.

Admittedly such a policy entails the risk of giving the final spin to inflation, but the policy of increasing wages—the Communists' only sound plank—could be combined with a new effort at stability in the crucial sector of food. Many economists now argue that industrial prices should be allowed to rise again to absorb part of the new wage increases and that the Govern-

ment should concentrate its efforts and its rigours in bringing sanity back to the food market. Draconian measures against black marketeers have been passed by the Assembly, but have remained in abeyance. They should now be used to disgorge the hoarded food held by peasants and wholesalers alike and thus to allow increased supplies to reduce the skyrocketing prices in the towns. The Government would better assert its authority by imposing hard labour on the largest black market operators than by passing anti-strike laws which could give the Communists an opportunity later to restore their authority. Incidentally, the distribution of the food provided by American interim aid could be made a useful adjunct of the Government's policy for food.

Yet having searched the dark skies of France for a break in the clouds and having found a timid ray of light here and there on the horizon, one has to admit that these possibilities open to moderate government depend upon its own coherence, energy and vision. And it is here that pessimism must grip any honest observer of the French scene. Although for the time being, the Communists have succeeded in creating a solid majority against them, it is a negative coalition and M. Schuman (or any successor to M. Schuman) will have the greatest difficulty in holding together a team which includes the Left wing of the Socialists, the wary conservatism of many MRP members, and is under constant pressure from General de Gaulle's group on the extreme Right. Save on the question of quelling the Communists, what issue unites these men? On what methods of government can they agree? Can they even accept the basic principle that in the bitter months ahead some attempt shall be made to ensure that France's hardships are evenly spread and borne? It is the likelihood that no figure or group in the Centre has either the vision or the leadership to make centre government viable that leads even France's warmest friends to "despair of the Republic" and to look over their shoulders apprehensively at the waiting General.

Transport Next Year and After

AN article in last week's issue of *The Economist* on "British Railways" analysed the scheme which the British Transport Commission has framed for the Railway Executive. Its conclusions, unfortunately, were more than a little sceptical. It found that the scheme lays too much emphasis on technical direction of British Railways from the centre, and makes too little provision for the general function of management, which alone is capable of stimulating, guiding and sometimes restraining the technical specialists. This view seems to be widely shared by commentators on the scheme, and it has not been overthrown by subsequent statements on behalf of the Commission which have sought to show that the Commission itself will exert the functions of management, following the principle of the existing boards of railway directors, while the Executive, apart from its specialist character, will be able to view questions of railway administration and policy from a broad, and not merely a technical, angle.

This comes close to saying that management will reside in two bodies, one of which happens to be the master and the other the servant. But there are several quite distinct aspects of the management problem. Technical management is required in each of the Regions, and all of the Regions have in turn to be brought under a common technical supervision exerted by the Executive. General management, at the level roughly equivalent to the railways' general managers, but shorn of almost all of the latter's powers, will repose in the Chief Regional Officers. But their functions will be co-ordinating rather than originating, and it remains to be seen how far they will be supported by the collective authority of the Executive. As for the

Executive, the scheme exposes it to the mortal danger of remaining a collection of technical experts, and not a body of collective views and authority. At the apex, the Commission will be responsible for the broadest policy; at the base of the pyramid, the local technical staffs will be in charge of day-to-day working. The gap is in the middle; there is no intermediate layer of general management linking broad policy to the running of the railways.

Discussion is now turning on the extent to which this primary defect might be remedied. Can the Executive be expanded to include general as well as functional members? Not under the present Act, for that limits the size of each Executive to a chairman and not more than eight other members, and the Railway Executive already has its full statutory quota. But sooner or later this problem will have to be solved. It may be that, as in France (where this same problem of decentralisation and regional control arose after the nationalisation of the railways in 1938), the Chief Regional Officers may ultimately be established on a parity with members of the Executive, thereby providing them with effective power ultimately derived from the Chairman. Or it may be that the Railway Executive should be enlarged and divided, for certain purposes, into general and functional sub-Executives.

In terms of day-to-day working, this will not be an immediate problem on January 1st; it is likely to be far less important than the physical difficulties on the railways, but for which the momentum of the existing railway organisations would keep the services going with fair efficiency. But defects on the management side will become more serious when the real tasks

for which the Commission and Executives were set up begin to be tackled. Nationalising the railways is easy, in the sense of exchanging a Government-guaranteed stock for the existing railway capital. The railways could go on much the same as before. The scheme shows that it is intended that they should go on as before for a considerable time ahead. With the single exception of the Scottish region (which is as much a question of politics as of transport), all the existing systems remain intact. Even the Great Central line from Marylebone, which the Commission's own map suggested would come under the London Midland Region, will (contrary to what was said here last week) remain under the control of the Eastern Region. There need be no complaint about the absence of drastic changes; it will be quite enough to take over the railways on January 1st and keep them going during the remainder of the winter.

But quite soon after that the Regions will have to evolve new ways of handling traffic more efficiently. The Regional principle is a good one for exerting effective control over permanent way and motive power. When eventually all the joint lines and penetrating lines are allocated to the Region through which they run, there should be a real opportunity for the rearrangement of locomotive sheds, for standardisation of practice on permanent way, and for more effective traffic control. These will be some of the advantages which may emerge from the railway side of the nationalisation of transport, quite apart from what may happen to co-ordination of all forms of transport in the wider sense. But these gains—even if they come at all—will be slow to fructify, and they will require a great deal of capital expenditure on interconnections and traffic control systems. The task is to make the most efficient use of railways which grew a century ago from the forces of competition, but which have been allowed very often to degenerate into duplicate systems. Many of their old services have been kept on the time-table as a matter of tradition rather than of economic need. This is not an argument for cutting down services as a whole, but for concentrating—and increasing—them along the routes where they serve and attract the bulk of the public, and it is an argument against running services on particular routes merely because a line was built there a hundred years ago and trains have been running on it ever since.

For these tasks, there must obviously be some centralisation of technical management. But for others it is more doubtful whether centralisation is right. Commercial management is one of them. Centralisation may be important for the development of passenger and freight traffic in the country as a whole, but the regional commercial officers must be left with a very large measure of autonomy if the commercial relations of British Railways with its customers are to be fruitfully developed. A large measure of devolution will also be required on operating questions. All these problems will have to be considered as

they arise, but there is little doubt that they would be simpler to solve if the Chief Regional Officers were armed with effective authority.

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The discussion of the past ten days has turned almost exclusively on the future management of the railways. But it is necessary to remember that this is only one element, though a most important one, in the problem of co-ordination of transport, which is the Commission's ultimate duty. The Commission can only proceed by stages. It has to take over the railways, London Transport, and the canals on January 1st. And it has been left with discretion when to take over road transport undertakings. The railway scheme obviously takes little or no account of co-ordination of railways and roads—inevitably it could not do so. On the road side, two quite separate problems arise. The road passenger industry already consists of large integrated undertakings, with some of which, it is reported, the Commission has lately been discussing arrangements for taking over. On the other hand, the road haulage industry is a sprawling affair comprising 48,000 licensees, most of them small operators, with 140,000 vehicles. It is presumably the difficulty of coping with so many separate cases, and of satisfying the complicated procedure which must be followed in each of them, that has led to the belief that the sections of the Act dealing with road haulage may not become effective for a long time to come. At any rate, the first step towards implementing them—the appointment of a Road Transport Executive—has yet to be taken. Until that happens, co-ordination can only remain a dead letter. All the preliminary work, like the study of flows of road and rail traffic, the planning of zonal collecting and delivery arrangements, the development of road feeder services to railway centres, the closing of country stations and branch lines and their replacement by road services—all the factors which arise in the welding of the road and rail systems to provide optimum loading of vehicles, the cheapest form of transport for particular traffics, and the cutting out of duplicate services—will remain unstudied. There must be no mistake that this is the real task: unless it is solved, it will never be possible to provide an efficient unit of transport service for each purpose at the lowest real cost.

Associated with these problems is that of charges and rates for transport. Many would agree that Part V of the Transport Act, which deals with charges, is the least tangible part of the Act. The Commission is enjoined to prepare and submit a charges scheme in respect of the services and facilities which it provides, and to do so within two years of the passing of the Act, "or such longer period as the Minister may allow." The power of extension will almost certainly be required, for it is quite improbable that the Commission will be in a position by

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August 6, 1949, to recast the charging systems at present employed by the railways and the road hauliers. How is the present system of merchandise classification to be modified, if at all? Will the present 21 classes be the right ones for a co-ordinated rail and road transport system? Are the present differentials per ton-mile in favour of longer hauls sufficient to encourage through traffic and to divert short-distance haulage, where possible, to the roads? Will the Commission be able to introduce new economies in handling charges—the “terminals” which are now so relatively costly, partly because so little has yet been done to mechanise the work in the depots? And what of the mass of exceptional rates which are the product of road competition and account for as much as three-quarters of the merchandise revenue of the railways? Road competition had eroded the old system of classification, even in cases where it had some force of logic and reflected differences in the cost of handling different classes of goods. Is the right course to

Last Chance in Palestine

R IOT and murder in the Holy City have given a swift foretaste of the lawlessness that may be expected to result from the United Nations' attempt to convert Palestine into a Jewish “State” from an armchair at Lake Success. As a matter of coldly reasoned tactics, it would be foolish for an Arab resistance movement to start trouble now, while the British are still in charge. But no such organised resistance movement yet exists; Arab cohesion is loose, and the Arab leaders can incite, but scarcely yet control, the mass of their followers, who can only too easily get out of hand. So they will react in their fashion, which will be neither very wise nor very efficient. But for the moment it is not the Arabs but the United Nations who are on trial. It must be said that if the members of the Assembly had wanted to set the Middle East aflame, no more likely way of doing it could have been found than the conduct of its Palestine Committee, culminating in last Saturday's vote for partition.

What was, in fact, voted at Lake Success on Saturday? It is necessary to look back a little. Since it came into power, the British Labour Government has made a series of attempts, sometimes with American help, sometimes in the teeth of American opposition, to secure Arab and Jewish agreement on a plan for Palestine. It is worth emphasising that the form of these plans, particularly their avoidance of the word “partition,” was chosen in deference to the fact that partition was then rejected by the Zionists as well as by the Arabs. At the same time, the immigration provisions of the White Paper of 1939 were suspended; and since the final White Paper quota of 70,000 became exhausted in 1945, nearly 270,000 more Jews have been admitted to Palestine. Several offers were made to the Zionists to discuss a substantial increase even in this immigration rate, provided that they would call off illegal immigration and co-operate with the Mandatory Power in suppressing terrorism. The Zionists always refused.

It must be recorded for history that this continuing intransigence was due to a stubborn and monumental miscalculation by the Zionist leaders, who based their whole policy on the assumption that Britain could not “give up” Palestine. This allowed them to believe that non-cooperation, and illegality, and murderous attacks on the very forces which were responsible for their presence and prosperity in Palestine would never lead to a withdrawal of these forces.

The Labour Government has taken the view—which may, perhaps, be criticised on practical grounds, but is difficult to challenge as correct international behaviour—that, failing an agreed plan which could be submitted to the Trusteeship Council or other appropriate organ of Uno, the future of Palestine must be referred to the United Nations and could not be

abandon classification by the class of goods to be carried, except of the broadest kind, and then to fix the rates as between road and rail so that local traffic is attracted to the former and through and bulk traffic to the latter?

No one can possibly know the right answers to these questions at present; on the railway side there is insufficient material to answer them (largely because there is no satisfactory analysis of railway costs available), and on the road side there is no material at all. And the whole level of charges has been made far more onerous than it should be by requiring the Commission not merely to provide out of revenue for the depreciation and renewal of its physical assets, but also to make “proper provision for redemption of capital.” So, in addition to keeping its physical assets intact, the Commission is bound under the Act to redeem its financial capital too. The economics of co-ordination will have to be very great indeed to offset this ludicrous double burden, which will satisfy no one except the Treasury.

decided unilaterally by Britain. The issue was, therefore, referred, only in the most general way, to the Assembly. Perhaps it would have been better to make it quite clear there and then that Britain would not accept responsibility for enforcing a policy against either the Arabs or the Jews; but here again the desire not to prejudge the deliberations was correct.

When the majority and minority plans of the Special Committee of investigation were published, Britain duly announced its attitude on enforcement and its determination to withdraw. This statement was practically ignored by the Assembly, which appointed a sub-committee to work out a plan of partition on the basis of the majority report, and, almost as an afterthought and a sop to the Arabs, another to draw up a plan based on the minority report. The latter, after the resignation of an embarrassed Colombian delegate, consisted entirely of representatives of Middle East States, India and Pakistan. With the help of its British expert it did some intelligent work. Its conclusions would have provided an answer to the accusation that the Arabs were unconstructive, if anybody had paid any attention to them, but they were ignored. All attention was concentrated on the Partition Sub-Committee, which included four pro-Zionists, together with the Jewish Agency delegation, which was practically allowed to function as a member. In the end, the sub-committee retained the substance of the majority plan.

Indeed, they made the prospect of Arab-Jewish agreement still more remote by making revisions of the boundaries which, on balance, definitely favoured the Jews, who had already been given more than they deserved by the previous plan. These revisions have been done so recklessly that in scores of instances Arab villages have been separated from their lands. The only concession to common sense made by the sub-committee was its adherence to a separate regime for Jerusalem.

During these proceedings, Sir Alexander Cadogan had to remind the Assembly several times that British troops would not be available to enforce any partition scheme not agreed between the Arabs and Jews. There followed an attempt by the US-Zionist combination to involve the British in enforcing partition “by the way.” This was circumvented, and the British Government has stuck to its position that withdrawal really means withdrawal, and non-enforcement exactly what it says. Also defeated was an attempt to have the date of termination of the Mandate fixed by the United Nations, which might have had the effect that the British would still be compelled to maintain law and order while the UN commission was carrying out its partition scheme.

The Zionists then tried to secure a United States guarantee of enforcement, but here the Americans let them down. The

aid of American forces was firmly refused. At the same time the Americans treated with the most astonishing levity the possibility of Arab resistance. Since no American soldiers were involved, it was easy to dismiss the Arab side of the matter with airy references to Arab disunity. The sub-committee finished its work with a haste in keeping with the tragic unreality of its whole approach, the American whip was sent round, and the Assembly accepted the modified partition scheme with something over the requisite two-thirds majority. A commission consisting of five members, appointed by Bolivia, Czechoslovakia, Denmark, Panama and the Philippines will go to Palestine to take over authority from the Mandatory, on a date to be negotiated, and will attempt to carry out the partition scheme. How the Commission can hope to succeed is clear to no one. Its authority in law is, to say the least, doubtful; the lack of any effective force except the Jewish militia to back it will probably deprive it of what prestige it may enjoy as a representative of the United Nations. Its one hope of doing its job at all is its right to invoke the Security Council's aid in enforcing partition. But quick and effective action by that body is always subject to veto: that is why the Russians insisted that the Commission's appeal should be to the Council and not to the Assembly.

Is it too late to avoid the drastic consequences of the intrusion of America's internal politics into the Middle East? The position of the British Government is that it will lay down the Mandate at the wish of the Arabs and the Zionists, and on the recommendation of the United Nations, to say nothing of the insistent desire of the British people. In so doing, it will refuse to involve itself in further conflict with the Arabs or the Jews by enforcing a policy to which either does not agree. Consequently, it will hand over authority neither to an Arab nor to a Jewish body but to the United Nations, which has appointed a Commission for this purpose. The details of withdrawal will now be negotiated with this Commission, including the disposal of assets and liabilities, and the future of British and other foreign economic interests in the country. This position is unassailable. There would now be no support in Britain, except from a few Zionists, for any second thoughts.

NOTES OF THE WEEK

Cutting the Coat?

The White Paper on capital cuts (Cmd. 7268), which is discussed in an article on page 928, contains no surprises. Investment, which for the year 1948 was originally forecast at £1,600 million, is to be cut down by stages, reaching an estimated annual rate of £1,320 million by the end of the year, the total saving for the year being £180 million. The two chief categories contributing to this reduction are construction (houses and factories) and plant and machinery, and it is the latter which will have to bear proportionately the bigger cut. How exactly this cut is to be applied to non-governmental programmes is not very clear. The Government has rightly shown itself reluctant to reintroduce licences for the acquisition of plant and machinery and is therefore relying for the present on its powers of persuasion. As a first step new instructions have been issued to the Capital Issues Committee. On the constructional side, the building of new factories is to be suspended for at least six months and extensions now in progress which have not yet reached the steel erection stage will be reviewed with the object of postponing at least half. But when it comes to housing the knife has been used far less drastically. The 260,000 houses under construction are all to be completed, as well as the 90,000 in tenders approved but not yet started. And even after the cuts it is expected that the Government's original target of 750,000 houses will be reached early in 1949.

While it would be difficult to raise objections to any of the actual cuts imposed, the programme as a whole must be condemned as both inadequate and unbalanced. No hint is conveyed in the White Paper of the inflationary pressure exerted by a capital programme so greatly outrunning the volume of real savings—a cloud to which no silver lining is apparent, when the total of national savings is still about £100 million less than this time last year. Nor can the pruning of capital investment to the

But as the day for facing these facts draws nearer, there are signs that the Zionists and their American sponsors are beginning to understand what they have taken on. It is still not out of the question that the Americans may yet, at this desperately late hour, take courage to restrain the Zionists and insist on a solution which will give moderate Arab opinion some incentive to keep the peace around the pipe lines. There have already been Zionist overtures to the British Government, betraying a realisation that, without British support, American encouragement is little better than incitement, which may do them more harm than good. Perhaps there may be here the beginning of a process which might lead to some arrangement in Palestine which the Arabs would accept. This must, however, involve a drastic revision of the whole partition scheme. For it must again be emphasised that, from the most moderate point of view, the boundaries laid down in this scheme are iniquitous. Quite apart from the ruthless dissection of Arab lands, it concentrates almost the whole economic potential of Palestine—a creation not only of Jewish but also of British and Arab effort—in the Jewish “state,” leaving an impoverished rump of Arab agriculture to await ultimate absorption by one or other of its neighbours. Arab resistance to this basic feature of the scheme is a foregone conclusion.

In other respects, the scheme has some good features, and the Arabs might be induced to see that partition is only a name for something which might just as well have been called a federal union. It does not seem impossible that the Uno Commission, faced on the spot with the certainty of Arab non-co-operation and sabotage, could exercise its right to invoke the Security Council. If that happened, there would still be a hope that the Americans would have a change of heart, and the Powers, with Britain, reconsider their approach. The trouble is that the Commission must first attempt its task, and this may involve further bloodshed. Time is now short; the British will be out in eight months' time, and nothing but a fresh approach by the Americans to a problem vitally affecting their economic and strategic interests can justify the slightest modification in the attitude of the British Government.

tune of only £180 million really be regarded as a satisfactory contribution to the solving of the national economic crisis. Housing, the one item which offered an opening for substantial retrenchment, has been pruned, it is true, but merely to the measure imposed by the world timber shortage. In refusing to cancel, or at any rate greatly to curtail, the building of houses not yet started, the Government has missed a great opportunity of showing that it is strong enough to follow the national interest even when it hurts their supporters. A certain amount of snipping has been done, and that in the circumstances must be counted as all to the good, but the national coat has not yet been cut according to the cloth. And yet the drain of another £48 million from our gold reserves during November should have been recognised as the red light. Must it once more be a case of “too little and too late”?

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Mr Molotov Has His Way

To the ordinary newspaper reader it seems that the Foreign Ministers at Lancaster House are getting nowhere. The direction in which they are moving only becomes visible when tactics and motives are disentangled from the news. So far the tactical advantage lies overwhelmingly with Mr Molotov. He manoeuvred Mr Bevin and Mr Marshall into a political discussion although they and their advisers were convinced that economic matters should come first. He then turned what was intended to be a discussion on procedure into a debate for and against setting up a German central government now—before the peace conference even begins work.

By the middle of this week he had got his western colleagues into a position where they sat contemplating helplessly the following argument: all want a central government sooner or later, but they disagree about when it should be set up, what territory

it should control and who should be in it. So why not, the argument runs, agree now that there shall be a central government and leave discussion of the details till later? Mr Bevin and Mr Marshall know that if they refuse to commit themselves in this general way, Mr Molotov's stock in Germany as defender of the unity of the Fourth Reich goes up; if they do commit themselves they may later find themselves quite unable to accept Russian ideas of what sort of a central government Germany should have and of how the frontiers should lie. And they would then be tempted to go back on their agreement that a government should be formed. As it is, the discussion has gone on long enough for the Germans to be impressed by Mr Molotov's case, and for the politicians of the Russian zone to pose as the patriotic leaders of their country. Who would have thought such skilful use could have been made of discussion on an item which is called "preparation of the German peace treaty (frontiers and procedure)"? And all that the Ministers were supposed to be doing was to try to knock out of the Moscow drafts the bracketed passages recording their disagreements.

If this question of a German central government becomes crucial, it may be M. Bidault who will do the vetoing for a change. Neither logic nor national interest will allow him to consent to the establishment of a German government until he has assurances about the Saar, the Ruhr and the control of German recovery. And there are many reasons why Mr Marshall should, now or later, come to the support of M. Bidault. Mr Bevin's tactical intentions remain obscure.

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Motives As Before

Now for the motives. Mr Bevin and Mr Marshall—and perhaps M. Bidault too—must have continually in mind this question: how will a unified Germany be able to play a part in the Marshall Plan? Clearly, if the resources of western Germany are to be removed from its sphere, the plan would have to be recast. And it is scarcely conceivable that Mr Molotov would allow a central German Government even to consider playing a part in the plan. Yet the opportunity to state this dilemma frankly and firmly was missed when Mr Molotov, early last week, taunted his colleagues with having in mind plans for the reorganisation and government of western Germany in case the conference should fail. Instead of saying "Yes, of course we have; and so has the eastern zone," they protested innocence with an injured air. With the battle of the Marshall Plan raging in France and Italy and Greece, it is almost ludicrous to see the Ministers cautiously avoiding all mention of the principal stake in their diplomatic game. One consequence of this evasiveness is that the Germans of the west watch impatiently for a clear sign of what British and American policy is to be.

As for Mr Molotov's motives, they seem clear. He probably wants agreement, but not desperately. Therefore he is using this first stage of the conference to lay before the world everything in the Russian case that appeals to Germans. He knows that when economic matters come up Germans will not rejoice to hear of his demand for reparations from current production. And when the awkward question of the eastern frontier arose, he just refused to discuss it. If the conference should fail, then the Russians will come out of it well in German eyes. The eastern zone, in the heart of which lies Berlin, would have a flying start in any bid for German popular favour. And that, in the long run, is probably what Mr Molotov wants—a Germany controlled by Berlin, with the Communists and extreme-left Socialists of his favoured party making life as uncomfortable for west German democrats as it has been made in Hungary, Czechoslovakia and Poland. Mr Molotov's determination and single-mindedness are exemplary.

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Dilemma for Good Germans

The democratic parties of western Germany have been speaking much more frankly and emphatically about Russian and German Communist manoeuvring than have Mr Bevin and Mr Marshall. They have resisted from the first the campaign organised in the eastern zone to get a group of "representative" Germans stating their views to the Foreign Ministers' Conference. When a dozen prominent Germans were called together in Berlin ten days ago by Dr Friedensburg (a Christian Democrat) to discuss how a group representing all Germany could be sent to London, Dr Schumacher had the former Reichstag President, Paul Loebe, expelled from the Social Democrat Party's foreign policy committee for attending the meeting, and declared in an

official statement that it was impossible "to find a common German point of view with the quislings of a foreign Power." Strong language, perhaps, to come from the British zone, but quite understandable in anyone who finds nauseating the ability of the east German Communists to be stridently nationalist in one breath and completely silent about Mr Molotov's defence of the eastern frontier in the next.

It stands to reason that the Social Democrats and Christian Democrats, representing the majority of western Germany, would be taking the first step towards political suicide if they allowed themselves to be led by the Communist-controlled Socialist Unity Party (SED) of the Russian zone, even under a nationalist banner. The dangers of the course now set by the east German politicians have also been seen by Jakob Kaiser, leader of the Christian Democrats in the Soviet zone, who has refused to take part in the national congress which the SED is organising in Berlin this weekend. So far he has been the one man in the zone able to maintain a firm opposition to the SED; but now he stands in danger of being called a bad German because he refuses to take sides in the east-west quarrel.

The dilemma which now faces non-Communist Germans has come earlier in Germany's post-war history than was feared or expected; and Mr Molotov has spared no efforts at the London conference to make it clear. If they join in the agitation for the German case to be heard now, for a central government to be set up as soon as possible, and for the peace treaty to be freely negotiated between victors and vanquished, they must do so wholeheartedly and in full co-operation with the eastern Communists—otherwise they will become not leaders but followers. Yet if they do so, they may well run headlong into the objections that the Americans and British and French present against approving a political settlement until there is agreement on economic unification. At the end of that path lies the mobilisation of German opinion in all four zones against the western Powers, and under Russian leadership.

On the other hand, if they stand aloof from the agitation the following might happen: the Russians in London might win the case for a central government in Berlin and the credit would go to their supporters in the eastern zone. When the men of the west came to take part in negotiations for the formation of this government they would face triumphant delegates from the east, exulting in the success of their *Realpolitik* and in the power of their nationalist feeling. It is difficult to escape the conclusion that the Germans of the west would fear and distrust German unity on these terms; but it needs great moral courage for a German to say so. And the example has yet to be set by Mr Bevin or Mr Marshall.

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By-election Results

The three by-elections last week must have disappointed those who interpreted the results of the municipal elections as portending any rout of the Socialist vote. The Government maintained its record of no lost seats since the general election, and the trend against Labour, though it exists, is not yet so strong that a Tory victory at a general election would be certain. At Gravesend, where the possibility of a Labour loss was widely entertained, the percentage of the total votes cast that went to the Labour candidate only fell from 52.45 per cent to 51.75 per cent, though in the absence of a Liberal candidate in the by-election the Conservative percentage rose from 35.33 per cent to 48.25 per cent, a rise very nearly equivalent to the percentage of 12.22 returned by the Liberal candidate at the general election. At Edinburgh (East), where a by-election had already intervened in October, 1945, the change from the proportions of the general election was rather greater, the Labour percentage falling from 56.40 per cent to 50.33 per cent. The Conservative percentage also fell from 37.32 per cent to 34.34 per cent, and in this case there was a Liberal candidate in the by-election who polled 10.10 per cent, whereas there had been none in the general election. In Howdenshire the Conservatives retained the seat and increased their percentage from 55.92 to 64.03. The Labour percentage fell from 29.23 to 25.50, and the Liberal percentage from 14.85 to 10.47. The Liberal candidates in both by-elections forfeited their deposits.

The interpretation of these results affords ground for some interesting speculations about the Liberal vote. A cursory analysis seems to suggest that at Gravesend a substantial proportion of the Liberal vote went over to the Conservatives, while at Edinburgh the accession of a Liberal candidate drew votes away from Labour rather more than from the Conservatives.

The Liberal vote, where there are no Liberal candidates, is the core of the "floating vote" and these by-elections suggest that at present it is floating away from the Government. This indication, taken in conjunction with the municipal elections, show that there is a definite swing over of public opinion to the Conservatives, though they do not indicate that the Government has yet become really unpopular. Indeed, the swing-over appears almost surprisingly small, considering that the Government has been in office for over two years, and has been forced to revert to a policy of austerity, which must have displeased a large number of electors. But that may best be explained by the wholly negative character of the Opposition, which has failed to produce any alternative policy. Perhaps, after all, the Government's position could best be illustrated by the remark of King Charles the Second to his brother: "No one is going to kill me, James, to make you King."

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Criminal Justice

The Criminal Justice Bill was debated in the House of Commons on Thursday and Friday of last week and received its second reading without a division. It was clear from the debate that Members did not intend to approach the Bill in any party spirit, which is all to the good. Substantially the main provisions in the Bill do no more than enable the criminal law and the prison authorities to catch up with public opinion. The most satisfactory thing about the debate was the Home Secretary's definite assurance that opportunity will be given to incorporate in the Bill any view which the majority of members take on the subject of capital punishment, and that the vote on that occasion will be free.

The details of the debate do not add very much to the views formed when the Bill was first introduced. The Bill is not revolutionary. Its provisions provoked no violent attacks even from those who believe that one remedy, be it corporal punishment or its abolition, is the one answer to any particular sort of crime. On the contrary, the debate was marked by a broad reasonableness on every side. The Bill is a compendium of desirable reforms, and as such it deserves the support that it has and will receive. The only danger is that, when passed, it may tend to lull the official mind into a state of self-satisfaction, of feeling that everything connected with criminal law was tidied up in 1947 and that the whole subject may, therefore, be put away in the pigeon-hole marked "no action before 1957." There are gaps in the Bill, as various members pointed out. Clumsy and archaic legal procedure, uncertainty of thought and lack of imagination over sexual offences, the problem of the associations that a high-spirited but non-criminal child may pick up if sent to a remand home. All these problems still remain.

On the question of the abolition of the death penalty the debate was not at all conclusive. It looks as though very many Members, wisely, are reserving their final judgments until the time comes when the issue can be debated and decided by itself.

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Italy: Another Greece?

On the whole, the Italian Government has been having an easier passage than the French. The Christian Democrat administration of Signor de Gasperi is firmly buttressed on its own votes and on those of the Right, who have no de Gaulle to detach them. The economic policy pursued by Senator Einaudi—one of deflation at home by contracting bank credit and of devaluation abroad to bring the lira into line with its true value—has had some immediately beneficial effects in falling prices and greater incentives to foreign trade (although the more distant economic and political results of increasing unemployment have yet to make themselves felt). There is thus no feeling in Italy, as in France, of a crumbling coalition and a faltering financial control.

Yet all is not well. The Communists, and the Nenni-Socialists who work with them, have resorted to strikes with increasing energy in the last weeks, and the strategy of these strikes reveals one weakness in the Italian situation which France is spared. The big strike of the week took place in Milan, where the Communist party disputed the Government's right to dismiss the mayor (who, the Government claimed, had shown too much leniency to Left-wing demonstrators). Not only was a day's general strike successfully held, but a "Citizens' Committee" forced the town hall and maintained a disciplined and soldierly occupation for twenty-four hours. The Government's reply—to move troops northwards and to hedge on the removal of the offending mayor—settled none of the issues, and the Com-

munists jubilantly threatened another general strike, while Genoa, Turin and Venice made plans to follow suit.

All these cities are strong Communist centres. They contain the greatest concentrations of Italian industry, and any occupation of the Northern plain cuts Italy off from Western Europe. And it is precisely some sort of occupation that many Italians are beginning to fear. Italy, unlike France, has a frontier on the Russian world, and when some deputies in the Italian Assembly recently expressed their fear that infiltration across the Yugoslav frontier might turn Italy into "another Greece," they were stating the Government's chief anxiety. The North is as vital as it is vulnerable, and many Italians would feel happier if these were not the days scheduled for the withdrawal of all British and American troops save for the small garrisons at Trieste.

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Slovakia's Duel with Prague

There is a slight lull in the struggle for power in Czechoslovakia, which is less noisy but no less tenacious than that now raging in France and Italy. Since November 18th Slovakia has had a new provisional cabinet—or Board of Trustees—which contains representatives of the two minor parties—Slovak Social Democrats and Freedom Party. The Communist demand for the "trusteeships" of food, agriculture and justice, though supported by the trade unions and by a stormy meeting of bogus "farmers' delegates" in Bratislava, was successfully rejected. The first two remain in the hands of the Slovak Democrats, and the third is held by a non-party expert. But it would be premature to say that the Democrats have emerged victorious from this trial of strength with Prague just because they have only one less trusteeship than in the last board and because the Communists have gained no trusteeships of importance. Attached to the board are two new commissions, consisting of representatives of the four Slovak political parties. One will deal with the food situation, the other with the purging of "anti-state elements." Until more is known of their personnel and activities, judgment on the outcome of the crisis, between Communists and Democrats, should be suspended.

It is also not clear what changes have taken place in the distribution of power in Slovakia between the Prague government and the Bratislava Board of Trustees. The original proposals of Dr Gottwald, the Prime Minister of the Republic, aimed at loosening the Board's connection with the Slovak National Council, or provisional legislature. Henceforth a President of the Board was to be appointed only on the recommendation of the Prague Government. If two successive recommendations were rejected by the Slovaks the right of appointment would be exercised by Prague. Moreover, the Prague Government should be empowered at any time to inform the Slovaks that any member of the Board had lost the confidence of the Czechoslovak Government, and if such a member were not relieved of his duties he would be dismissed by Prague.

To what extent these proposals, which would render the Slovak representative assembly powerless against Prague, have been carried out is not clear. That the Communist Party is not satisfied with the outcome of the crisis is shown by a statement of the general council of the trade unions, which protests at the reluctance of "certain parties" to admit its representatives to the National Front's discussion on the crisis, and "refuses to accept responsibility for the solution." The trade unions "adopt a reserved attitude" to Dr Buza the new "trustee" of justice. If food supplies to the towns do not improve, and "enemies of the Republic" are not "rigorously dealt with" by the new Board, the trade unions will "have to mobilise the workers for further action." Clearly the Communists intend to go on using their most powerful extra-parliamentary weapon to secure their political aims.

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Defence of India's Frontiers

The departure of Field-Marshal Sir Claude Auchinleck from India after 44 years' service in the Indian Army has fortunately not involved a breakdown of all co-ordination between the armed forces of India and Pakistan. The Joint Defence Council is to remain and will indeed be strengthened by the participation of two Cabinet Ministers instead of one from each side. This common military organisation is now perhaps the most important factor for completing the process of partition without military clashes and for ensuring the future joint defence of the two Dominions at the natural frontiers of the Indian sub-continent. To carry on joint planning in such matters at a time when Indian troops have been in action against the irregulars who have invaded

Kashmir, with the collusion of the Pakistan authorities, has obviously been a difficult task, and it is no discredit to "the Auk" that he has had to abandon it.

Pakistan has been complaining that it has not received its due share of supplies and munitions in the division of the former Indian Army, and it would not be surprising if India were reluctant to transfer materials which might be used for the invasion of Kashmir. On the other hand, anyone thinking in terms not of India-Pakistan conflict, but of joint defence of the old North-West Frontier, which is now the western frontier of Pakistan, must give priority for military equipment to the units actually stationed on it, that is to say, to Pakistan. The British Supreme Commander has had to cope with this dilemma, and has been suspected on the Indian side of partiality for Pakistan; it is at any rate at India's wish that the Supreme Commander's Headquarters has been dissolved. But the problem of providing an adequate defence of the "North-west Frontier" without giving to Pakistan what seems to Indians an undue military advantage over India still remains for the Joint Defence Council to solve.

The new Indian military leaders, who have been trained to think of India's front line of defence as based on Peshawar and Quetta, are probably well aware of the dangers which would arise, not only for Pakistan, but for India, from a complete breakdown of Indo-Pakistan military co-operation and a general upheaval in the trans-Indus border region. The question of Kashmir is closely bound up with the general problem of external frontier defence, for Kashmir is the most northerly section of the frontier and is potentially of great strategic importance. The principality of Chitral, which was a tributary of Kashmir, has joined Pakistan, thus prolonging Pakistan territory to the north between Kashmir and Afghanistan; beyond Chitral there is a tract of high mountains where a long narrow strip of Afghan territory extends along the left bank of the Oxus as far as the border of Chinese Sinkiang and barely separates Kashmir from the Soviet Union. Some of this north-western Kashmir territory now appears to be *in de facto* union with Pakistan by decision of local chiefs, but the situation is very confused and there is more than a possibility that, if no comprehensive agreement about Kashmir is reached between Delhi and Karachi, the northern border region may relapse into anarchy and offer pretexts for a foreign intervention.

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Damages for Injury

The text was published at the end of last week of the Government's Law Reform (Personal Injuries) Bill which has been introduced into the House of Lords, where it may expect to receive thoroughly informed consideration before it descends to the Lower House. It sets out to achieve two important reforms in the law relating to the right to recover damages for injuries caused by another's negligence. The first relates to what is known as the defence of common employment. If a number of men are employed by the same employer, the nineteenth century judges assumed (why it is difficult now to see) that each man had accepted the risk that he might be injured whilst at work on the common task by the carelessness of any other employee with whom he was working and, having accepted this risk, in consequence he had no right to recover damages for injury if he were so hurt. No one now has any desire to defend such a rule of law. It has long since ceased to have any real relation to the conditions in industry. The Bill will remove the right of any employer to rely on any such defence in the future, and the only comment that need be made is that it seems a pity that the Government have decided to defer the operation of this provision until the whole of the new legislation relating to compensation for industrial injuries is brought into force.

The second reform is one made necessary by the establishment of a state scheme for industrial accident compensation. Now a workman injured at work has a choice of alternative remedies. He can claim workman's compensation in the form of a weekly sum, in which case all he has to show is that the injury arose out of and in the course of his employment. Alternatively, he can sue for damages, a capital sum, in which case he has to show that his employer was negligent. Both claims, of course, now lie against the same individual. But when the weekly compensation for industrial accidents is payable by the state, a different set of circumstances will exist and, were the law not altered, the workman would be able both to draw his compensation and, where he could prove negligence, sue his employer for damages. The Bill meets this situation in two ways. It cuts down the range of cases in which an employer can successfully be sued for negligence. It also provides that where damages are recovered from

an employer, the court shall diminish the amount actually awarded to the workman by one-half of the value of any state industrial pension rights accruing to him in the five years after the accident.

This proposal is, of course, a compromise, and therefore logically vulnerable. What the Bill does is, in effect, to credit to the employer that portion of the pension rights of his workman for which the state has paid. There would seem to be an equally strong case for suggesting that this half of the value of the pension rights should still be paid by the negligent employer, but should go, not to the workman, but to, say, some central fund for research into those industrial diseases which still levy an indirect toll on the employees in many trades.

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Labour in Trinidad

The strikes and violence that were once a common feature of West Indian life, but were virtually in abeyance during the war, revived a year ago in Trinidad, where four strikes occurred during the months of November, December and January. Once again a report (Colonial No. 215) has been made to the Secretary of State on their causes and recommendations put forward for preventing their recurrence.

Once again—is there any area of the world whose economic and social conditions have so frequently been the subject of inquiry, official and unofficial, as the West Indies? Mr Dalley, the trade unionist who made this latest inquiry, himself refers to the appalling housing conditions (housing is too polite a word) described in turn by the Royal Commission of 1897, the Olivier Commission of 1930, the Forster Commission of 1937, and the Royal Commission of 1938-39. Owing to his terms of reference he confined himself mainly to the causes and courses of the strikes last year, the part played by the trade unions and the best way of strengthening the trade union movement; but he recognised that the improvement of economic and social conditions is far more important in preventing strikes and violence than better trade unions, desirable though they are. Nigeria has its Zik, Jamaica has its Bustamante, Trinidad has its Uriah Butler, and he, it appears from this report, is the most fantastic personality of the three. The Forster Report described his activities as potentially dangerous, and the account given by Mr Dalley of his activities during the strikes and in the trade union movement in general shows that his influence was not waning a year ago—if anything it had increased. The villages surrounding the oilfields—on the oilfields themselves housing is of a high standing—"places without any apparent regulation or control or observance of elementary rules as to structure, space or sanitation . . . make an ideal recruiting ground for 'Butlerism.'" The West Indian labourer, ignorant and illiterate, desperately poor, badly fed and housed, and under-employed, makes an excellent recruit.

There are, however, some grains of comfort from this report. Deplorable as the recrudescence of strikes last year was, there were at least no lives lost, which is some progress compared with ten years previously. The trade union movement is at least on a sounder footing than it was. The housing situation is at least now being tackled. But has any real progress been made with the fundamental problem, common to virtually all the West Indian islands: how are their rapidly increasing populations to find subsistence and employment? Until the curse of unemployment and underemployment is lifted, all other action in preventing strikes is a mere palliative.

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The Revised School Programme

The mammoth proportions of the housing programme compared with the schools' programme—or indeed any of the other programmes—is demonstrated by comparing the manpower involved in each. By June next year it is estimated that 525,000 men will be involved in building houses, whereas a mere 23,000 will be busy on work for the schools. The Government have decided to leave this labour force unaffected by any cuts until next June. Thereafter, instead of increasing the labour force, as had been originally planned, it is expected to keep it constant. Since education authorities have not yet set in motion sufficient schemes to absorb the full quota of 23,000, school building work will increase rather than diminish over the next six months.

In the present situation this appears a somewhat paradoxical policy, but the Government are caught on the point of a three-pronged dilemma. First, owing to the decision to raise the school-leaving age last April, they are faced with the prospect of an extra 390,000 children in the schools in the fourteen to fifteen age group;

secondly, having committed themselves to a large housing programme, it is only reasonable to expect that the children in the new housing estates should be educated; thirdly, the rise in the birthrate itself means that more young children are pressing into the schools at the bottom. Faced with these triple demands the Ministry of Education has been able to fight a successful action in defence of its manpower quota and its first-line schemes. Its losses in the skirmish are the proposals for nursery schools and classes, school meals and community centres. These are regrettable, but considering the overwhelming need for compression they have escaped lightly.

Given—and it is a large gift—the decisions on housing and on raising the school leaving age, the present policy in schools is probably right. At the beginning of this year 29 per cent of the classes contained more than 40 pupils, and in some areas the position is now worse. The next move of the Ministry seems to be towards providing better technical education and part-time education in County Colleges, but these must await the situation at the end of next year.

* * *

Uno on Vacation

Englishmen who feel exasperated at the part played by Liberia and Haiti in the decision to divide Palestine can now imagine what the Russians and their voting *bloc* may feel about the session of the Uno Assembly now drawing to a close. The experience of being outvoted by six to one on every major question must have left even Mr Vyshinsky sore; and not a few delegates have been feeling that the American *bloc* of voters has shown itself as blatantly dutiful as the Russian. The system under which Liberia's vote is as good as that of the Soviet Union recalls the age of pocket boroughs when Old Sarum's representative cast as good a vote as the member for Liverpool.

As the delegates disperse they leave some dangerous loose ends and some hard travelling for their representatives. Eleven governments have had to provide members of the Greek frontier commission now starting work in Salonica. Nine governments have to send their men on a journey to Korea, where they may well stay till the spring. Fifty-seven men have to be found to form a "little assembly" which will keep a perpetual watch on situations and problems threatening peace. It too may have to travel. Each of these itinerant or static bodies is boycotted by the Russians and their sympathisers: the travellers in Greece will not be allowed into Yugoslavia, Albania and Bulgaria, and the travellers in Korea are most unlikely to get more than a peep from the American into the Russian zone. The patient diplomats and ex-civil servants who have to spend the winter in this one-sided way may console themselves with this thought: that their presence in such storm centres as the Greek frontier and Korea will have a restraining influence and will ensure that some facts are kept flowing steadily back to a world headquarters.

Their travels may well prove more enjoyable than the first task given to the "little assembly." That body, created—so the Russians believe—to by-pass the veto-stricken Security Council, has to find by next July a way of getting six (or maybe nine) new members into Uno. The Assembly's political committee had resolved that Eire, Portugal, Transjordan, Italy, Finland and Austria would be suitable members; but when it asked the Security Council to reconsider these applications, Mr Gromyko repeated his refusal to accept Italy unless the ex-enemies, Bulgaria, Rumania and Hungary, were accepted at the same time. The right of veto in this question, given up by the United States, Britain and France, was maintained by Russia.

Yet, when all has been said and counted, the diplomatic laurels for the session go to the Russians. After a full-scale American offensive on the Uno front they remain in the organisation. And over Palestine they have had the astuteness and realism to support the United States in a policy which has already turned the Arabs against both the British and the Americans.

* * *

Socialists on the Tight Rope

The fourth International Conference of Socialist Parties ended in Antwerp on Monday without producing any surprises. The ambiguous phraseology of the resolutions on political and economic problems made it clear that such public meetings cannot be expected to co-ordinate an effective international socialist strategy at the moment. To the extent that the world is divided into two camps, the parties from eastern and western Europe find themselves committed to opposite sides. For the Polish and Hungarian Socialists "eastern democracy" is

at least an advance on the pre-war regimes, and they fear that an American victory in a cold or hot war would subject them to a new white terror. However much they deprecate the clumsy and provocative tactics of the Communists, they feel that the course of events in France and Italy justifies their insistence that Socialism is threatened today mainly from the Right. On the other hand, the value they put on continued contact with the western parties was shown by their acceptance of a majority decision to admit the German Social Democratic Party, and of plans to make further collaboration more effective. The Czech Social Democrats took throughout a much more moderate line than their Polish colleagues, and the Italians walked the same tight-rope as the Czechs.

The western parties showed for the first time a realistic appreciation of the importance of the Marshall Plan and of the sacrifices it demands from the American people. The Dutch, chafing under the necessity for one-sided compromises which the presence of the eastern parties enforced, have canvassed views about a regional conference restricted to parties approving the Marshall plan. The Belgian and French parties have at last been reconciled to indefinite delay in reviving a formal Socialist International.

The presence of delegates from the British Commonwealth, Latin America, and eastern Asia, emphasised the trend towards regionalism as the basis of future developments. Socialism is too loose and indefinite a concept to permit the co-ordination of political strategy among parties which face different problems in widely diverse social contexts.

*

No Time for Decision

The same lack of candour and courage in discussion of the Marshall Plan showed itself in the counsels of the World Federation of Trade Unions, when its Executive Bureau met in Paris last week. The Americans, represented by the Congress of Industrial Organisations, pressed the executive to declare its support for the Plan, while the American Federation of Labour has been urging the British TUC to support a special international trade union conference on American aid to Europe. It was agreed not to place the issue on the agenda at Paris, but to defer discussion until the spring, by which time, presumably, the flow of American aid should have begun and the question of trade union co-operation will be to some extent academic. At the same time, the TUC decided to refer the question of a Marshall Plan conference to its economic and international experts, who will report to the General Council this month.

These timid tactics of playing for time may prevent any immediate clash within the WFTU, but they will scarcely resolve the fundamental cleavage between East and West. The Federation has been one of the few international bodies in which western and eastern countries could find some common meeting-ground. Owing largely to the efforts of its first President, Lord Citrine, to ensure that its activities should be directed towards industrial and not political purposes, it has so far ridden the storm. But political divisions have made themselves felt, and a crisis in the Federation's affairs cannot be long delayed.

The position of British trade unionists is particularly unenviable, especially in view of their close links with the AF of L and the British Government's interest in American aid. They would like to join in the AF of L initiative "without prejudice" to their relations with the WFTU. At the same time, they have to consider their own left wing, which would sharply oppose any move to side-track the Federation, let alone to withdraw from it.

* * *

The Manchester County Scheme

The prospects for an effective reform of local government are brightening. The committee of local authorities in and around Manchester, which has been examining the desirability of setting up a regional authority for the whole conurbation, has reported strongly in favour of the idea. True, the committee's report does not bind its members—much less those local authorities in the region who refused to participate in its deliberations. It is highly encouraging, however, to find local authority delegates taking a bold and practical initiative.

The "Manchester County" proposed by this report would embrace 72 existing local authorities, including 7 county boroughs, which would lose their status. Its population would be 2,630,000 and its rateable value £19 million. Although termed a county, the committee view it as a new type of local authority. It would be indirectly elected by the local authorities comprising it (which

would all become county districts), and the county districts would get stronger powers than in a normal county. These concessions to existing interests were necessary to get the scheme adopted. It is to the committee's credit, however, that it recognises that the existing authorities would need a lot of regrouping to fit into the new pattern; and, subject to this being done, the proposed division of functions between the new county and its districts has much to recommend it. The county would have sole responsibility for water supply, sewage disposal, fire service, police, and public assistance, whilst a large number of services—including education, health, and town and country planning—would be planned by the county, but administered in detail on agency terms by the districts. Finance is not adequately treated in the scheme.

Apart from the undemocratic concept of indirect election, these proposals deserve, and will get, the close attention of the Local Government Boundary Commission who—it is much to be hoped—will be encouraged to go to the Government for a fresh mandate. The Manchester scheme will inevitably attract the hostility of all except the largest county boroughs, which have already split the Association of Municipal Corporations on this issue. However, the attitude of non-county boroughs inside the Association, and of leading county boroughs such as Manchester itself, shows increasing acceptance of the principles behind the Manchester scheme. This scheme is by no means suited to all areas, and its effect on surrounding counties—for it would take from Cheshire almost half its population and rateable value—needs examining in a wider context. What it does offer is the best idea to date for the government of Britain's more populous areas.

* * *

Nuts and Potatoes

During the war the Ministry of Food was generally showered with praise, but more recently it has become the object of criticism, both fair and unfair. This change in public attitude is perhaps inevitable as food supplies become more scarce and shopping made more difficult. Nevertheless, credit should be given when it is due. The public outcry against the Ministry's selling nuts at a free auction and allowing prices to rise sharply is misguided. Nuts, however desirable as Christmas fare, cannot be considered an essential foodstuff, and the sale of such foods should be left to the mercy of market forces. At least it would help to mop up part of the excess purchasing power—although, with nuts, the effect will be very small. No case can be made out for rationing such commodities at present except by price.

But this is not the whole story. The free auction system has certainly many advantages. Yet if the Ministry of Food remains the sole importer of the goods offered, artificial market conditions could be created in this country unless the Government's purchases reflect the world supply position. For example, if the Ministry purchased only small quantities of nuts, when there was a superabundance in the world, British prices could rise many times above the world level and the Government could make exorbitant profits at the expense of the public. For this reason alone, it is surely incumbent on the Ministry of Food to publish the amount of profit it has made at the recent auctions—it may have been as much as £1,250,000—and how this money is to be used. Will such profits be offset against the food subsidy grant, or will they be used as subsidies additions to the £400 million a year?

On potatoes Mr Strachey is surely on less certain ground. He has had to admit that the maintenance of the potato ration at 3 lb. per week could not be guaranteed, but his defence of the late introduction of rationing on the grounds of the inadvisability of storing new potatoes is nonsense. Had rationing been introduced in August or September the Ministry could have made certain that in these two months of very heavy potato consumption only the non-storing potatoes were disposed of. It is precisely because rationing was delayed until the peak consumption months had passed that the present ration cannot be maintained, unless supplies are forthcoming from abroad.

* * *

Petrol Anomalies

The last week of basic petrol has ended, without success for the repeated onslaught on the Government's decision. There is no point in re-hashing the arguments for suspension or retention—would other means of obtaining equal savings have been sought more energetically had motorists generally been TUC members?—but administration, the granting or withholding of supplement-

tary petrol by the Regional Petroleum Offices, is another matter. Presumably the Offices have received some general directives in the light of which to "consider each case on its merits." Presumably; but why have these never been made public? They might at least have sieved out some of the fruitless applications which have helped to put the Offices' work anything up to nine weeks in arrears; and no excuse for secrecy has been shown, or is indeed conceivable. Certainly whatever directives have been given have been far too wide, as is shown by the divergences of principle noted in different parts of the country, and by discrimination between next door neighbours applying to different authorities and even between families living in the same house and requiring petrol for the same purpose. If, as seems likely, the suspension of the basic ration is to continue for years rather than months, a less arbitrary code should be devised. At present the freedom, convenience and even livelihood of every applicant appear to depend on the disposition of the official concerned.

As for Mr Gaitskill's refusal to relax, on Christmas Day only, the ban on the use of saved-up basic petrol, it carries to perhaps the highest point yet the Government's cherished doctrine of equal misery. "Many families," said the Minister, "manage to get on at Christmas without this particular form of spirit." Because many do, all must; and petrol two months in the tank must evaporate uselessly, lest envy be generated in the bosom of the habitual pedestrian. Connoisseurs will rank this gem even higher than Dr Summerskill's ban on large banquets on the grounds that they upset the uninvited housewife, and to outdo Dr Summerskill at this sort of thing is a real achievement. In the total economic perspective the holding or banning of a few banquets, and even the use or sterilisation of a few million horsepower, may be trifles; but the repeated and deliberate appeal to spite and envy should lie heavily on the consciences of a Government professing to hold an idealistic view of human nature.

Shorter Notes

The creation of a new Treasury secretary for economic affairs embodied in the Ministers of the Crown Bill is a step in the right direction, since it will relieve the Chancellor of the Exchequer, the Cabinet Minister responsible for economic policy as a whole, of a certain amount of Parliamentary work. But it can hardly be regarded as in itself a satisfactory solution to the problem of re-organising the economical and financial functions of the Treasury, which requires division at the ministerial rather than the under-secretaries' level. What is needed is the detachment of the First Lordship from the Prime Minister's office and its transformation into the chief economic ministership. The First Lord would then have as his lieutenants the Chancellor of the Exchequer and the President of the Board of Trade, both of whom should retain their seats in the Cabinet.

*

Mr Chuter Ede is quite right in consistently refusing to take steps to suppress the activities of Fascists in general and of Sir Oswald Mosley in particular. The worst way of dealing with a harmful political movement in this country is to deny it freedom of speech, for it wins more credit from its alleged martyrdom than from its avowed aims and principles. In any case, Sir Oswald Mosley's movement was thoroughly discredited during the war; its revival now as a new "Union movement" can hardly bring Fascism in this country, it is not likely to come from a man who has been proved a failure. As for the Fascist meetings in the East End, unmitigated nuisance as they must be to those who live in the neighbourhood, equal blame must be given to the Communist organisations which make political capital out of them and refuse to allow them to die a natural death.

*

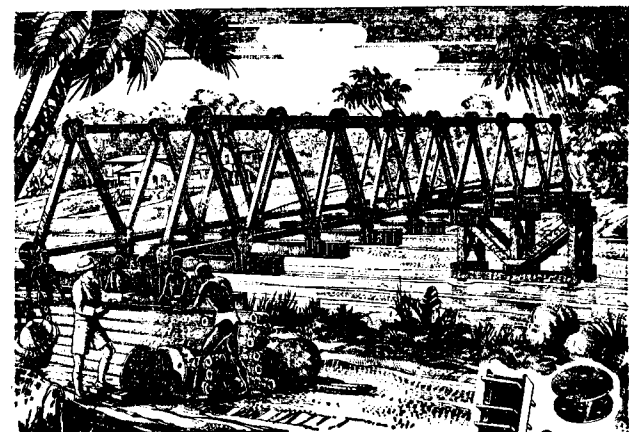
A settlement has been reached in the month-old Savoy strike after the publication of the report of the Court of Inquiry which showed that the causes of the dispute went far beyond the dismissal of a grillroom waiter. The report comments on the bad relations between the management and the union members of the staff, and criticises both parties. It blames the Savoy management for its refusal in the first instance to grant recognition to the union—this was forced upon it by strike action earlier this year—and for its subsequent failure to implement the National Arbitration Tribunal's findings and offer reinstatement to Mr Piazza. At the same time, the report agrees that the management's suspicions of some of the union officials were justified, and strongly criticises the procedure and lack of secrecy surrounding the ballot.

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Letters to the Editor

Side-stepping the Issue

SIR,—While sympathising with your criticisms of the Government's record of pursuing a ruthless single-track "cheap money" policy, I would suggest that your attitude towards the Interim Budget was a little doctrinaire on two points in particular—the closing of the inflationary gap by lifting interest rates, and the abolition of subsidies and "spreading" of the purchase tax.

There is a strong argument, for which I claim no originality, that, since interest rates would have to rise impossibly high to close the gap, a significant rise from present levels would, without effecting a cure of the original disease, lead to further serious complications of disequilibrium and distortion by virtue of the indiscriminate of its impact. In parenthesis, might not a more severe control of credit facilities to sterilise bank deposits along the lines of wartime practice be a better instrument? This is, of course, not to condone a further expansion of credit to support the gilt edged market (which, as you observe, was rendered less likely with the advent of the new Chancellor), nor to oppose a slight rise consequent upon abstention from further "rigging."

My second point is that the removal of subsidies, and/or any far reaching extension of the imposition of purchase tax, would have been not only a bold, but a hazardous, move in the inflationary game. It might, by provoking demands by the trade unions for all-round wage increases, have been, not courageous and unpartisan, but unwise and disastrous. Labour's conviction of the reality of the crisis is, surely, not yet so overwhelming that the process of chipping at working-class purchasing power can be otherwise than gradually and subtly performed.

Your views on both these points may well be right and the counter arguments—by no means an exhaustive list—tentatively advanced, may be easily demolished; but I feel that your various recent articles on financial policy would have gained in conviction what they abandoned of their somewhat unqualified treatment of a controversial subject.—Yours faithfully, P. M. FOSTER
12 Tenison Avenue, Cambridge

SIR,—While it cannot be denied that the reduction of Government spending must be deflationary in its effects if all other factors remain constant, it does not seem to be absolutely certain that any substantial reduction in food subsidies would, in fact, ease the present inflationary pressure. For in this case one force would come into play which is not within the Government's control.

The immediate result of a reduction in, or abolition of, food subsidies would be a sudden sharp rise in the price of food. Now even if one assumes that wage-earners could be persuaded not to demand officially or unofficially a rise in wages to meet the increased cost of living, the fact that the disinflationary policy leads initially to a rise in prices rather than to a slackening of demand for goods and services might cause one important factor in the situation to change, namely, the relation between the stock of money held by the public and its income, or more precisely the variable "k" in the Cambridge formula $p = \frac{M}{kR}$. Money would be drawn from the inactive to the active stock; businesses and households would work with smaller balances.

In general, there would be a readjustment individually in the distribution of real income; the amount chosen to be held in the form of ready value being reduced as compared to the amount devoted to immediate consumption or to additions of real wealth.

Thus, while less money would chase the now notorious "too few goods," it would chase them faster. It might well be then that the operation of this change in the public's "k" would so delay or nullify the deflationary effects of the reduction of food subsidies that it would be impossible to continue to hold the wage level. In attempting to influence the economic weather by sowing a cooling zephyr the Government and the country might well reap a whirlwind.—Yours faithfully,

W. A. MAGOWAN

31 Upper Addison Gardens, London, W.14.

Europe's Grain Requirements

SIR,—May I use the hospitality of your columns to draw attention to the Report of the European Economic Co-operation Committee in so far as estimates of grain imports and costs of these imports are mentioned?

On page 29, Volume II, of that Report it is stated that cost of requirements are based on a single price, this price being for food the USA price ruling on July 1, 1947. Consequently the estimate for imports of 20 million metric tons of grain is given at 1,720,000,000 dollars for the period 1947-48, i.e., roughly \$86 per metric ton. For 1948-49 the import requirements are increased to 25 million metric tons, yet the costs are estimated at 2,400,000,000 dollars, i.e., roughly \$96 per metric ton. There seems to be no explanation for that difference which involves the sum of \$250 million. Though all these estimates have a theoretical value only, it would perhaps be interesting to have some comment on the basis of calculation.—Yours faithfully, F. J. WEALE
39 Belmont Avenue, East Barnet, Herts

[We understand that there is no error in the table mentioned. In calculating the grain figures for 1947-48 allowance was made for the lower price of wheat obtainable under the Canadian contract.—EDITOR.]

Bank Nationalisation in Australia

SIR,—May I comment on Mr Alan Wood's letter?

No reasonable opponent of this Bill would wish to deny the Australian central bank adequate powers to control general credit conditions. Such authority is obviously necessary if a central bank is to perform its function efficiently. It is, however, extremely doubtful whether any parts of the 1945 legislation other than Section 48 could be successfully challenged on constitutional grounds. If, as Mr Wood contends, the banks have been chafing beneath the yoke of the controls imposed in 1945, it is a reasonable presumption that they have left these restrictions unchallenged in the Courts for the past two years only because their legal advisers consider such a challenge would be unavailing.

I find it hard to take seriously the suggestion that the banks, even at a loss to themselves, might restrict credit and cause unemployment in order to bring about a change of government. Passing over the fact that this sinister possibility did not occur even to Mr Chifley when he was drafting his 1945 legislation, one need only mention that, if the private banks were to be so foolish as to restrict advances through base political motives, then the Government-owned Commonwealth Bank of Australia, with the resources of the nation behind it, would have a golden opportunity of expanding its own business.

However, even if one grants all Mr Wood's contentions, there remains a gaping hiatus in his argument. If it is *intra vires* for

From The Economist of 1847

December 4, 1847

AFTER all that we have said from time to time, in this journal, on the subject of "fixing the price of gold," we had indulged a hope that the fallacy on which such a notion is based would not be attempted to be revived. In this fair expectation, we have been disappointed. On Thursday night, Mr Urquhart, in his speech in the Currency debate, not only returned to the charge, but attributed to it the most extravagant effects which any one of that school, either as a writer or a speaker, has yet done. Not only the whole of our present national distress, not only the present depression of trade, not only the present derangement of the money market, but every recurrence of similar disasters since 1819, were all attributable to "fixing the price of gold" in that year. The failure of the harvest in 1845 and 1846, the huge speculations in railways during the last three years, all go for nothing: the cause of every evil is to be traced to the return of cash payments in 1819. Nay, more—not alone our commercial prosperity, not alone our monetary system, are placed in constant jeopardy, but our political safety is endangered by "fixing the price of gold." The Bank of England had to go upon its knees to the Bank of France in 1839, because we "fix the price of gold"; the Bank of England was unable to return the obligation to the Bank of France in 1847, because we "fix the price of gold"; France was therefore obliged to throw herself into the arms of Russia, and finally the Bank of England was obliged to do the same—all because we "fix the price of gold." And thus the Bill of 1819 endangers the balance of power in Europe: the solitary fact that our law has declared that our coin of a sovereign should uniformly contain 5 dwts. 3½ gns. of standard gold, threatens the peace of Europe.

the Federal Government to acquire the banks (and this remains to be proven) then it cannot be *ultra vires* for the same body merely to control banking activities. If Mr Chifley is nervous about the adequacy of his 1945 legislation, why does he resort immediately to nationalisation instead of confining himself to closing the alleged loopholes, constitutional or otherwise, in the controls established in 1945? In no other country in the world has it been found that the only way to endow the central bank with proper authority is to nationalise the whole banking system.

The positive arguments against the Bill can be stated briefly. It lacks the mandate of the people. In fact, it is being forced through in the teeth of opposition from all sections of the community other than that of organised labour. The Liberal and Country Parties fought the Victorian elections on this issue alone and defeated the Labour Party hands down. An investigation of public opinion carried out by the Sydney *Daily Mirror* and the Ashby Research Service indicated that only 24.5 per cent of the Australian population favoured the nationalisation of banking,

whereas 64.5 per cent expressed outright opposition. With Mr Chifley himself as the sole dissident, the Australian Royal Commission on Banking in 1937 reported against nationalisation. Banking, even more than most industries, calls for widely-dispersed decisions based on human qualities which cannot be defined in directives from a central authority. It is an industry which is best conducted in Australia as elsewhere on a competitive basis.

The Australian Government has brushed all these considerations aside and turns a deaf ear to appeals for the issue to be decided by a referendum. There are now rumours that it will try to evade the testing of the Bill's constitutional validity by staging a *coup d'état* and acquiring the banks before they can take legal action. Against this background, is it really not surprising that most Australians do see "hidden purposes" behind the Bill and derive scant reassurance from their Prime Minister's dogmatic attitude.—Yours faithfully,

Station Avenue, Walton-on-Thames

FRANK B. POWELL

Books and Publications

Before the Die is Cast

"Germany: Bridge or Battleground." By James P. Warburg. Heinemann. 15s.

Any solution which permits Britain, France or the United States to do one thing in western Germany while the Russians do something else in eastern Germany is no solution at all.

THIS is the central point of Mr James Warburg's argument. His book was written just before the meeting of the Foreign Ministers in Moscow last March. The failure to reach agreement on Germany at that meeting, the political trials in eastern Europe, the formation of the Cominform and the increasing anti-Communist campaign in America have already given his views a certain remoteness. The present Conference of the Foreign Ministers in London is widely regarded as a means of ending

the farce of German unity, rather than as a means of attaining real union, and hopes are set on making a success out of Bizonia or Trizonia, the contemplated fusion of the three western zones, as soon as co-operation with Russia is written off.

In these circumstances, Mr Warburg's book is in the nature of a last appeal to reason. It is an appeal by a man who is singularly well qualified for his task. He was one of President Roosevelt's original brain-trusters, and during the war was a Deputy Director at the Office of War Information in charge of "psychological warfare" in Europe. He is both an economist and an expert on the German problem, and he has had first-hand experience as a visitor to all four zones since the end of the war.

The first part of the book follows the series of changes and modifications in allied policy which led up to Potsdam and beyond. Mr Warburg then proceeds to an objective study of the

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four different zones as he saw them functioning in practice, and a description of the four-power political manoeuvres during 1946. Venturing into the field of abstractions, he attempts to characterise the German nation, its way of life and institutions. He shares the widely held view that its disease is authoritarianism, and is of the opinion that any long-term remedy must come from within the nation itself. The last, and most interesting, section of the book deals with the future. Mr Warburg holds that there must be a short-term policy, giving priority to German industrial revival as an essential condition of European revival, and a long-term policy in which the new Germany must be fitted into its proper place in a world organisation. He rejects the idea that any policy which has the effect of splitting Germany into two is either morally justifiable or economically practicable. The criticism may be made, indeed, that Mr Warburg tends to minimise the intransigence of Russian foreign policy, which has been so gravely intensified since his book was written.

The book is, however, one which should be read as widely as possible before the die is cast for, or against, a politically and economically united Germany. It is a lucid and compelling exposition of one point of view on the choice which now faces the four Foreign Ministers in London; and not only the Foreign Ministers, in Mr Warburg's view.

Foreign policy is no longer simply a function of government. More and more it is becoming a function of peoples.

It should be added that an appendix to the book contains a highly valuable selection from documents bearing on allied policy towards Germany, including the Morgenthau Plan. These include the author's own recommendations on policy which he has submitted to the President and the State Department at various times.

The Growth of Physical Science

"The Growth of Physical Science." By the late Sir James Jeans. Cambridge University Press, 1947. 364 pages. 12s. 6d.

SIR JAMES JEANS corrected the proofs of this book shortly before his death last year, so it must be supposed to be the last of his long line of "popular science" best-sellers. As such, it will come as something of an anticlimax, since the subject-matter lacks the exciting novelty of the earlier books, and the wide field he covers gives little opportunity for Jeans's gifts of sustained clarity of exposition. His aim, described in a modest preface, was to provide an account in non-technical language of the development of the main lines of physical science, including mathematics and astronomy, from the earliest times up to the present. About half the book is devoted to Greek, Alexandrian and Arabic science, and the beginnings of European science in the fifteenth and sixteenth centuries—that is, up to the time of Leonardo, Galileo and Copernicus, when science was beginning to free itself from the paralysing influence of Plato and Aristotle. The next chapter—"The Century of Genius"—dominated as it was by the extraordinary character of Newton, is perhaps the best in the book. The great period of consolidation was in the two centuries after Newton, until by the end of the nineteenth century the Victorian physicists believed they had at last fitted the cornerstone of the structure. In the last chapter Jeans describes the crumbling of this structure, and sketches the much more shadowy scaffolding which is replacing it.

To give a readable account of the complexities of modern

physics in 60 pages is a task beyond even Jeans, and the reader coming fresh to it will probably be bewildered; there is no lack of better accounts, by Jeans himself among others. However, the book is intended as a history and not as a textbook, and, leaving aside this last chapter, the result is wholly successful, if at times a little pedestrian in style.

There are many interesting and unfamiliar biographical details, and Jeans exhibits a considerable and up-to-date scholarship. He sticks strictly to the scientific facts and does not deviate into speculations on the deeper motivation, economic or otherwise, of periods of scientific advance, beyond pointing out such material advantages as the invention of printing and the introduction of instruments to supplement the human eye and hand. In fact, the only moral which stands out from this book is that Plato and Aristotle were "two major disasters."

Indian Industry

"Indian Industry Today and Tomorrow." By E. Da Costa. Longmans New Era Series No. 2, 1947. 166 pages. 4s. 6d.

In this small book Mr Da Costa tries to analyse realistically the problems confronting the planning of industrial development in India. He writes vivaciously, genuinely tries to avoid unwarranted assumptions and preconceptions, and at times reveals an aptitude for a pretty turn of phrase. Unfortunately he often fails to carry his arguments to their logical conclusions.

Accepting the need for planning, he undertakes a critical review of the targets set by the Bombay Plan, which he considers only as a first approximation. He then discusses the main obstacles to the attainment of the targets, and suggests amendments to them. He concludes that, if the difficulties are squarely faced, rapid industrialisation and corresponding developments in other spheres can be achieved on a scale at least as great as that contemplated by the Bombay Plan. But he holds that the latter is over-optimistic in one respect. Even the most rapid industrialisation and general development will not provide additional demand for labour sufficient to cope with existing under-employment and the present rate of population growth.

Mr Da Costa's realism is shown, for instance, by his attitude to the population problem, by his recognition that external help of various types will long be necessary, and by his insistence upon the urgent need to train Indian managers and skilled workers. But his realism does not go far enough. For instance, he fails to tackle the fundamental problem of how in peacetime to secure the necessary determination to accomplish a task no less difficult than that undertaken during war. Again, although he recognises the need to choose between the production of capital and consumption goods, and the difficulty of limiting the consumption of the poverty-stricken masses, this does not prevent him from advocating vast capital expenditure and generous exports to other Eastern countries. How?

Shorter Notice

"The United Nations Association Yearbook, 1947." Hutchinson. 296 pages. 25s.

This is a useful book of reference. It contains a collection of Uno documents, including the Charter, as well as a list of the Governments of all member states, a summary of the Secretary-General's first report, and an account of the activities of the United Nations Association.

AMERICAN SURVEY

New Channels for Trade

(From Our US Editorial Staff)

CONGRESSIONAL interest in the Marshall Plan and in anti-inflation measures all but stifled any immediate response to the Geneva agreement on tariffs, and the publication of the schedules of revisions in American tariffs. The explosions now being heard from various US industries thus seem to have been set off by a delayed fuse.

As a result, they have coincided with the opening of the Havana Conference. While Mr Clayton, as head of the US delegation there, was welcoming the "last lap on the road to an international trade organisation" a spokesman for the American Tariff League was lamenting the much wider scope of the "escape clause" in the present tariff structure. This clause, strengthened as a result of pressure from Senator Vandenberg and the Republican Party, permits any government to withhold or modify concessions made, if there is any question of "serious injury" to a domestic industry. The Tariff League holds that the multilateral nature of the new agreement "would bring a chain reaction of retribution among twenty countries" if the US Government seeks to protect an injured national. And in Congress, indignant members are now looking ahead to the debate on renewal of the Trade Agreements Act next Spring.

Unquestionably, the list of concessions given and received at Geneva is imposing. The State Department's analysis of the effects of the agreement on US products (Department of State publication 2983, Commercial Policy Series 109) estimates that concessions made by other participating countries with respect to products of which the United States was their principal supplier would, in 1939, have affected \$1,192 million of American exports, and that the benefits of lessened restrictions on other products approximate another \$220 million.

On the opposite side of the ledger, the United States made concessions on products which in 1939 accounted for 78 per cent of its total imports, dutiable and free, and amounted to \$1,766.5 million; of this total \$1,336.7 million came from countries participating at Geneva. Total dutiable imports in 1939 were \$906.5 million; concessions were made on 70 per cent of the total, with 85 per cent of that amount, or \$543.1 million, coming from the participants. Existing rates of duty were "bound" on 20 per cent of the dutiable imports affected, and were reduced by up to a quarter on 10 per cent of the total, by proportions ranging from 25 to 35 per cent on 27 per cent of the total, and by proportions ranging from 35 to 50 per cent on 43 per cent of the amount. The status of 85 per cent of the imports in the duty-free category, \$1,341.2 million in 1939, was "bound"; 70 per cent of these products came from the participating countries.

On many schedules, this list of changes, to become effective on January 1st, represented an exercise to the full of the power, given to the Executive when the Reciprocal Trade Agreements Act was renewed in 1945 to reduce tariff rates by as much as as half the existing rate. Its net effect is to reduce US tariffs practically to the level of the Underwood Tariff of 1913; the State Department emphasised the continuity with that period in calling the new agreement "the first major step to be taken by important nations to revise the trend toward trade restriction and economic nationalism which has persisted throughout the world since the first World War." It can be justifiably claimed as evidence that the US Government has seen, and accepted, the implications of its creditor position.

But the meaning of this great revision in American tariffs in

terms of specific goods and countries can be analysed only to a very limited degree. Present trade, while large in value by historical comparisons, includes great price inflation. More than that, it is extremely distorted as a result of the war, both as to products and countries. Nor is analysis by pre-war content very helpful, since whatever conditions reconstruction may provide are likely to differ basically from any past period.

Furthermore, after the other war, Americans were chary about imports. Now, everybody knows that it will be quite some time before competitive imports amount to much, and there is a rather strong feeling that imports of the stockpiling variety, critical materials of one sort or another, would be a very good thing.

And after the other war, Americans were keen on exports. Now, exports look like a price that probably must be paid for certain considerations, many of them, at least in the short run, non-economic in character. Even for the long pull, doubts are spreading, linked to the new attitude toward strategic imports and reflecting the new consciousness that even the resources of a half-continent are not inexhaustible. (Striking among these is the case increasingly made against farm exports by farmers newly conscious of soil conservation and correspondingly dubious of shipping fertility out of the country.)

The questions uppermost in people's minds concern the diversion, by export, of goods from domestic consumption, and the resulting effect on inflationary pressures. Misapprehensions about the volume of exports, and their destination, are almost as common as interest in the subject. Here are some of the main questions:—

1. What is the relation of current exports and imports to gross national product, and how does it compare with pre-war?

On this question, charts prepared by the Department of Commerce reinforce earlier evidence given by the Office of International Trade which showed quite recently that relatively few industries show exceptional gains in exports when measured against the current volume of output. Exports, as a percentage of gross national product ranged from 4 to 5 per cent in most pre-war years and reached a high point during 1944 (at the peak of Lend-Lease shipments) when they amounted to rather more than 10 per cent. There followed a decided slump through 1945 and 1946, and even now the figure of just above 8 per cent, though above the average of the 1930's, is not very far above the rate prevailing before the 1930 slump. Imports, of course, have lagged badly, though at about 4 per cent of GNP they are about on a line with the level prevailing through many of the pre-war years. This evidence does not, of course, offset the charge that exports have put a tremendous pressure on some prices during 1947.

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

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2. How much of the recent increase in the value of US exports represents increased shipments, and how much increased prices per unit shipped?

The answer to that query follows:—

U.S. TOTAL TRADE
(1936-38=100)

	January, 1946	Over Nine Months to:	
		September, 1946	September, 1947
Exports—U.S. Merchandise:—			
Value.....	316	493	447
Quantity.....	204	262	231
Unit value.....	155	188	194
Imports for Consumption:—			
Value.....	186	224	234
Quantity.....	111	107	110
Unit value.....	168	209	212

3. In particular, how does recent trade with the sixteen "Marshall countries" compare with the pre-war position? On Department of Commerce figures, this is the answer:—

U.S. BALANCE OF MERCHANDISE TRADE WITH THE "MARSHALL COUNTRIES" AND GERMANY
(In Billion Dollars)

	1936-40 Average			Nine Months of 1947		
	Exports	Imports	Exports Balance	Exports	Imports	Exports Balance
Trade with all countries, Trade with Marshall area.....	3.2	2.5	0.7	10.9	4.2	6.7
Per cent "Marshall area" trade to Total.....	1.2	0.5	0.7	3.7	0.5	3.2
	37.5	20.0	100.0	34.0	11.9	47.7

These figures emphasise our normal dependence on European markets, and the distortion of the trade balance which has followed in the slow recovery from wartime losses.

4. How large a proportion of US exports actually goes to Europe?

Mr Dewey's purpose in calling attention to the fact that there is also China to be considered may have contained a measure of domestic motive, but it is true that discussion of the Marshall Plan has persistently pushed the rest of the world off the front page. Here are the figures:—

UNITED STATES EXPORTS AND IMPORTS BY CONTINENTS
(In Millions of Dollars)

Continents	Exports		Imports	
	1936-38 9-month Average	Jan.-Sept. 1947	1936-38 9-month Average	Jan.-Sept. 1947
Total.....	2,225.0	10,950.6	1,866.7	4,192.1
North America:—				
Northern.....	346.5	1,596.6	264.9	807.0
Southern.....	202.7	1,238.6	185.8	786.1
South America.....	205.5	1,780.6	244.0	876.6
Europe.....	932.1	4,027.4	531.2	594.9
Asia.....	373.9	1,458.3	561.1	774.8
Oceania.....	68.0	234.1	30.1	126.1
Africa.....	96.2	615.0	49.6	226.6

Under the new agreement, the channels for trade have been broadened and deepened. The new schedules show by how much. But chains are still up across most harbours. And in many ports of former export, the Plimsoll Line rides high along the hulls.

American Notes

Senator Vandenberg's Triumph

That the Senate, at least, has met Mr Marshall's deadline of December 1st on interim aid is due almost wholly to the efforts of Senator Vandenberg. On his insistence that the estimates of the State Department had been cut to the bone, the Senate re-

pulsed, by 56 votes to 30, an attempt to impose a cut of \$200 million, and on December 1st passed the bill by the overwhelming majority of 83 to 6. This is only the first of a series of hurdles to be surmounted before food and fuel start to flow once more. The debate in the House, which began this week, is likely to be longer and stormier than the Senate deliberations. Part of the cut tentatively approved in committee last week has been restored, but the diversion of \$60 millions of aid to China still leaves European aid short of something more than that amount. The final Bill probably will be written in conference between the Senate and the House not long before Christmas, and it will still have to be implemented by appropriation Bills, although the Reconstruction Finance Corporation will probably be authorised to make an advance of \$100 million, as it did in the case of Greece and Turkey. The grant to China, demanded by Senator Taft and Governor Dewey, and not frowned on by Senator Vandenberg, is likely to remain—perhaps as the price of compromise—even if the Senate persuades the House to grant the full \$597 million requested by the Administration.

Europe is becoming familiar with the tortuous procedure, the opportunities for delay, and the hairbreadth escapes which give the routine passage of any aid Bill so striking a resemblance to the Perils of Pauline. The Interim Aid Bill has, so far, provided fewer thrills than its predecessor, the post-Unrra relief measure. What is even more significant is the degree to which Senator Vandenberg has been left to carry the Congressional burden single-handed. At critical moments in the debate, Administration Democrats have faded away, leaving the Republican veteran to deal with dissidents not only in his own, but in the President's party. He has discharged this unprecedented responsibility triumphantly; but that he should have had to assume it remains a confession of Democratic weakness in the Senate. It also involves the Administration in a responsibility which it is less certain has been discharged: that of keeping Senator Vandenberg informed on the policies which he is expected to support. He has complained, for example, that the harnessing of anti-inflation measures to interim aid was a surprise, and an unwelcome one.

* * *

Curbs on Inflation

Over the past fortnight Congressional committees have listened to enough evidence from authoritative spokesmen to suggest that the Administration had on hand a cut-and-dried plan for anti-inflationary measures and, from a more practical viewpoint, was determined to enforce it. Mr John Snyder, Secretary of the Treasury, testifying before the House Banking and Currency Committee, declared himself to be fully in favour of the restoration of "standby price control powers," asserted that the sterilisation of gold imports from the monetary system was "very definitely under consideration," and reaffirmed previous statements concerning the advisability of providing the dollars needed for Marshall Aid before providing for any tax relief whatsoever.

The House Committee also listened to evidence given by Mr Chapman, Under-Secretary of the Interior, who declared that a voluntary petroleum "conservation programme" was being worked out with the co-operation of the industry, and that a priority list already established would place "pleasure motoring" below the essential requirements of the services, public utilities, homes without other means of fuel, farms and petrol-using industry. Though there is no suggestion that American motorists in common with their British cousins will be called upon to forego a basic ration, there is enough evidence of austerity for American ears to assume a distinctly darker shade, as the various government experts continue to demonstrate the urgency of present problems.

To Mr Marriner Eccles, the chairman of the Federal Reserve Board of Governors, however, has quite naturally fallen the role of star witness in the task of persuading Congress that moral restraints are not enough. Mr Eccles declared that his evidence represented "one of the most important statements ever made by the Federal Reserve Board," and he minced no words in declaring that the country had passed the stage where an inflationary movement might be prevented.

As a programme, Mr Eccles recommended longer working hours, without any increase in wage rates, the elimination of support for farm prices, a heavy Budget surplus, voluntary price control by business and (jointly with Mr Snyder) a nation-wide bond sales campaign to mop up purchasing power. But his most controversial proposals were reserved for his own field of banking

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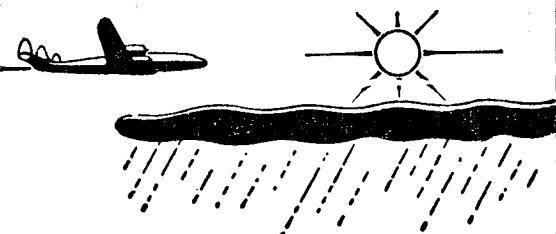
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controls, where he proposed a reinforcement of margin requirements over banking reserves. In line with the suggestions put forward fully eighteen months ago by the Reserve Board, Mr Eccles said that the Board desired not so much a general reinforcement of bank reserves as the establishment of a "special secondary reserve" in the form of cash or short-term government securities. Because of the cumbersome nature of this form of credit regulation, and because of its general interference with policy, this latter recommendation is resisted more stoutly by the commercial banks than any proposal for a simple raising of present reserve margins. And for that reason it is unlikely to be accepted by the present Congress.

* * *

Eccles versus Snyder

The most interesting part of this evidence, however, was the disclosure that (not for the first time) there is an open clash between Mr Eccles and Mr Snyder over the issue of banking controls. For the Treasury, Mr Snyder confined his opposition to the blunt and unqualified declaration that a special reserve requirement for the commercial banks would not prove to be an effective measure. Mr Eccles took the opportunity of reminding his listeners that the Reserve Board was established by Congress, and that he did not speak for the Administration. Indeed, he lashed the record of both parties in reasserting the folly of price decontrol in 1946, and the subsequent lack of "alternative measures," and went on to declare that Federal sponsorship of residential construction had brought "unconscionable profits" to an industry which was quite largely responsible for inflationary trends.

Despite this clash of evidence, Mr Eccles declared that he spoke both for the Treasury and the Reserve Board in reaffirming the desirability of maintaining the "established 2½ per cent rate on long-term Government securities." Where Mr Eccles differs from the Treasury is in his insistence that the expansion of bank credit will be extremely difficult to control, unless new powers are granted, more especially since the Board itself has been obliged to reverse its very modest process of credit contraction purely in order to protect quotations for long-term Government Bonds.

In fact, the divergence of testimony now apparent seems likely to give Mr Truman the worst of both worlds, since Congress is in no mood to grant powers to one agency, so long as they are opposed directly by another branch of government. And in the meantime, the discussion of inflationary curbs could bring a new wave of forward buying and other speculative activity. For the time being, the Administration seems to be relying upon the fact that the heavy tax payments due in January will bring a substantial contraction of banking funds. This is no doubt true because current Budget estimates, which are themselves an extremely conservative approach to probable revenues, suggest an actual cash surplus of more than \$5 billion for the year to June 30th next, nearly all of which will be gathered in the next few months. But against this, the banking system still has formidable reserves available, and Mr Eccles himself declares that gold imports may well reach \$3 billion over 1948, with some concentration during early months before Marshall Aid becomes fully operative.

If the position is really so dangerous as Mr Eccles alleges, it is difficult to understand why the various agencies concerned could not have agreed to the reinforcement of existing controls up to the limits they now possess without new authority. These measures would include the sterilisation of gold imports, a modest rise in reserve requirements in some banking areas, and a higher re-discount rate. Last but not least, the declaration of a firm and agreed policy for new controls might well have some deterrent effect at this stage of a boom. In the absence of these measures, Congress can scarcely be blamed for refusing to be stampeded into early action.

* * *

Eisenhower's Nomination

With the nomination of General Bradley to succeed General Eisenhower as Chief of Staff, the mystery surrounding the General's political ambitions cannot last long. The campaign to place his name before the Republican Convention has been going on busily without benefit either of a platform, a public assurance that he is willing to run, or even the certainty that he is a Republican, for as long as he remains Chief of Staff his lips are sealed. The General's own willingness to remain in Washington until April suggests that the curb was not altogether unwelcome; it imposes, and excuses, a strategy not unlike that of Governor Dewey, who has been almost equally

reticent about his intentions and his views. The Republican contenders this year, in fact, are almost equally divided between those who feel that silence is golden and those like Mr Stassen who feel that a candidate should hold nothing back.

The nomination of General Bradley is both expected and welcome. It promotes a man who is popular both with the Congress and the Army, and who has done a Herculean job since the end of the war in bringing order and decency into the Veterans' Administration. The announcement, however, amounts to a gentle nudge to General Eisenhower. His departure from Washington and assumption of civilian status is now likely to take place early in the new year rather than next spring. He will then be forced to take a stand on the campaign being waged on his behalf. His supporters feel that he is not only the ideal solution of a probable deadlock between Senator Taft and Governor Dewey, but argue that he will have the enormous advantage of standing apart from the Republican record in Congress over prices and labour legislation.

* * *

A Third Wage Round?

The anti-inflation programme which emerges from the debate on the President's proposals is likely to be both too little and too late to halt another round of wage increases. The American Federation of Labour, in its monthly survey, says that workers' living costs have increased substantially, with no likelihood of a decline in view, and that the unions must therefore seek new wage increases. The Congress of Industrial Organisations announced this week that it would seek new wage rises for its 6,000,000 members. One of its unions is already celebrating its first victory. The Amalgamated Clothing Workers have won their third wage increase since the war: a 12½ cent an hour increase from the men's clothing industry with an additional week's paid vacation. The fact that the price of men's suits will rise by two or three dollars in the spring points the obvious moral. The members of the Amalgamated are among the best-paid and the most strongly entrenched union members in the country. Their initiative is almost certain to be followed by the United Automobile Workers, which can reopen negotiations in February, and in which Mr Reuther's "right wing" victory is no omen of a less aggressive front towards the employers; by the steel union, which can file its demands early in April; and by the oil and electrical manufacturing unions.

It would be wrong to accuse the unions of reckless self-interest. Mr Potofsky, head of the Amalgamated, deplored the necessity for new pay increases to keep pace with the cost of living, and urged that what was really needed was price control to eliminate "this constant sparring to make ends meet." It is possible to point out that factory workers have enjoyed a rise of real earnings of a quarter since 1940. But at the end of 1944 real earnings were more than 140 of the 1940 level; during 1945 there was a drastic drop in real earnings which has never been recovered, and from the beginning of 1946 to July, 1947, there was a steady drift downward. Recent price spurts, which have brought the consumers' index to 163.8 of 1935-39, will have continued this trend. The treatment of price controls by Congress last year gives the unions every excuse for lack of faith that the price line will be held this winter. In these circumstances, no exercise of "labour statesmanship" can be expected to halt the demand for a third round of wage rises.

Shorter Note

An investigation of market dealings by the Commodity Exchange Authority has revealed a list of operators extending from government officials, and many professional classes, through to students, and housewives. Farmers have not unnaturally taken an active part, but housewives were listed on September 17th with a bull account of 7 million bushels in wheat, and with a "short interest" of 3.7 million. The possibility of indirect control of these domestic activities has not escaped the vigilance of CEA.

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THE WORLD OVERSEAS

Austria: The Cost of Indecision

(By a Special Correspondent)

SO long as Austria is one of the fronts in the Russian-American cold war its material and moral reconstruction will be held up. Under present circumstances American aid is undoubtedly keeping Austria alive, but until a peace treaty is concluded, in spite of the wide authority of its central government, it cannot plan or think as a unified nation should. Not only does Austria suffer from the present extraterritorial administration of the Zistersdorf oilfield and of the 250 or so other Soviet-run concerns in Vienna and the eastern provinces, but equally from the demoralising effects of the present uncertainty. The country cannot be welded together either administratively or spiritually until the dispute between the Allies is settled. The Austrians say that the Russians are to blame and that they must be got out regardless of Potsdam and regardless of cost. Certainly Austria would be a very much happier and more prosperous country if the Russians left. But such an approach is hardly realistic. It is this very one-sidedness which, by stimulating the Russians to defence of their interests against what they see as an alliance of Austria with the western powers, has made the Russian occupation bear much more heavily on the country and so made a solution more difficult. The Austrian government is by no means incompetent, but only a strong government with a determined neutral point of view and a positive will to unite the people could overcome the demoralisation and disruption which this situation is causing. As there is no likelihood that such a government will or could be formed, another breakdown of the treaty negotiations and a further period of waiting will do a lot of harm.

Socialism Postponed

The government is still hampered by an Allied Control which can hold up, sometimes veto, and in many ways render ineffective its measures. This uncertainty as to the conclusion of a treaty has discouraged it from getting ahead with any positive economic programme. Not only was the currency reform, intended to curtail the black market, long delayed owing to doubts of its reception by the Allies and of the wisdom of its introduction during the occupation, but other false elements in the economic situation have still to be cleared up before proper reconstruction can get under way. Moreover the general economic plan towards which the Socialist Party and the British element of the Allied Commission have been pressing the government, if not quite such an impossibility as is sometimes claimed, may be postponed so long as there is no decision on what resources are to stay in Austrian hands, or on what authority the government is to have over the remainder.

The uncertainty of the present situation is one of the worst results of the Russian occupation. The Russians control their interests in Austria through a combine known as *USIWA* (embracing the 250-odd confiscated concerns); through a Soviet oil administration; a petrol distributing firm, *OROP*, constituted under Austrian law; an extraterritorial branch of the Soviet State Bank; and a branch of the State Transport organisation. They have not conducted these organisations, or the individual firms (sometimes Russian-administered, sometimes with a single Russian representative among the directors) which they embrace, according to Austrian law. Price fixing, foreign trade, trading within the combine, returns—all are conducted independently and without the knowledge of the Austrian authorities.

The Russian Case

Roughly the Russian argument is that until the Austrian government recognises the Soviet claims they will not recognise Austrian law. Taxes, apart from local taxes and those whose object is patently social, are paid by the *USIWA* concerns to the Russian bank, to be blocked for the eventual use of the Austrian government once the question of principle is settled. The Russians have

been hardened in their attitude by their suspicion that the government, especially the Ministry of Planning and Property Control, is doing its best to get them out, and by their knowledge that public opinion is against them.

The illegally high prices and terms of payment demanded (with or without *USIWA*'s knowledge) by the Russian concerns help to force up the general price level, and their foreign trade is conducted in the interests not of Austria as a whole, but only of their own combine. This is bad enough, but because as far as all official facts and figures go the Russian concerns might not exist, it has become general to treat them as entirely and permanently distinct from Austrian economy and to reckon their exports as necessarily a dead loss. Few care to make the distinction between the present situation and the burden which would be represented by a permanently installed and integrated Russian combine, operating, apart from the guarantees which the Russians demand against nationalisation and confiscation of their profits, as does any foreign owned firm on Austrian soil. Yet, seen in this light, much of the damage being done is a by-product of the present battle, and must be added to the cost of waiting for a settlement.

Is Partition Inevitable?

To counter the loss of a greater or lesser degree of control over their main industrial area, the Austrians, with American support plan to build up industry in the western zones. Planning apart, firms which moved from the eastern provinces during the war have naturally chosen not to go back, while others, with factories in both eastern and western zones, have done what they could, even by shifting machines across the Russian demarcation line, to favour the latter. But, although Austria has pitched its demands under the Marshall plan high, foreign aid is still only just enough to keep the country fed, and with labour and accommodation concentrated mainly in the east any such process must be a very gradual one. Its main significance at the moment is that the Russians are made to feel that the other zones are being favoured in the matter of raw material allocations, and that every precaution must be taken to make the demarcation line watertight. With zonal frontiers otherwise virtually abolished, the frontier of the Russian zone is thus the one barrier left within Austria, and the distinction between the east and the west is becoming sufficiently marked to give rise to loose talk of a possible split.

The Westward Pull

It is doubtful whether Austria can stand much talk of this kind. For social and geographical reasons—Vorarlberg province, for example, is connected to the rest of the country only by a railway, the telephone and a pass that is snowed up for half the year—Austria is at the best of times loosely knit together, and local feeling often proves stronger than national. The central government has laboriously worked to assert its authority over provincial governments whose independence was greatly strengthened by the watertight zones of the first year of occupation. Nevertheless the national feeling that has grown up is mainly anti-Russian. The possibility of partition has a loosening effect on all the ties that hold Austria together, so that in Tirol, Vorarlberg, and Salzburg (at least) responsible officials are thinking what course to pursue if the eastern provinces break off. Already there are economic forces pulling Austria in different directions: Vorarlberg trades almost entirely with Switzerland; Tirol and the British zone mainly with Italy; the American provinces want closer economic relations with *Bizonia*; and the Russian combine naturally trades chiefly with the countries of the Soviet bloc. Although no one wants the country to break up, the seeds of disintegration will be there as long as the present uncertainty continues.

Rumblings in Malaya

(By a Special Correspondent)

ENTERING Malaya by land from the north, the outward face of British colonial administration presents a scene of neat "English" hedges and excellent roads. By comparison with the neighbouring countries—derelict Burma, war-torn Indochina and ill-kempt Siam—Malaya seems a very green and pleasant land.

But beneath the surface, the picture is less rosy. Though two years have passed since liberation, lawlessness appears to be increasing. Armed robberies and even shooting have almost ceased to be news unless they are distinguished by some spectacular aspect. In the towns on the mainland law and order appears to be improving, but no road is really safe. Armed guards are posted in the Singapore banks and Europeans are warned not to promenade along Singapore's brightly illuminated waterfront after sundown. The present garrison of 35,000 British troops in the peninsula, as compared with a pre-war establishment of three battalions and contingents of Indian and Colonial troops (a total of 9,000), is presumably held in readiness for a local emergency as well as for possible needs further afield.

The delay in settling Malaya's constitution, besides prolonging the inevitable post-war unrest, has stimulated a remarkable growth of political consciousness. The over-riding political issue in Malaya is, and will continue to be, whether it shall be a predominantly Malay or Chinese country. In 1941 the racial composition of the Peninsula (excluding Singapore island) was estimated at 2,100,061 Malays; 1,778,331 Chinese; and 684,364 Indians. Taking the peninsula as a whole, Singapore included, the Chinese total 2,379,211 as against 2,278,588 Malays. Malaya has thus become the only country in Asia where natives are outnumbered by aliens and the only country outside China where Chinese are in a racial majority. The existing "Malayan Union" was framed before liberation in the Colonial Office without prior consultation with any of the communities concerned. The avowed object was to place immigrant Chinese and Indians on political "equality" with the native Malays. Before this constitution was introduced Sir Harold MacMichael was sent out to impose new treaties on the Malay rulers, robbing them of their sovereignty and their statehood.

In the storm of protest which followed, Malay nationalism, hardly existent before the war, was born. It led to the foundation of the United Malays National Organisation (UMNO) with the slogan "We want protection, not annexation." The arrival of Mr Malcolm MacDonald as Governor-General marked a return to Britain's established pro-Malay policy and in the new constitutional proposals for a "Federation of Malaya" worked out by collaboration between British civil servants and UMNO representatives, the Malays have tried to ensure that Malaya should remain a Malay land. The Order-in-Council, bringing this draft federal constitution into force, is expected to be tabled in January when a debate is also likely to take place in the House of Commons.

Left Demand for Independence

These new proposals are now under fire from the Leftist parties on the ground that they are designed to perpetuate the colonial status of Malay and to prevent the realisation of the "Independence" which Mr MacDonald has promised as Malaya's ultimate goal. The chief weight of the opposition comes from the All-Malaya Council of Joint Action (AMCJA), a coalition of Chinese, Indian and Eurasian parties under Chinese and Eurasian leadership, and the Malay Nationalist Party sponsored *Pusat Tenaga Rakyat* (Putera). The alternative programme put forward jointly by AMCJA and Putera for a Federation having what virtually amounts to Dominion status has many attractive features, but the Malays on the whole are well satisfied with UMNO's draft federal constitution.

In spite of bazaar talk that the Communists are operating a complete government from their stronghold in the hills, UMNO appears to be the strongest Malay organisation. It insists that British "protection" is essential for Malay survival, at least for an interim period, but they doubt whether the Government will in the long run be sufficiently firm in resisting Chinese immigration or sufficiently generous in their Malay educational policy to make Malay democracy workable. On the other hand, many responsible Malays who are attracted by the paper programme of AMCJA-Putera hesitate to join them because of the Japanese origins, and anti-royalist and anti-British inclinations,

and close connections with the Indonesian Republic of some of its member groups.

But with their small numbers, internal schism is a luxury that the Malays cannot afford if they are to survive. The Leftists' aim to split and weaken the Malays is clear enough. In their present stage of development, an elected central legislature, as recommended by the AMCJA-Putera plan, even though providing for a Malay majority for some years to come, must end in an overwhelming defeat for the Malays. UMNO is criticised, with reason, as the representative of the Malay aristocracy, but its 52-year-old leader, Dato Onn, who is also the *mentri besar* of Johore, is by far the ablest and most experienced Malay statesman. Although his colleagues, being government officials, are to some extent handicapped for party work, Onn is planning a five-year Malay economic development scheme, which, with a substantial fighting fund, should make a strong appeal to the realistic Malays and offset the political manoeuvring of the Left.

Pan-Indonesian Dreams

Malays of whatever party are all still primarily concerned with the spectre of foreign domination in their own land. In the British Government's view, Malaya, the "country without a nation," must federate if it is to survive. The Leftists agree because they see in this the quickest way to achieve their own ends. Most Malays would agree, too, if they could overcome their fear of immigrant domination. This is still so real that extreme nationalists in UMNO have talked of partition, and it is easy to see the attraction of an exclusively Malay State, comparable with Pakistan, for those who feel, and not without good reason, that even the forthcoming Federation does not in fact provide sufficient security. It might have been better if the Straits Settlements had been excluded intact as a Chinese preserve, thus leaving the Peninsula Malays with a numerical majority.

The Malays see behind the Chinese immigrant some 400 million Chinese in China, and behind the Indian immigrant some 400 million Indians in India. Small wonder that they turn instinctively towards the 75 million Indonesians who, with the peoples of British Borneo and the Philippines, are predominantly people of their own racial group. By adopting for its national banner the red-white colours of Indonesia (with a yellow—for royalty—globe pierced by a kris), UMNO has given a clear indication of the direction of Malay aspirations. At heart all Malay nationalists dream ultimately of one great Pan-Malaysian or Pan-Indonesian nation.

Latin American North—III

Politics on the Equator

[BY A SPECIAL CORRESPONDENT]

GILBERT AND SULLIVAN would have loved Ecuador. Its politics are as topsy-turvy as *Iolanthe*, while its ruthless customs and quaint colourfulness are reminiscent of *The Mikado*. It is a republic where the "normal" procedure is not normal at all, but where the accepted method of changing presidents is by revolution. During the last fifty years or more, only one president of Ecuador has taken office as an elected chief executive and given up his post four years later to an elected successor. All other presidents have either gone in or out of office by a *coup d'état*. There have been sixteen constitutions since 1830.

Ecuador is not a purely capitalist country. The great mass of the population lives on a subsistence economy with infinitesimal purchasing power. Landholdings are large; the people are indordinately poor; tradition is very strong; and the Catholic Church is all-powerful. Although, since 1895, the country has had governments which were predominantly "Liberal," or even further to the Left, they have retained power only on the tacit understanding that they would touch none of the basic problems of the nation. Liberals, Radicals, even Socialists or Communists are accepted, provided they confine their activities to Guayaquil, Quito and one or two other towns. They would not be tolerated

if they began to organise effective agitation by the Indian masses for agrarian reform and education.

There is, of course, another side of the picture. Along the coast, there is a good deal of commercial agriculture, particularly in sugar cane. Oil fields, too, are being exploited, and in the city of Quito and one or two other towns a textile industry is beginning, the largest plant employing about fourteen hundred workers. In these centres, Quito, Ambato and other towns and cities of the interior, as well as in Guayaquil and its coastal hinterland, the first beginnings of a labour movement have grown up. Its leaders claim—somewhat optimistically—that there are one hundred thousand members in the *Confederacion de Trabajadores del Ecuador*. In this movement the mutual benefit society type of organisation has not yet been very clearly differentiated from the trade union, and there are many hybrids brought together indiscriminately in the CTE.

The CTE, like most Latin American labour groups, is dominated by certain political elements. At the moment it has a Socialist majority in its executive committee and a Communist minority. There is considerable rivalry between the two Left groups in the unions, though there are many Socialists sympathetic to the Communists. The Socialists obtained about one-third of the seats in Congress at last summer's elections. The Communists gained only one seat.

Last Word with the Right

A little to the right of the Socialists is the Radical-Liberal Party, the traditional left-wing group of Ecuador. It dominated the Left until the thirties and is now somewhat of a catch-all. Most presidents profess themselves *Liberales*, though usually they are careful not to hold a liberal party membership card. On the other side of the fence is the Conservative party, the strongest group of all, though seldom in office. Closely linked with the Church, it is much better disciplined than the Liberals, and usually has the last word in any crisis. Its support for Velasco Ibarra in 1944 was decisive in making the revolution a success. Its failure to support Col. Mancheno in August of this year seems to have been decisive in ending his very short term of office.

In recent years Ecuadorian politics have lived up to their reputation. From 1940 to 1944 the President was Dr Carlos Arroyo del Rio. He was in office during the short war with Peru in 1941 which resulted in an arbitration award giving a large piece of Ecuador to Peru. This won Dr Arroyo the undying dislike of most of his politically conscious countrymen. Attempts to oust the doctor reached fruition in May, 1944, when all parties, supported by a faction of the army, joined in a revolutionary attempt which put back into office Dr Jose Maria Velasco Ibarra, dismissed about ten years before. He had been a Conservative in 1934, but during his exile in Chile and Argentina, as a result of close relations with the Left, he had won a reputation as a great Leftist and democrat.

Most of the fighting in the revolt of May, 1944, was done by the members of the Left parties, and they entered the cabinet with representatives of the Liberals and Conservatives. A new constituent assembly was called, nominated by the Left, and produced a very advanced basic constitution. No sooner was the ink on it dry, however, than Dr Velasco Ibarra began to criticise its terms loudly, and, in March, 1946, he threw the Leftists out of his government, put some of them in gaol and sent others scurrying into exile. In August he called elections for yet another constituent assembly. The Left abstained, so the assembly was completely and absolutely controlled by the Conservatives. They wrote a new basic constitution, slightly more conservative, and the sixteenth of that ilk.

Dishing the Left

But this was no sooner promulgated than Dr Velasco Ibarra began to be unhappy about it, too. He quarrelled particularly with the council of state which was set up as a watch-dog over the constitution when Parliament was not in session. This quarrel forced the resignation of Col. Carlos Mancheno, Minister of War, and the president's right hand man. Mancheno stayed out of the government until July, 1947, when he suddenly re-entered the cabinet. The President's quarrel with the council of state was apparently at an end. Meanwhile, in the next elections held under the new constitution, the Left gained a large majority, and the President then began to refer to himself once more as a "Liberal," having for the last year classified himself as a "Conservative," and stressed his Catholicism.

But suddenly, in August, it was announced that the President had been sent off to Colombia in a military aircraft, and that Man-

cheno had proclaimed himself provisional President instead. After a short period of confusion, the Conservatives denounced the new regime, and counter-revolts started in several of the garrisons south and north of Quito. Within ten days they had gained control of the country, and eventually they appointed as President Dr Carlos Arosemena, a newcomer, who so far remains in office.

The exact significance of these events is not clear, but there appears to have been a revolution of more purpose than the usual Ecuadorian fireworks. Some of the Socialist Party were fascinated by the revolution in Venezuela of October, 1945, which led to wide social reforms in that country, and it is interesting to note that the short-lived Mancheno regime attempted to set up a government on the Venezuela pattern. It tried to attack some of the fundamental problems facing the country: illiteracy, bad health conditions, grinding poverty, unlimited dirt. It was, perhaps, because of this attempt that the Mancheno regime lasted so short a time. However that may be, unless some government does start dealing with these problems, Ecuador will continue to be economically and socially backward, and its politics will continue to tickle the fancy of all those who like Gilbert and Sullivan brought to life.

Stalled at Geneva

[BY A CORRESPONDENT]

THE famous fifth freedom of the Chicago Civil Aviation Conference of 1944 has frustrated the efforts of yet another conference on international flying. Last week a meeting at Geneva attended by 28 of the 44 member states of the International Civil Aviation Organisation broke up after failing in its purpose of preparing for the ICAO Assembly next June the agreed draft of a multilateral agreement on international commercial flying. There was general agreement that an attempt to draw up a comprehensive multilateral agreement which left nothing to bilateral negotiation would be premature. On the scope of this limited agreement, however, two conflicting views emerged.

On the one hand, Britain, France and the United States held that the draft agreement should provide for the automatic exchange of third, fourth and fifth freedoms, the fifth being subject to conditions which would permit long-distance services to operate on a sound commercial basis. Of these freedoms the third and fourth permit a country's aircraft to carry traffic to or from that country, while the fifth is the right of aircraft on long-distance routes to carry traffic between intermediate points on those routes. The importance of the fifth freedom lies in the fact that its unconditional acceptance could put the intermediate countries at a strong disadvantage compared with the countries operating the trunk routes. More crudely stated, it could give unlimited and one-sided advantages to American airlines.

It has accordingly been modified since first formulated. Its most important modification is contained in the Bermuda Agreement between England and America last year. Under it the volume of traffic between intermediate points on a trunk route must be related to the volume of through traffic. And the volume of intermediate traffic is subject to subsequent scrutiny and control at the request of either party. Thus the right to fifth freedom traffic is accepted in principle. But the amount of such traffic is governed by bilateral negotiation.

This modification has been incorporated in agreements since made by both England and America. It seemed to offer a working solution pending the stage when a comprehensive agreement could be reached. But the view of Italy, India, Egypt, Canada, Australia and other countries was that fifth freedom rights should be the subject of bilateral agreements. They considered, however, that the exchange of the third and fourth freedoms should be automatic. In other words, it was proposed that there should be no fifth freedom as of right, but only after negotiation. This view prevailed on November 23rd when a resolution was adopted permitting a State unilaterally to deny fifth freedom rights. The basis of a generally acceptable multilateral agreement was then destroyed, and after a few days the meeting came to an end.

The world-wide and uniform regulation of civil flying has thus been again postponed. States will continue to negotiate their commercial rights bilaterally and piecemeal. At the next ICAO meeting no progress will have been registered except, as usual, on semi-technical matters of comparatively limited importance. Meanwhile, there is a certain irony in the collaboration of England and America on a matter which formerly divided them. But these two countries can claim that their attitude has the benefit of experience.

THE BUSINESS WORLD

The Capital Cuts

FOUR months have elapsed since the Prime Minister announced the broad measures which the Government was taking to meet the economic crisis. Six weeks have passed since Sir Stafford Cripps described in somewhat greater detail the composition of the capital cuts of £200 million on which the Government had then decided. These are comparatively long intervals, during which the play of political forces and the voice of determined Ministers have obviously made themselves felt. The Government's White Paper,* which now makes its belated appearance, shows many of the marks of compromise. It is an essay, like the "Economic Survey for 1947," in what has come to be known as "democratic planning," which is in danger of becoming a synonym for planning at half-cock on the basis of inadequate statistics.

No one disputes the need to make cuts in capital expenditure, and no one in his senses will fail to deplore the necessity for doing so. The problem is not merely "how much," but also "where" and "when." Wholesale slashing of capital expenditure would be wasteful, because so much has already been started; and it would be most threatening to the future survival of Britain as a major economic power. The economic necessity of the moment is to bring total demand for real resources within the limits of available supplies. The test that the Government's policy on capital expenditure has to meet is, therefore, whether it makes an effective contribution to this end. The arithmetic of the case suggests that it does not. But arithmetic is not all. Are cuts being made in those projects which are slow to bring their return (projects, in other words, which at this stage of a boom would formerly have been postponed owing to a rise in the effective rate of interest) and spared for projects which can make a relatively quick contribution to national output?

This distinction bears most closely on the question of house building, which is in the charge of a determined Minister. If any one element in the capital programme is regarded as being immutable, then it follows that the other elements must suffer a disproportionate part of the cuts. But it is necessary first to show exactly what is meant by the cut of £180 million—the revised figure which Sir Stafford Cripps publicly disclosed at the end of last week. That figure is the reduction in the expenditure on new investment work at home which the Government

propose for the year 1948 as a whole, compared with the total hitherto estimated for that year (not 1947) of £1,600 million. It represents a reduction of 11 per cent in a figure composed partly of ascertainable fact, but largely of "informed guess-work." Moreover, this reduction is expected to accrue very largely in the second half of next year; by the end of 1948 gross investment is expected to be flowing at £1,320 million per annum, but the average for the year is £1,420 million.

ESTIMATED GROSS INVESTMENT IN THE UNITED KINGDOM (£ Million)			
	Mid-1947: Estimated Annual Rate	1948: Original Forecast	End 1948: Estimated Annual Rate
Construction.....	850	825	700
Plant, machinery and vehicles	610	680	525
Shipbuilding and miscell.....	90	95	95
Total	1,550	1,600	1,320

A further point needs clarifying. These are figures of gross investment; that is, they include expenditure on repairs and maintenance, as well as new additions to capital, which are net investment. The official guess about the proportions between the two classes—repairs and maintenance of existing capital, and new additions—is 50:50, roughly the same division which has been adopted in the National Income estimates for 1946. But both this division, and the total of gross investment, are very speculative. There are, indeed, indications that expenditure on gross investment has been running appreciably higher than the figure for mid-1947 given above and that net investment represents a lower proportion of the gross total than the White Paper assumes. The Government wisely admits the fallibility of its figures, but it holds, nevertheless, that it must have a plan. Yet in some important sectors of industry, like coal and steel, the investment programme for 1948 has not been worked out. And in those sectors of private industry for which capital programmes have been worked out, the Government has perforce to rely on enlisting the co-operation of industry over much of the field which is not directly covered by building licences or steel allocation.

Hence the capital programme for 1948 is a mixture of fact and token figures, to be enforced by physical controls (within the very narrow limits in which these can be made effective) and

by suasion. The cuts have been expressed in global money terms at £180 million, but their application in detail rests, not on budgetary or financial control, but on the allocation of limited supplies of key materials, like timber and steel, and upon the achievement of manpower targets which are set forth, not for the end of 1948, but for June, 1948. It is, therefore, extremely difficult to relate the prospective fall in gross investment in 1948, compared with what it might otherwise have been in that year, to the release of labour at present employed in various programmes of capital works.

This difficulty is most marked in housing. By June, 1948, it is estimated that the labour force for all housing purposes will be approximately 525,000, compared with the present level (not mentioned in the White Paper) of 569,000. But there is particular reason for regarding statistics of the house building labour force with distrust, and there is no guarantee either that a fall of this order will take place, or that if 44,000 workers are released from house building they will not be siphoned off into other repair and maintenance work—which would mean no net release of building manpower for work in other industries. Housing is, on paper, the prime source from which labour and materials could be released for other construction work. But in fact the programme cannot be sharply cut for three reasons: a vigorous Minister; the large pool of houses under construction (to which resources have already been committed) or under contract (where presumably they have not); and the limitations imposed on other construction work by shortage of steel. The Government aims at having 210,000 houses under construction in the middle of 1948, and 140,000 a year later, and at completing 140,000 new houses next year. There are at present 260,000 houses under construction (of which 100,000 are roofed) and 90,000 under contract. The achievement of these programmes depends on an increase in the rate of completion (which was in any event to be expected in 1948) and on a limitation on the number of approvals for new building. Here the White Paper becomes quite non-committal. What is the rate of new approvals which is needed to secure that 210,000 houses will be under construction next June and 140,000 a year later? Over the period to mid-1949, approvals ought to average about 6,000 a month, which is less than half of the recent rate. And the target figure of 140,000 houses under construction in mid-1949 is still compatible—so far as can be judged from the White Paper—with the completion of 200,000 houses in 1949.

It is not easy to translate these figures into money terms (indeed, the reluctance of the White Paper so to express them is in itself a matter for comment), but they do not suggest any material fall in the devotion of real resources to housebuilding during the next 18 months. In fact, if timber supplies are easier in the middle of next year, it seems possible that the programme may again be expanded in 1949. In any case, the estimate of 140,000 for completions next year may well be lower than the actual achievement, and there is little restraint—apart from the overriding shortage of timber—on the Minister of Health to keep the approval of new building down to the level required to secure the mid-1949 target. On this most important sector of the programme, the evidence in the White Paper is far from clear, and the conclusion is downright woolly.

*

How does industry fare in this battle of doubtful figures and Departmental claims? Here the limiting factor is steel. Projects well under way and capable of contributing most to exports will be favoured, with preference for those in development areas. For the rest, no new industrial building or extensions will be started for "at least six months"; new projects which have not reached the stage of erecting steelwork will be "reviewed" with the object of postponing "at least half." Many of these projects are sponsored by Government Depart-

ments. Their pruning is measured in the White Paper by targets of manpower set for the middle of 1948, and most of these show increases and not reductions. Moreover, the re-employment of such labour as may be displaced is not discussed in any detail. If labour does not move from construction trades to match the extent of the cuts in materials, "alternative employment for those displaced should be available in some of those occupations where there is an acute shortage of labour." This is a self-evident conclusion, but it is hardly a policy. And what happens if, as the White Paper notes with some fear, the volume of maintenance and small works increases in 1948 to take up the displaced manpower from major projects? This volume must, indeed, "continue to be strictly controlled," but in maintenance and small works physical controls are not very effective and financial pressure is the only practical instrument. It is worth noting, in any case, that the prospective reduction in manpower from cuts in the construction programmes for industrial building, agricultural building, civil aviation, education, fuel and power, health, police and prisons, the Post Office, transport and roads, Government building, defence, and other building work licensed by the Ministry of Works amounts to a mere 7,000—from 392,000 employed in June to 385,000 set for next June.

Clearly, no major release of manpower is to be expected on balance by next June from the curtailment of new construction work, even though this is a sector where the physical controls, within their limitations, can be made to work. In plant and machinery, on the other hand, controls have been largely removed, though the Government can influence the programmes of state-owned industries and public utilities. Investment in machinery by private industry is not controlled, save to the extent that specialised machinery can be earmarked for export and denied to home industry—which raises the associated problem of the efficiency of the export controls. The "general purpose" plant (such as electric motors and pumps) is impossible to control, and the Government "will rely for the present on the good sense of industry following a policy lead." Given a vague directive of this kind, the difficulty for the private industrialist—and it is a genuine one—is to make any useful distinction between what is profitable to him and what may be desirable in the larger public interest.

The investment programme in plant, machinery and vehicles is analysed in detail below:—

ESTIMATED GROSS INVESTMENT IN PLANT, MACHINERY AND VEHICLES
IN THE UNITED KINGDOM

(£ Million)			
	Mid-1947: Estimated Annual Rate	1948: Original Forecast	End 1948: Estimated Annual Rate
Specialised plant:—			
(a) Utilities, coal and steel	135	590	180
(b) Private sector	65		50
Other machinery	275	90	240
Road vehicles	135		55
Total	610	680	525

Without a division of the figure of £590 million "originally forecast" for plant and machinery next year, it is quite impossible to judge what the revised programme means in terms of capital projects in the private sector which have already been announced, but are now due for modification. On the railways, the full programme of 600 locomotives and 48,000 new wagons is to proceed, but the building of coaching stock and the overtaking of arrears of renewals (as distinct from current maintenance) are to be curtailed. These decisions sound reasonable. A major revision in the electricity generating programme should speed up the installation of new plant next year and in 1949, at the expense of reducing the capacity to be installed in



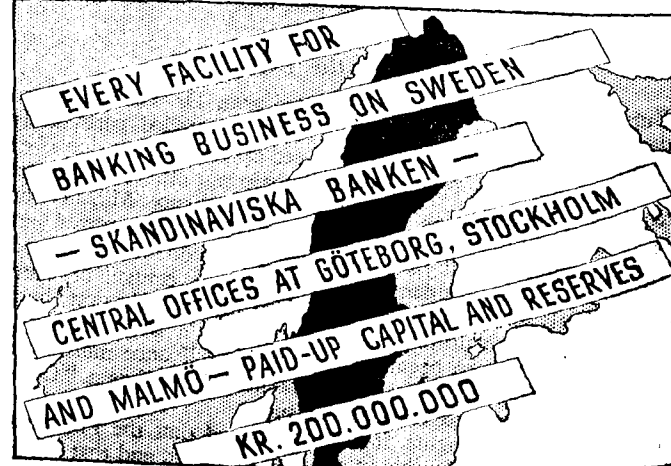
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later years; the remaining production is to be turned over to exports—another instance of the short commons on which British industrial capital will have to live during the next few years. The same point arises in connection with specialised industrial plant, where “production represented by 60,000 tons of steel” is to be turned over to export, and with road vehicles for business use. For coal and steel, the plant programmes have yet to be worked out. On shipbuilding, the Government has resisted American criticisms, and is going ahead with a contracted programme within the (unstated) supplies of steel. A start will be made on the oil refining programme, but cuts in telephone work will mean a loss of efficiency which will be felt “for some years.”

Future of the Sterling Area

THE financial agreements recently negotiated with three members of the sterling area (or of the “Scheduled territories” as now defined by the Exchange Control Act), namely South Africa, Eire and Iraq, provide some guidance to the changes in the character and operation of the sterling area mechanism that may have followed the suspension of convertibility of sterling. The agreements are the forerunners of others that remain to be negotiated with other members of the sterling area. All three were negotiated after the suspension of convertibility. In part they are designed to record the agreements reached among the countries concerned to economise dollars to the largest possible extent. But the more interesting features of the agreements are those which refer to the allocations of hard currencies to these countries out of the sterling area pool and which determine how far this recourse to the pool can be financed out of the accumulated sterling balances held by these countries.

As these three agreements have been negotiated since the suspension of convertibility, they should be studied for the light they may throw on the nature of sterling area relationships under the new ordinance. Throughout its long and somewhat ill-defined history the sterling area has always been a wholly voluntary association of countries which, for obvious reasons of convenience and self-interest, found it desirable to maintain their currencies stable in terms of sterling, to keep their external cash reserves in London, and to treat London as a banking intermediary in their dealings with non-sterling countries. Needless to say, the system developed because sterling was an internationally acceptable currency which in case of need could always be converted into other currencies, or even, if required, into gold. In other words the convertibility and world-wide acceptability of sterling were of the essence of the sterling area system.

The war brought considerable changes to the system. It caused most of the neutral countries which previously adhered to it to withdraw. To what remained it gave, for the first time, a statutory definition. For the first time also, it gave the sterling area arrangements a tinge of discrimination. This was inevitably introduced by the need to erect a system of exchange control between sterling and non-sterling currencies, and by the obvious advantages of leaving payments free, whether for current or for capital purposes, within the sterling area itself. In all other essentials, however, the war left the sterling area machinery unaffected. The individual countries continued to bank with London. They remitted their foreign exchange earnings to the central sterling area pool and, in turn, depended on that pool to supply them with the hard currencies they required. All members of the sterling area naturally understood the need to economise in their hard currency expenditure. Their

The broad conclusions from the White Paper can be stated simply. It seems only too probable that industrial capital is to be the residuary legatee. Housing comes first, and may indeed increase its calls on labour if timber supplies should increase. The claim that the programme will make a very large contribution to the capital equipment of the country compared with what was accomplished in more normal times before the war seems very doubtful. At least, it is by no means proved in the White Paper. There is an overwhelming probability that the creation of new industrial capital, which alone can provide the backbone of a healthy British economy, is being reduced to a dangerously low level. In short, the cuts as a whole are too small, and they are likely to be concentrated on what ought not to be cut.

relations with the sterling area dollar pool were, therefore, based on a gentleman's agreement, in which of course their good behaviour was to some extent guaranteed by the fact that the allocation of materials and shipping during the war was essentially under inter-Allied control. With the end of the war the position continued unchanged except that some of the countries, notably Egypt and Iraq, were given specific quotas of hard currencies instead of retaining the automatic right they had until then enjoyed to dip into the sterling area dollar pool.

Even during the war the essential elasticity and voluntary character of the sterling area system remained its basic characteristic. There was no compulsion on members to remit their earnings of dollars and other foreign exchange to the central pool, although in fact they all did so. Each member retained complete autonomy in the operation of its own exchange control. There was no complete pooling of gold reserves. South Africa maintained her own substantial independent reserve and small amounts of gold were also held by other members of the sterling area, including Australia and Eire. The only attempt made to obtain conformity in the sterling area arrangements was that of the Anglo-American financial agreement, which endeavoured to dictate what arrangements should be made between the British Government and the other members of the sterling area regarding the funding and release of accumulated sterling balances. These arrangements were to be so designed “that any discrimination arising from the so-called sterling area dollar pool will be entirely removed and that each member of the sterling area will have its current sterling and dollar receipts at its free disposition for current transactions anywhere.” This clause has, of course, met the fate of many others in the agreement and the events of August 20th last have gone far to nullify it. This also applies to the guidance given in the Anglo-American financial agreement regarding the manner in which accumulated sterling balances are to be treated. In no case has it yet been found possible to induce any sterling area country holding large sterling balances to accept the writing down of its claim. The only conceivable exceptions to this are the free gifts of £20 million and £10 million respectively made by Australia and New Zealand.

The agreement with South Africa which was announced last October makes some interesting departures from the general principles which, until then, had been deemed to characterise sterling area relationships. The most important in this respect is the provision that from the date of ratification of the agreement, which should be early in January, 1948, the Union of South Africa will bear full responsibility for its own dollar expenditure. Until now South Africa has undertaken to sell certain annual quotas of newly mined gold to Britain, the figures for 1946 and 1947 being around £80 million each. In exchange

for this South Africa has had access to the sterling area dollar pool, and has used this to a considerable extent, namely \$50 million in the half-year to June 30, 1947. By the new agreement South Africa is to make an immediate gold loan of £80 million, which will replace the present gold sales contract, but at the same time will sever the link between South Africa and the sterling area dollar pool. Since South Africa retains direct responsibility for its dollar expenditure, it will presumably retain independent control of its dollar earnings.

The other feature in the agreement with South Africa which appears to pull away from preconceived ideas of sterling area relationships is that exchange of information is to be provided between the two governments on the movements of capital between the Union of South Africa and other parts of the sterling area. The two governments have also undertaken to consult on the measures which may be necessary to control or prevent movements of capital from the United Kingdom to the Union of South Africa. Even though this control will apply only to movements “which are not required for any useful economic purpose in the Union” it will, if implemented, drive a first wedge into the principle of complete freedom for capital movements within the sterling area.

The agreement with Eire which was announced on November 13th was mainly concerned with commercial matters, but also dealt with Eire's dollar requirements. Under the agreement it was decided that the Government of Eire, with a view to conserving the dollar resources of the sterling area, would effect a substantial reduction in its drawing of dollars from the dollar pool. For the first time Eire was allocated a quota of hard currencies, albeit one which was not strictly defined. It was laid down that for the period October 1, 1947, to June 30, 1948, Eire's drawing of dollars from the dollar pool would equal no more than £14 million, plus Eire's dollar earnings. This indicated the extent to which Eire would be allowed to finance her dollar purchases by drawing on sterling balances. The interesting feature of this definition is that it appeared to hint at the possibility of Eire's maintaining control of its direct dollar earnings. This, however, is not the correct interpretation of the formula. In effect, Eire will continue to put its hard currency

income into the pool, but it has, by this agreement, acquired a guarantee that it will be allowed to withdraw from the pool whatever sum is paid in plus the equivalent of £14 million.

The same principle makes its appearance in the agreement with Iraq, which was signed a fortnight later. Under this agreement, Iraq is given a hard currency quota equivalent to £5,570,000 per annum, which is to include Iraq's own earnings of hard currencies. In effect the greater part of this quota will have to be provided out of Iraq's sterling balances, since that country's direct dollar and other hard currency earnings are much smaller than this figure.

The main lesson taught by these three post-convertibility agreements with sterling area countries is that, despite the shock of August 20th, despite the dire pressure on the central gold reserve, the sterling area remains, in essence, what it always has been—a voluntary association of countries bound to act as they do by ties of self interest (given its widest interpretation) and not by a rigid set of rules. The three agreements show some departure from previous practice and to that extent reveal the essential flexibility of the sterling area conception and mechanism. There must have been grave temptation, given the extremity of Britain's position and the pressure put on an exiguous reserve to try to flog the sterling area into a more cohesive team, transforming into defined obligations what its members have hitherto done voluntarily. It is reassuring to see from the evidence of these agreements that this temptation has been successfully resisted. The sterling area is, in many respects, a monetary counterpart of the political relations of the Commonwealth. The strength of both lies in the looseness of the bonds that hold them together. An apparent price may sometimes have to be paid for the looseness and lack of definition of these systems. In political terms it meant a neutral Eire during the war, and the weakness of Allied control over the Western approaches. In monetary terms the complete autonomy of the sterling area members may, for a time, involve the need to control the free flow of funds within the area. But few can doubt that the prospect of an enduring sterling area, assuming of course, a sterling which commands confidence, is dependent on the voluntary co-operation of its members.

Business Notes

Repaying Conversion Three Per Cents

Notice of redemption of the £302 million of 3 per cent Conversion Loan, 1948-53, on March 1st next—the earliest optional date—was duly given at the end of last week and, as had been generally expected, no offer of conversion into any new or existing stocks has been made. But although the announcement thus sets at rest the fears which so upset the gilt-edged market ten days ago, it has entirely failed to arrest the downward trend. This week's further decline in prices becomes, indeed, the more striking when viewed in the light of the recent revision of earlier estimates of the amount of maturing stock which has already found its way into official hands. Before the announcement, it had been widely assumed that the official holdings accounted for at least two-thirds and perhaps for fully three-quarters of the total; but last week-end it was reported—and the report is believed to be well-founded—that the internal holdings amounted to no more than £120 million. It seems possible, however, that this last estimate did not take into account holdings of ever that this last estimate did not take into account holdings of public bodies which, though not technically agencies of the British Government, are known none the less to follow an investment policy which conforms to that of the Treasury. This applies particularly to the various Currency Boards, some of which are known to have had substantial holdings of the 3 per cent stock. Well-informed observers in the market are now disposed to put the official holdings, in this wider sense, at roughly one-half, and perhaps rather more than half, of the total.

The potential support for the gilt-edged market as a result of this operation may, therefore, be somewhat larger than was at first supposed. But even if the outside holding at the date of the announcement was still as large as £150 million, it would be easy

to exaggerate the prospective benefit to the gilt-edged market as a whole. A proportion of the outside holdings certainly comprises those of the banks and other financial institutions which have been running the bond as a “short,” and if these institutions elect to reinvest in advance of redemption, their operations will hardly provide any direct support for the medium and longer-dated stocks. The authorities themselves are, of course, ready buyers of the maturing stock on the exiguous redemption yield basis (hardly more than three-quarters per cent) which, virtually as a three months' bill, it now commands. But, unless the authorities are determined to exert the maximum leverage on the market position by deliberate further creation of money, they are likely to regard any such investment demand as this as an opportunity for effecting further sales of their own holdings of short bonds. Meanwhile, for the more speculative type of gilt-edged operator, there is still scope in the discounts at which the Rail Transport stocks are quoted—despite the large switching from short bonds which was noticeable recently.

The chances that reinvestment demands created by this repayment will significantly alter the prospect for the Transport compensation stock are therefore quite slender. After this week's further falls in the market, a redemption yield of rather more than 3 per cent can be obtained on dated stocks with a maximum life of 18 to 28 years (3 per cent Savings Bonds, 1967-75, yield to final redemption, £3 os. 4d. per cent at 100%). Unless the trustee and other private holders of the maturing stock come rapidly into the market, it seems clear that further official support will be needed even to establish firmly a 3 per cent basis for the Transport stock operation. Meanwhile, on Wednesday next week, when the end-year three-week Stock Exchange account

opens, operations "for the account" of Rail stocks will be conducted in terms of the new Transport stock to be issued on January 1st; dealings will therefore be free of stamp and fee. And, on the previous day, details will be published of the arrangements for the exchange of railway securities into the new Transport Stock.

A New CIC Directive

A revision of the last formal "Memorandum of Guidance" to the Capital Issues Committee was long overdue, for no fresh instructions had been transmitted by the Treasury since the end of hostilities. Sir Stafford Cripps has therefore inevitably made the announcement of the investment cuts—fully discussed in an earlier article this week—an occasion for issuing a supplementary memorandum. It is a brief and rather inconclusive document, in that it refrains from substituting any list of priorities for those set out in the 1945 White Paper [Cmd. 6645]. In a negative sense, however, the new instructions are fairly definite and clear. In effect, the Committee is enjoined to refuse permission for capital outlays unless they fall into one of two categories. The exceptions are, first, outlays which promise "a considerable return" in increased exports or saving of imports from "difficult" sources and, secondly, those for basic industries such as agriculture, coal and steel production. By implication, therefore, the new instruction excludes certain categories from the list of eligible outlays set forth in 1945, when it was said that consent would "usually" be given to issues—among other listed objectives—for the development areas, for public utilities and housing associations, transport, catering and a miscellaneous category which, though not specifically defined, included such objectives as manufacture of personal clothing and household furnishings.

Much more important than these oblique indications of priorities is the procedure by which the control is to be enforced. In the past, the Committee was expected to seek and heed the advice of the appropriate Government department when dealing with applications, but now this provision is reinforced and tightened up. The Committee is told bluntly "not to recommend consent, except to the extent to which they are definitely assured by the terms of the Departmental reports that the scheme is in full accord [italics not in original] with the revised general programme of capital investment." Neither the memorandum nor Sir Stafford Cripps's statement makes any reference to the position of issues required for purely financial purposes as distinct from fresh capital outlay. Presumably, therefore, permission will ordinarily be granted, as in the past, for issues required for the renewal or replacement of maturing obligations and also, subject to the normal criteria of the state of the new issue market, to optional conversions.

The new memorandum, like the old, does not refer to the position of the banks, but Sir Stafford Cripps stated that, "as regards bank advances . . . the banks will be asked to observe the intentions of the new memorandum." Up to the moment of going to press no such request had apparently been made, and some circles were wondering whether the banks were to be brought more formally within the ambit of the control than they have been hitherto. Both at the outbreak of war and in 1945, however, the authorities requested the banks to adhere in their advances policy to the principles and spirit of the capital issues control, and Sir Stafford acknowledged that in doing so they had rendered "most valuable help in restricting credit facilities to conform with the general policy of the Government." There seems no reason to suppose that the authorities are contemplating any more restrictive arrangements now. It would be quite impracticable and wholly unreasonable, for example, for the banks to be expected to seek the approval of the appropriate Departments when dealing with the generality of applications for advances. Presumably it will be left to their discretion to do so only in those instances in which they feel the need of official guidance to enable them to construe the regulations in any particular case.

Sharing of Stock Exchange Commissions

Important amendments to the rules governing the sharing of brokers' commissions have been passed by the Stock Exchange Council subject to confirmation on December 22nd. Their effect is that rebates of commission will not be made as from the beginning of 1949 to accountants, solicitors, the trustee departments of banks and insurance companies, and the Public Trustee. In addition, the registration fee for inclusion on the register of agents is

to be raised from £3 3s. to £52 10s., while the annual fee for attachés is to be raised from £3 3s. to £26 5s.

Thus the proposal amounts to restricting the qualification for inclusion on the register of agents, and also to the exclusion of small agents by raising the registration fees to effective instead of nominal levels. These steps will enable a revision of the agents' registers to be made for the first time for many years. It is stated that proposals are designed to restrict the sharing of commissions to those agents who can be regarded as originating sources of new business for the Stock Exchange, and to exclude from the system those agents whose business in the past has been relatively small or which would have flowed automatically to the House. Evidently the move can also be regarded as an attempt to put the stockbroker on the same sort of footing, so far as the sharing of fees is concerned, as a member of any other profession. A number of important issues arise from the proposals, and the Council has been wise to allow three weeks for their consideration. Some of these issues must be deferred for later discussion in *The Economist*.

Advertising Tax Withdrawn

Sir Stafford Cripps is to be congratulated upon his decision to drop the budget proposal to "tax" expenditure on advertising by the device of disallowing a proportion of it from ranking as a charge in the computation of taxable profits. *The Economist* has never shared the quite widespread view that a tax on advertising is objectionable in principle; but it is quite clear that the system actually proposed would have been difficult to administer, and the exemptions which alone could have prevented it from hampering necessary advertising would have involved arbitrary decisions. It was arguable, too, that the effective rate of tax was excessive. More important, however, than these considerations is the probability that the plan would not in fact have achieved the primary objects which the Government had in view—the saving of labour and materials employed in advertising, and the avoidance of incitement to consumers to try to buy goods which are in short supply.

The Chancellor has acted wisely, therefore, in accepting the offer, made through the FBI, to work out a plan to achieve these ends by a voluntary scheme. The working committee which is to be charged with this task will represent the Association of British Chambers of Commerce, the National Union of Manufacturers, the various advertising associations and the principal associations of the press. This retreat from fiscal action will impose no burden on the revenue in the current year, but for the year 1948-49 the hypothetical loss will be £10 million, thus further whittling down the very moderate addition to tax revenue for which the autumn budget provided. In this matter the new Chancellor has perhaps shown a greater flexibility of mind than his predecessor might have done, but his retort to Mr Oliver Stanley's rather double-edged congratulation to him on this issue plainly shows that this action is not a preliminary to any general reversal of Daltonian policies.

Heavy Gold Sales

The monthly Treasury statement on sales of gold and purchases of dollars from the International Monetary Fund shows that in November these totalled £63 million, of which £48 million represented gross sales of gold and the balance a further purchase of \$60 million from the IMF. These are unexpectedly large figures and indicate a persistence of the dollar gap at a figure little different from what it was in the previous month. If to the £63 million dip into final reserves there is added the £10 million withdrawn from the Canadian credit between November 1st and 30th, the rate of dollar drain for the month will be found to be somewhat higher than the figure of \$70 million a week at which Mr Dalton said it was running in September and October. The details of gold sales and dollar purchases from the IMF since the suspension of convertibility are as follows:

	Gross Gold Sales	Dollar Purchases from IMF	Total
September	20	15	35
October	35	30	65
November	48	15	63
Three months	103	60	163

If to the September figure is added the £37½ million withdrawn from the US line of credit on August 20th for meeting future

commitments, it will be found that the dollar drain in these three months has been fairly constant.

Since the gold reserve was stated to be about £600 million towards the end of August, the present total, allowing for purchases of South African and other newly mined Empire gold, should now be somewhat in excess of £500 million. Within the next few weeks this reserve will receive an £80 million reinforcement from the South African gold loan, but it will thereafter be deprived of regular accretions from newly mined South African gold. The British purchases of dollars from the IMF have now reached \$240 million and exceed by \$25 million the amount of exchange Britain can acquire without incurring expense other than the initial and once-for-all ½ per cent service charge (namely \$208 million, being the equivalent of Britain's gold subscription to the IMF, plus \$7,000,000, the amount of sterling bought from the IMF by the Netherlands). The total quota of foreign currency Britain can purchase against sterling during any twelve-month period is one-quarter of its quota, namely \$325 million. Three-quarters of this has thus been exhausted in three months. The "ruinous" rate, as Mr Dalton described it, at which the dollar drain was running more than a month ago shows no sign yet of falling. And there is no "convertibility" scapegoat on which to heap the blame.

Odeon Purchase Doubts

The reticence of Mr Rank on the financial position of General Cinema Finance Corporation following continued criticism of the purchase contemplated by Odeon Theatres has been in no way mitigated by the sharp rise in the price of the ordinary shares of Odeon Theatres this week or by the publication of the net profit figures of Gaumont British Picture Corporation for 1946-47. At one time it was suggested in the market that dealings in the shares of Odeon Theatres should be unofficially suspended, but this drastic step was not taken and no doubt buying of the shares, of which some ninety per cent are held within approachable reach of Mr Rank, was intended to allay any doubts about their fundamental strength. The Gaumont British figures which show net profit to have risen from £469,509 to £557,673 are useful as far as they go, but they do not disclose the trading profit. And at this week's meeting of Provincial Cinematograph Theatres, which is controlled by Gaumont British, Mr Rank stated that owing to higher costs and smaller attendances a lower rate of earnings was to be anticipated; only a much reduced provision for taxation enabled the company to show a higher net profit for the year and the full accounts of Gaumont British are likely to show a similar pattern.

But even the disclosure of the trading position of public companies controlled by General Cinema Finance Corporation would be no substitute for the information required of General Cinema Finance Corporation itself, which is known to play an important role in the general finance of the Rank organisation as a whole. Mr Rank has remained firmly silent on this point. Is this a case where it might become reasonable to invoke one of the powers of the Board of Trade (under Section 43 of the Companies Act which came into effect last Monday) to appoint an inspector if it appears to the Board that there are circumstances suggesting that the members of a company have not been given all the information with respect to its affairs which they might reasonably expect?

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This course has already been suggested by some critics of Mr Rank's proposal and if he remains unwilling to disclose what Odeon shareholders will be acquiring and denies them an up to date consolidated balance sheet and profit and loss account for General Cinema Finance Corporation pressure for a Board of Trade investigation may well increase. The determination of Mr Rank to carry through the deal and to say so little about it is beginning to suggest that the supply of films for the Odeon group may be only one—and perhaps not the main—factor in the plan.

Coal Exports at Last

It is good though belated news that coal exports to Europe are to be resumed, even though a regular export programme cannot yet be started. The Ministry of Fuel and Power has this week given the National Coal Board discretion to ship occasional cargoes to the other 15 countries which met in Paris on the Marshall offer. Thus, although the arrangements may be tentative, one of the biggest steps in the economic and political reconstruction of Europe is now coming into operation. Europe may now entertain serious hopes of coal from Britain—provided that the longer week in British coalfields, coupled with new recruitment, produces a steady expansion in output to meet the 10 million tons which Britain hopes to export in 1948. Meanwhile, some progress is being made in supplying coaling stations with bunkers, which should steadily relieve the dollar cost of bunkering with coal from the United States.

Coal production for the week ended November 29th totalled 4,263,200 tons, compared with 4,245,300 tons a week earlier. Open-cast production was slightly higher at 206,800 tons, contrary to the anticipated seasonal trend, but deep-mined output increased by 16,300 tons from 4,040,100 to 4,056,400 tons, despite the additional loss of 14,500 tons by stoppages and breakdowns compared with the previous week. The coal allocations are based on an estimated weekly production, in weeks free from statutory holidays, of 3,900,000 tons. Over the last few weeks, since overtime working got into its stride, there has been a weekly margin of 300,000 to 400,000 tons, a portion of which has already been earmarked for overseas bunkers. Bunker coal must obviously continue to take priority over other exports owing to its value as a dollar saver.

The Ministry of Fuel and Power has wisely underlined the possibility that exports to Europe will at first be small and irregular. It will be time to talk of a coal export programme when overtime working has been running longer, when winter sickness among miners and the effect of statutory holidays is known—and, most important, when the full effects of transport difficulties can be measured in terms of movement of coal from the pit heads.

Inter-European Clearing

The suggestion made by the committee of European Economic Co-operation that part of the task of economic rehabilitation should be the rebuilding of the machinery for multilateral payments within Europe, has now taken definite, though as yet modest shape. Following the issue of the Paris report, a special committee on payments agreements held two meetings, the outcome

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of which was an agreement for multilateral monetary compensation which was signed in Paris on November 18th by the Belgian Government (acting also for Luxembourg) and the French, Italian and Dutch governments. In this agreement the signatories undertook to carry out multilateral compensation every month. The first of their meetings to discuss the machinery of these clearing arrangements was held at the Bank for International Settlements in Basle. This institution is to be entrusted with the function of agents for compensation. At this meeting observers attended on the part of Denmark, Greece, Norway, Sweden, Switzerland, the United Kingdom and the United States. Four of these countries (Denmark, Norway, Sweden and the United Kingdom) signified their adhesion in principle to this agreement as "occasional members."

The machinery of multilateral compensation which will begin to function at the beginning of 1948 will operate on the basis of monthly information which is to be sent to the BIS both by permanent and occasional members regarding their mutual current payments. The BIS will collate this information and will then study what compensations are possible as between the balances that will have accrued to the members.

All members will normally be represented at the monthly meetings at which the compensations are to be arranged. The permanent members have undertaken to accept the clearing instructions given at these meetings. The occasional members will follow the guidance from Basle only if it suits them to do so, but they have undertaken to make their decisions known within 48 hours. They have, moreover, allowed it to be known that they enter the scheme with every possible sympathy and readiness to help. If Britain has been deterred from becoming a full member immediately it is because recent experience has somewhat damped its ardour for any scheme which involves automatic transferability of sterling between non-sterling countries, or which places in the hands of an extraneous authority the power to decide what sterling shall accrue to other countries.

The compensation scheme is not to be endowed with any specific allocation of dollars. The basis of the scheme is still to be found in the bilateral pacts between various European countries under which payments are effected in gold or dollars as soon as certain limits in their respective holdings of currency balances are passed. These limits have, in some instances, been raised, as may be seen from the terms on which payments between Britain and the European countries have been renegotiated. But the ultimate obligation to pay in gold remains and will come into operation whenever the new monetary compensation puts into the hands of any member country more of the currency of the others than it has undertaken to hold. It follows that the agreement will operate smoothly only if inter-European payments are maintained in comparative equilibrium. The inclusion of any country which is persistently a debtor or creditor towards the rest of the members would soon wreck the scheme.

* * *

A BIS "Come Back"

One of the more interesting aspects of this highly important development is the return of the Bank of International Settlements to the business of inter-Central Bank clearing, a sphere from which it was thought that the BIS had been banished by the bigger and more streamlined International Monetary Fund. The IMF, however, is not in a position to handle a purely regional scheme of this kind and is in any case too far removed from the field of operations to intervene with the required speed and efficiency. This will be by no means the first international clearing scheme that will have been operated by the BIS. From the early years of its foundation the BIS operated a gold clearing for a number of central banks. The intervention of the BIS in the European monetary compensations is to be purely in the guise of an agent. It will not keep the clearing accounts nor will its directives be other than those which are reached by normal majority decision at the monthly meetings in Basle at which all the signatories of the agreement will be represented. The success of the clearing will depend first on the extent to which inter-European payments can be maintained in rough equilibrium, and secondly, on the margin of elasticity which will be provided by the member countries' reserves of gold and dollars. To this extent the success of the scheme can be said to depend on adequate aid from the United States through the European Recovery Programme even though no part of that aid is made specifically available for underpinning a multilateral compensation arrangement of this kind.

Royal Dutch Rights

The Dutch regulations which prevent foreign holders of Royal Dutch shares subscribing for the new shares out of the proceeds of sales in Holland of rights to the issue seem to have a dual purpose. It appears that the object is first to collect as much additional foreign exchange as possible from the issue, and secondly to ensure that foreign holders contribute their full quota of new capital. It is intended that only part will be subscribed by resident holders of the shares and by sales either of securities or Royal Dutch rights in Holland by non-residents. Sales in Holland of rights or other securities by non-residents must be re-invested in non-international securities. The view of the Netherlands is understandable, but the measures have had a bad reception in international financial circles, especially in the United States and Switzerland, where Royal Dutch shares have an extensive currency. As a consequence of the regulation, a high discount has been established in the price of rights on the exchanges outside Holland. In New York discounts have risen to 75 per cent on the rights and 60 per cent on Royal Dutch shares.

To prohibit the use of the proceeds of the sale of rights by foreign holders of Royal Dutch to purchase international securities is certainly one way of canalising foreign capital into the Dutch domestic capital market, and the Dutch authorities have taken full advantage of the possibilities presented by the new issue. Nevertheless, foreign holders seem to be shy of the alternative offered them, for although the value of the rights is substantially higher in Amsterdam, it is probable that the inducement offered will not be sufficient to bring many foreign sellers to avail themselves of it. At the present time Holland does not present any outstanding advantage as a temporary lodging place for money from hard currency areas, and with the additional risk of having funds there frozen indefinitely, foreign holders of Royal Dutch rights have reason to be more willing sellers in other centres. As it is, certain international centres, London among them, are providing facilities for holders of Royal Dutch shares to subscribe for the new shares, and that should assist the success of the Dutch part of the issue.

* * *

Canada's Import Ban

Latest news from the Anglo-Canadian commercial talks in Ottawa suggests that serious difficulties have been encountered. The British negotiators are primarily bent on saving dollar expenditure. There have, therefore, been attempts to cut some of the less essential foods that Britain had contracted to buy from Canada, including the processed foods allowed under the "token" import scheme. The Canadians have countered with the contention that the food programme must be seen as a whole and that if Britain tampers appreciably with any part of it the rest, and in particular the wheat contract, may have to be reconsidered. No doubt the goodwill and generosity which have marked all financial and commercial negotiations between the two countries in the past will again intervene and provide a satisfactory compromise. But never before have these qualities had to surmount such obstacles. Britain must curtail her net deficit with Canada, of which 50 per cent is payable in US dollars, and Canada, for its part, must cut its deficit with the United States, which has recently been running at an annual rate of over \$800 million and is pressing against a gold reserve of no more than \$500 million.

To reconcile these two needs without unduly strangling Anglo-Canadian trade would tax the ingenuity of any set of negotiators. There is one aspect of Canada's recent defensive measures against the dollar shortage which, however, appears less than helpful in dealing with the Anglo-Canadian problem. That is in the non-discriminatory application of the import prohibitions that were announced on November 18th. The restrictions on imports include outright prohibition of a wide range of goods, most of them already produced in Canada. It includes such items as jewellery, confectionery, typewriters, radios, washing machines and furniture. For the time being motor vehicles have been included in this list, although it is the intention of the Canadian Government to replace the outright prohibition of motor vehicle imports by a restrictive quota system. The quota system will be based on prewar trade, but will allow some flexibility. The prohibitions, however, are to apply to imports from all countries. In other words, in an effort

to keep out American goods, Canada will also be keeping out British goods and will thus tend to accentuate the very difficulties with which Canada and Britain are now faced. This is so clear a case of non-discrimination acting in a negative and restrictive sense that it should not be difficult to persuade the US Administration, for whom no doubt the gesture was primarily intended, that this is an occasion on which the theory of non-discrimination might be relaxed a little.

* * *

Towards the Export Target

The Board of Trade is to be commended for issuing statistics showing the progress of different industries towards their export targets. In the accompanying table the volume index for the main exports is shown for the three months August-October, compared with the mid-1948 target and with the third quarter of this year. The export values in the fourth quarter of 1946 are also given. A three months' moving average has been adopted for greater accuracy and to show the trend more clearly.

The progress made so far has been slight. The full effects of the new drive may not be apparent for some time to come, but June is only eight months ahead. Exports of metals and metal goods showed no change during the period August to October, in spite of an appreciable increase in shipments of vehicles. This latter gain was offset by smaller exports of machinery—which forms one of the spearheads of the new drive—iron and steel and other metal manufactures. The vehicle group has so far made satisfactory progress, but the motor-car industry is entertaining serious doubts about future expansion, as many overseas markets are being closed to "non-essential" goods. Exports of machinery will have to expand by a third over their present volume to achieve their target; in this they may be aided by the new capital cuts, but nevertheless theirs is a stupendous task.

In the textile group, all categories except woollen and worsted goods showed an increase compared with the third quarter, but the gap between the present volume of textile exports and the mid-1948 targets is even greater than in the case of metals. Moreover, the discouraging labour recruitment and the unwillingness of the cotton workers to work a longer week suggests no chance

of a rapid expansion in exports except at the expense of the home market. Among the other export items, paper and cardboard alone were almost at their target level—in the third quarter they were above it—but they form a small proportion of total imports.

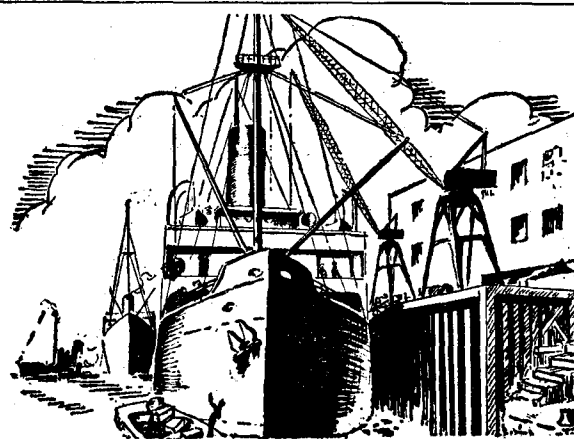
EXPORTS OF MAIN MANUFACTURES

Description	Value of Exports, 4th Qtr., 1946	Volume Index Numbers, 4th Qtr., 1946=100		
		3rd Qtr., 1947	Aug.-Oct., 1947	Target Mid-1948
Iron and steel	£ million 19.69	109	106	100
Non-ferrous metals	9.66	92	92	99
Machinery	38.61	114	111	151
Vehicles (excl. tyres and tubes)	34.97	116	123	147
Other metal manufactures	20.03	103	100	108
Total metals and metal products	122.96	110	110	130
Cotton goods	17.07	105	107	132
Woollen and worsted goods	12.81	103	103	164
Apparel	10.50	65	67	89
Other textiles	13.58	89	91	117
Total textile manufactures	53.96	93	94	127
Chemicals, drugs, etc.	17.53	95	89	117
Pottery, glass, abrasives, etc.	7.82	98	99	122
Leather and rubber manufactures	3.92	75	73	154
Paper, cardboard, etc.	4.38	102	98	99
Other manufactures	24.29	98	92	129
Total miscellaneous manufactures	57.94	96	91	124

* * *

Disappointments in Rubber

Empire rubber producers express sharp disappointment with the modest value of the concession obtained from the United States in the limitation of American synthetic rubber consumption. The Rubber Growers' Association has this week made a formal protest to the British Government, which, in substance, complains that, under the new tariff agreement, American consumption of general purpose synthetic rubber (GRS) is more likely to increase than decline. Hitherto the minimum propor-



OVERSEAS TRADE

Exports are vital to our national prosperity and the Bank will, as in the past, provide the requisite finance for their production and distribution. Technical information for overseas traders will also be available regarding Exchange, market conditions and commercial requirements abroad.

DISTRICT BANK

LIMITED

Foreign Department:

13, SPRING GARDENS . MANCHESTER, 2
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COMPLETE WORLD-WIDE BANKING SERVICE

With the immense strength of its combined resources and experience, the Three Banks Group is exceptionally well-equipped to fulfil the many varied functions of a modern Banking Service. Although the Group serves the interests of many large and important concerns, it is careful to preserve the personal touch that has been a tradition of each of its members during two centuries.

ROYAL BANK OF SCOTLAND
Founded 1727 Edinburgh, London and Branches
GLYN, MILLS & CO.
Founded 1753 London
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Founded 1771 Manchester, London and Branches



tion of GRS to be consumed in the United States has been technically fixed at one-third of total consumption of GRS and natural rubber together and in practice this proportion has also been the maximum; the tariff agreement provides for a new arrangement by which the proportion of synthetic rubber is to be 25 per cent of total consumption of natural, synthetic and reclaimed rubber. The RGA maintains that the inclusion of special purpose synthetics and reclaimed rubber in the latter provision will result in a higher consumption of GRS in America. Clearly, this does not necessarily follow; but equally it does not follow that the consumption of natural rubber will be greatly increased.

The Batt Report on American synthetic rubber production which appeared in July, recommended the 33½ per cent minimum for GRS consumption as the lowest rate of consumption consistent with national strategic requirements. But American rubber manufacturers are still using more than that proportion. In September, United States consumption of GRS represented 40 per cent of total GRS and natural rubber consumption, compared with 60 per cent for the year 1946. On the other hand the proportion of GRS to total rubber consumption (including special synthetic and reclaimed rubber, as stipulated by the tariff agreement) in the same month was 29 per cent. There is thus some scope for a reduction in the rate of GRS consumption, and although such a reduction need not necessarily be in favour of natural rubber, there is a fair chance that it will be at least in part. Admittedly, Britain has not improved on the Batt Report, and America in effect has conceded little or nothing, but it has obtained a certain safeguard against a sudden reversal of American synthetic rubber policy, for what that may be worth.

To charge the British negotiators, as the Rubber Growers' Association has done, as being "unequal to their task," seems a little harsh, at least without full and detailed knowledge of the negotiations which took place. America was known to be a hard bargainer over limiting synthetic production, and criticism has to be tempered by proper appreciation of the opposition's strength. The Association, however, may legitimately complain that rubber producers were not consulted in the preparation of the British Government's brief. Until the tariff agreements are discussed in Parliament, the Board of Trade is refraining from comment.

"Spivs" and Currency

The strong contra-seasonal trend of the note circulation continues. After the phenomenal decline of £12 million in the note circulation a fortnight ago, there was last week a further reflux of £7,600,000, and this week's Bank return shows only a fractional expansion, by £2,200,000. This, of course, is the season at which the volume of notes begins to be strongly affected by the demands for currency for Christmas expenditure, and in the corresponding week last year the withdrawal of notes amounted to £9,700,000. Thus, although the recent rapid fall in the note issue has been arrested, the normal seasonal expansion is scarcely discernible in the published figures. In consequence of the public's rush to do much of its Christmas shopping before the autumn Budget, it is probable that the Christmas demands now are less than they were at this time last year, but it is not to be supposed that a seasonal drain of currency from the banks is not in fact taking place for these purposes.

Now, therefore, it is generally agreed that the movement of the note circulation as a whole is at present dominated by quite abnormal influences, and this week various colourful explanations have provided good "copy" for the popular press. Unfortunately, there is no means of disproving these theories statistically, for reliable statistics of the distribution of currency in the hands of the public do not exist—not even in official quarters. But such information as is available suggests that there is no reason whatever to assume that smuggling of notes into Britain from abroad has been on anything approaching the scale which popular rumour has lately implied. There is no doubt that continental holders of sterling notes have taken fright at the possibility that the British authorities might follow European precedent by decreeing a note exchange in the early future; and such fears have certainly intensified the efforts to smuggle notes into the country. But it seems certain that successful smuggling could account for only a small part of the abnormal reflux of currency

to the banks; and it is also significant that the returning notes have not included any unusual proportion of the denominations above one pound which were commonly held abroad. The preponderant movement has consisted of one pound notes.

In the absence of further information and further experience of the movement, the primary influence must be presumed to be the return of notes already held in this country from black marketeers and others who have reason to hide the scale of their operations and profits from the authorities. The exchange of notes which such circles fear, would necessarily be a difficult and expensive operation in these days of shortage of paper and plant capacity, but Sir Stafford Cripps's answer in the House of Commons on November 18th, when he said that the authorities were "not ready to take the step of replacing" the existing note issue, was cunningly phrased so as to leave the "spivs" guessing. Normally, their efforts to get rid of note holdings might be expected to take the form of demands for durable luxury goods and valuables, but there are evident limits to the scale on which such operations can be completed, and recently there have been signs that notes have been paid into the banks in substantial quantities through carefully selected intermediaries who are able with impunity to cloak the operations of those for whom they act.

Still More Money

Although last month's war damage disbursements are now being reflected—though very pallidly—in the savings figures (which in two successive weeks have been the best since last May), there has been no perceptible effect upon the gilt-edged market. Any advantage the market may have reaped from the distribution of this £100 million has been wholly overshadowed by the repercussions of the departure of the high priest of cheaper money. But although the market effects have been small, the consequential money creation upon which the gilt-edged speculators had based such high hopes has indubitably occurred. The latest banking figures, those for November, reveal by far the biggest rise in net bank deposits since the end of the aggressive phase of the Daltonian campaign. The month's increase is £73.5 million, making an expansion of no less than £127 million in two months—despite the Treasury's still very heavy reliance upon external finance (by sales of gold and drafts on the Canadian credit) during this period.

To some extent, the expansion results merely from the abnormal glut of credit on make-up day—reflecting, in particular, the sudden large reflux of currency from circulation—which raised the cash holding by £19 million and the cash ratio from 8.23 to 8.45 per cent. On the other hand, up to that date, only a little more than half the war damage orders had been presented and cleared: the Exchequer outgoings on this account in the five weeks to November 22nd (three days after the make-up) were only £57 million. This explains why November's expansion in the banks' Treasury deposit receipts, the principal counterpart of the growth in deposits, was no more than £48½ million. Including the further call for the current week (when there were again no maturities), the total TDR issue has been raised by £120 million. It is virtually certain, therefore, that there has been a further substantial expansion in deposits since make-up day.

New demands for credit from non-Governmental sources were smaller during the month than in October: bank advances rose by £19.9 million, or £7½ million less than in October, a slackening which must be attributed to repayments effected out of the war damage monies. At their new high level of £1,195.7 million, however, they are still fractionally larger than the TDR holding (which they surpassed in October, for the first time for five years).

Consolidated Accounts Next July

The Government is wisely allowing a liberal interval of seven months before it brings into full legal force the provisions of the new Companies Act relating to the publication of accounts. The date now fixed on which these provisions will be brought into full operation is July 1, 1948. A note last week described the many provisions which became operative on December 1st; they include sections 42-45, which extend the powers of the Board of Trade to investigate the internal affairs of companies, and sections 46-48, which enable the Board of Trade to investigate the ownership of shares.

Experience during the past year has shown that the process of consolidating accounts for the first time, which is one of the

main provisions to be enforced on July 1st next, is presenting major accounting problems for some industrial companies. Some of them, such as Furness Withy whose interests constitute a most intricate labyrinth, have succeeded, albeit after much delay, in presenting a consolidated balance sheet, but the group have yet to publish a consolidated profit and loss account. Others, such as Courtaulds, have voluntarily provided both consolidated balance sheets and profit and loss accounts, but in the case of the profit and loss account the synchronisation of the financial years of the subsidiaries has resulted in a distortion of the profit figures. It will be a year or two before the accounts of the holding companies can be made up so that true comparisons can be drawn between consecutive years, but it is certainly important for companies to know that they must take the necessary steps without delay to provide at least a consolidation for the latest year.

Raw Materials and Exports

Following Mr Marquand's unsuccessful efforts to explain clearly two weeks ago the new system of steel priorities, Sir Stafford Cripps issued last week an "explanatory statement" to clear up, what he has euphemistically called "a fairly widespread misunderstanding" on the allocation of raw materials to enable manufacturers to fulfil their export targets.

For end products, such as vehicles, each manufacturer's approved programme for materials will lay down the proportion to be sent abroad. In fixing the allocation of the product for the home market, account will already have been taken of the part it plays indirectly in the export drive. This is quite clear, and responsible critics of the scheme have never questioned the possibility of devising a logical scheme for allocating raw materials to manufacturers of end products, though such a scheme would be immensely detailed and complicated.

The position of the sub-contractor, however, remains as obscure as before. "If the main contractor," says the statement, "is able to back his orders with material sub-allocation to the sub-contractor, the latter may assume that he is working to an approved scheme." This is acceptable as an exposition of "M form theory" though it is not quite so self-evident in practice. Is the sub-contractor to have no initiative in seeking business and, conversely, is this the only formula provided for ensuring that materials do not stray into non-priority users, however essential these may be?

Another source of misunderstanding on the question of diverting goods from home to export markets has been the position of manufacturers of capital equipment working to a long-term order book. It has now been made quite clear that not only future orders for the home market, but existing ones as well, must be diverted to export so that targets may be achieved in 1948. There is a welcome air of urgency about this decision, but a rapid

switch of capital equipment from home to export markets is possible only in those cases where specifications are the same. In many industries producing specialist machinery this coincidence between home and export specification is rare.

Shorter Notes

At a meeting of Shell "Transport and Trading" on December 2nd, proposals were approved by the shareholders to raise the capital of the company by £10 million to £40 million as a preliminary to the new issue of 9,648,544 £1 ordinary shares to shareholders for which letters of rights are being posted in time for dealings to begin on December 10th.

Mr N. S. Erleigh and Mr J. Milne, former co-directors of New Union Goldfields, were arrested on November 28th on charges of theft, and the hearing of the charges began on December 3rd in the Johannesburg Magistrates' Court. The proceedings have been postponed until February 3rd next year.

The Board of Trade has announced that the Raw Cotton Commission will commence its duties of buying, importing into the United Kingdom, holding and distributing raw cotton, on January 1, 1948. The chairman will be Mr H. O. R. Hindley, chairman of the Northern Divisional Board of the National Coal Board. The other eight members include two officials from the Cotton Control—one as an independent member—two cotton spinners, two trade union representatives, one cotton merchant and one officer from the Cotton Board as part-time member. Another independent member and one or more additional part-time members are to be appointed later.

Rayon production in October reached a new record of 20.1 million lb., compared with 18.7 million lb. in September and 17.4 million lb. in October last year. Exports of rayon yarn in the third quarter gained at the expense of supplies to the home weaving, knitting and tyre industries.

The Argentina linseed harvest is reported to be disappointing. It is expected that the entire crop will be converted into oil in Argentina.

SECURITY PRICES AND YIELDS

A fuller list containing 370 securities appears weekly in the *Records and Statistics Supplement*. Notes on the following company reports also appear in the Supplement: Wall Paper Manufacturers; Montague Burton; Combined Egyptian Mills; Associated Equipment Company.

Prices, Jan. 1-Dec. 3, 1947		Name of Security	Price, Nov. 26, 1947	Price, Dec. 3, 1947	Net Yield, Dec. 3, 1947 (n)	Gross Yield, Dec. 3, 1947	Prices, Jan. 1-Dec. 3, 1947		Last Two Dividends			Name of Security	Price, Nov. 26, 1947	Price, Dec. 3, 1947	Yield, Dec. 3, 1947
High	Low						High	Low	(a)	(b)	(c)				
British Funds															
103½	100½	Conversion 3% March 1, 1948-53	101½	101½	£ s. d.	£ s. d.	113½	99½	(d)	(d)	(d)	Australia 3½% 1965-69	105	104	£ s. d.
103½	100½	War Bonds 2½% August 1, 1949-51	101½	101½	0 7 7	1 14 6	105½	89	(d)	(d)	(d)	Birmingham 2½% 1966-71	94	96	2 15 1½
102½	98½	Exchequer Bonds 1½% Feb. 15, 1950	100½	100½	0 11 10	1 9 8	102	100½	(d)	(d)	(d)	Argentine 3½%	101	101	3 10 4
105½	98½	War Bonds 2½% March 1, 1951-53	100½	100½	1 1 11	2 6 2	150/-	113/9	40 c	50 c	25 b	Anglo-American Corp. 10s.	147/6	140/-	3 11 5
105½	97½	War Bonds 2½% March 1, 1952-54	100½	100½	1 8 0	2 12 0	232/6	118/1½	15 c	5 a	25 b	Anglo-Iranian Oil £1	170/-	160/-	3 15 0
108½	101½	War Loan 3½% (after Dec. 1, 1952)	103½	103½	1 7 2	2 18 3	42/6	25/3	10 c	5 a	25 b	Assoc. Port. Cem. Ord. Stk. £1	69/6	70/-	4 5 9
106½	97½	War Bonds 2½% Aug. 15, 1954-56	100½	100½	1 8 3	2 11 8	95/4½	73/6	7 b	7 b	7 b	Austin Motor 'A' Ord. Stk. 5s.	38/9	37/6	5 6 8
106	99½	Funding 2½% June 15, 1952-57	100½	100½	1 8 6	2 13 0	245/-	167/6	15 a	120 b	8 a	Barclays Bank Ord. 'B' £1	80/6	80/6	3 9 7
108½	99½	National Def. 3% July 15, 1954-58	103½	103½	1 8 8	2 16 5½	115/-	80/-	12 b	8 a	8 a	Bass Ratcliff Ord. £1	135/9xd	135/9xd	2 11 7½
109½	99½	War Loan 3% Oct. 15, 1955-59	102½	102½	1 9 5	2 16 5½	58/7	40/6	9½ b	2½ a	2½ a	British Oxygen Ord. £1	103/9	102/6	3 18 1
108½	97½	Savings Bonds 3% Aug. 15, 1955-65	102½	101½	1 11 7	2 19 1½	22/9	40/6	9½ b	2½ a	2½ a	Courtaulds Ord. £1	44/3	44/6	3 18 1
105½	95	Funding 2½% April 15, 1956-61	98½	97½	1 11 7	2 14 8½	57/1½	40/9	8 c	8 c	8 c	Dorman Long Ord. £1	27/5xd	27/1½xd	5 18 0
109½	98½	Funding 3% April 15, 1959-69	101½	101½	1 12 2	2 19 3½	81/-	57/3	12 c	15 c	15 c	Dunlop Rubber Ord. £1	76/-	76/9	3 18 2
122½	109½	Funding 4% May 1, 1960-70	112½	100½	1 13 1	2 27 2	53/-	49/6	7 b	3 c	3 c	Imp. Chem. Ind. Ord. Stk. £1	50/-	50/3	3 19 7
110½	97½	Savings Bonds 3% Sept. 1, 1964-76	101	95	1 13 9	2 17 1½	57/4½	45/-	7 b	10 c	10 c	Lancs. Cotton Ord. Stk. £1	45/7½	46/3	4 6 6
104½	92	Savings Bonds 2½% May 1, 1964-76	115	114½	1 5 5	2 19 0*	77/6	48/6	10 c	12½ c	12½ c	Lever & Unilever Ord. £1	55/-	54/4½	3 13 7
123½	109½	Victory Bonds 4% Sept. 1, 1920-76	101	100½	1 12 11	3 0 4½	84½	73½	(d)	(d)	(d)	London Brick Ord. Stk. £1	53/9	53/9	4 13 0
111½	96½	Savings Bonds 3% Aug. 15, 1965-75	101	100½	1 12 11	3 0 4½	36/9	32½	4½ b	2½ a	2½ a	L.M.S. 4% 1st Pref. Stk.	80	80	5 1 7
117½	105	Consols 4% (after Feb. 1, 1957)	110	109½	1 3 3	2 19 0	68/3	47/-	20 b	7½ a	7½ a	N. Eastn. Elec. Ord. Stk. £1	60/6	61/-	4 10 2
115½	102½	Conversion 3½% (after Apr. 1, 1961)	105½	105½	1 10 4	3 1 6	29½	24½	12½ c	12½ c	12½ c	P. Chin. J. Son Ord. Stk. 10s.	34½	34½	2 3 0½
160½	80½	Treas. Stk. 2½% (after Apr. 1, 1975)	83½	83	1 13 3	3 0 7½	63/4½	44/-	12½ c	12½ c	12½ c	Prudential 'A' £1	57/-	56/6	4 8 6
110½	95½	Treas. Stk. 3% (after Apr. 5, 1965)	99½	99½	1 14 0	3 1 5½	108/9	74/4½	12½ a	12½ a	12½ a	Stewarts & Lloyds Def. £1	77/6	78/9	1 18 1½
117½	97½	Redemp. Stk. 3% Oct. 1, 1986-96	102	100½	1 12 11	3 0 0	147/6	108/9	12½ a	12½ a	12½ a	"Shell" Transp. Ord. Stk. £1	136/3xd	138/9xd	3 12 1
99	80	Consols 2½%	83½	82½	1 13 2	3 0 2½	96/9	68/1½	8½ b	15 a	15 a	Turner & Newall Ord. Stk. £1	80/-	82/6	3 0 7
							107/6	71/-	55 b	15 a	15 a	Woolworth (F.W.) Ord. 5s.	88/-	88/-	3 19 7
Redemption yields on stocks optionally or finally redeemable within the next five years are worked out on the assumption that they will be repaid at the earliest date. Redemption															

Redemption yields on stocks optionally or finally redeemable within the next five years are worked out on the assumption that they will be repaid at the earliest date. Redemption yields on other dated stocks assume that stocks paying over 3 per cent. will be redeemed at the earliest date (these are marked 'c'), and those paying 3 per cent or less will be repaid at the latest date (these are marked 'f'). (n) Net yields are calculated after allowing for tax at 8s. in the £. (f) Flat yield. * Assumed average life 17 years 6 months. † Notice given for repayment on March 1, 1948.

(a) Interim. (b) Final. (c) Whole year. (d) Int. paid half-yearly. (e) To earliest redemption date. (f) Also a capital bonus of 2½ per cent free of income tax. Yield worked on 15 per cent basis. (h) Fifteen months to March 31, 1947 (yield basis 7.6 per cent). (i) To latest redemption date. † Free of tax.

WALTER SPENCER AND COMPANY

INCREASED PROFIT

MR. E. RANSOM HARRISON'S ADDRESS

The eleventh annual general meeting of Walter Spencer and Company, Limited, was held on the 3rd instant at the Royal Victoria Station Hotel, Sheffield, Mr. E. Ransom Harrison, F.S.A.A. (chairman of the company), presiding.

The Secretary (Mr. T. Pragnell, A.C.A.) read the notice convening the meeting.

The following is the address to the shareholders by the chairman circulated with the report and accounts for the year ended September 30, 1947.

I am giving, as in previous years, with the report and accounts a brief review of the company's activities during the past year, with notes on the accounts for the benefit of all shareholders and particularly those who are not able to attend the annual meeting. The substantial increase in the profit is very gratifying and has been achieved in spite of great difficulties which include the intermittent supply of coal, gas and power.

GOODWILL WRITTEN DOWN

You will observe that we have utilised the capital reserve amounting to £4,805, together with the sum of £5,188 from the profit and loss account, to write down the goodwill and trade-marks to the nominal value of £1. We have provided £9,000 for forward taxation, which covers our full liabilities on the profits under review, but we have not taken full credit for the E.P.T. repayable for the year ended September 30, 1946, as for this item, together with the allowance for deferred repairs, has not yet been agreed. It will be observed that a considerable sum has been spent in new plant, some of which has already been working and has contributed to the improved results.

It is our policy, wherever possible, to make the conditions of work for our employees as efficient as we can, and your directors have further schemes in hand which will incorporate the replacement of boilers and furnaces, with a view not only to substantial reductions in the amount of fuel consumed but also to increased efficiency. This will take approximately two to three years and in the meantime temporary measures are being taken with these objects in view.

SATISFACTORY ORDER BOOK

A substantial increase has taken place in the turnover for the year, special attention having been paid to the export trade, and our order book is in a very satisfactory state. The future is being looked forward to with every confidence, but beyond this it is impossible to forecast the conditions which may prevail; a satisfactory fuel position is, of course, essential.

Your directors feel that they are justified in recommending a final dividend of 10 per cent., less income-tax, making with the interim dividend of 5 per cent., less income-tax, paid on May 28 last a gross dividend of 15 per cent., less income-tax, leaving a sum to be carried forward of £5,059. The relations with the staff and workpeople are of a most cordial nature and your directors wish to place on record their appreciation of the services and co-operation rendered by them.

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

The retiring directors, Mr. Oscar S. McNery, was re-elected; and the auditors, Messrs Hart Moss Copley and Company, having been appointed the proceedings terminated.

ASPRO, LIMITED

SATISFACTORY RESULTS—INCREASED PROFITS

MR EWART F. NORRIS'S STATEMENT

The twelfth annual general meeting of Aspro Limited was held, on the 3rd instant, at Winchester House, Old Broad Street, London, E.C. Mr Ewart F. Norris, the chairman, presided.

The secretary, Mr F. E. Stapley, read the notice convening the meeting and the report of the auditors.

The following are extracts from the chairman's statement:—

The net profit for the year ended June 30, 1947 (after charging £125,000 for profits taxes but before provision for income tax) is £593,557, or approximately £170,000 more than the previous year.

Bringing into account the £46,672 carried over from 1945/46, the total available profit is £640,229. After providing £280,000 for the future liability to income tax calculated on the year's profits (following the precedent established last year) and £56,375 for the preference and interim ordinary dividends, there remains a balance of £303,854 to be dealt with as resolved by the general meeting.

DIVIDEND AND ALLOCATIONS

Your directors have pleasure in recommending (a) a final dividend on the ordinary stock of 35 per cent., less tax, making a total for the year of 50 per cent., less tax (as against a total of 35 per cent. last year), and (b) a transfer of £140,000 to general reserve, which will then stand at £600,000. This leaves a balance of profit of £67,604 to be carried forward to the next account.

They believe that these proposals constitute a fair compromise between the need to combat inflation and the rights of shareholders to benefit from increased profits. I would also point out that a dividend of 50 per cent. on the ordinary stock represents only 18 per cent. on the capital actually employed in the business at June 30, 1947, excluding the preference stock.

BALANCE SHEET ITEMS

The reduction of some £380,000 in net current assets is mainly due to the acquisition of our controlling interest in Ivers-Lee (Great Britain) Limited, already reported in a letter to stockholders dated May 7, 1947. As expected, this company incurred a small loss during its first financial year, but orders for its specialised packaging service are steadily coming in and prospects are considered excellent. Other long-term investments during the year include shares in the company owning our South African Associated Company's premises and in Aspro A.G. Vienna (both wholly owned) and a substantial interest in Aspro (Ireland) Limited.

The amount of the excess profits tax refund is well covered by this expenditure on development and the part collected has therefore been included this year with other cash balances.

The substantial increase in stock-in-trade is largely due to the building up of consignment stocks overseas.

It was considered desirable to have an up-to-date inventory of our plant, machinery and equipment prepared and valued by experts and this was done as at December 31, 1946. The adjustment of book values to "going concern" values is reflected in the attached balance sheet and the ascertained surplus of £54,865 has been treated as a capital reserve.

In conformity with the policy of fully mobilising our resources, to which I referred

in my last statement, we are actively engaged in consummating our plans for opening up new markets for "Aspro" abroad (additional to those dealt with above) and also for developing our new Ivers-Lee business with the assistance of our organisations throughout the world. Negotiations are in progress for acquiring a controlling interest in an engineering concern on which the Ivers-Lee company will have first call for the manufacture of packaging required to meet the demand at home and abroad. A new stomach tablet ("Trisco") has been produced and successfully tested on the market through a subsidiary company and arrangements are being made for sales abroad.

SHORTAGE OF FOREIGN CURRENCY FOR INDUSTRIAL INVESTMENT ABROAD

One of the difficulties we have to face is the shortage of foreign currency for industrial investment abroad. While we gladly acknowledge the sympathy and helpful attitude of the Government officials concerned (within the limits imposed by the regulations) we view with some misgiving a short-term national policy which involves a serious risk of missing present but fleeting opportunities to capture foreign markets and thus to contribute in restoring Britain's lost overseas investments.

I should like to say a few words about the renewed rumours of legislation to control the advertising of proprietary medicines. This company is prepared to give its full support to any action taken against advertising claims that cannot be substantiated, or other abuses. We have been able to maintain a great demand for our own product and in this we have been considerably assisted by our modern and economic working methods and policy of service to the customer.

THE AUTUMN BUDGET

Addressing the meeting, the chairman said: The autumn Budget presented to Parliament since my statement was made affects the company's affairs in several important respects. The increase in purchase tax is necessarily passed on to the consumer and is causing some disturbance in the channels of distribution during the transition period. The proposed tax on advertising would involve a relatively substantial charge on a business like ours but one which we might hope to absorb without undue difficulty while still maintaining a reasonable volume of publicity. The effect on the current year's operating results of the increased rates of profits tax on both distributed and non-distributed profits (including the retrospective charge from January 1, 1947, which it was too late to provide for in the accounts now submitted) should be offset by the fact that the first six months of 1946/47 had to bear the heavier excess profits tax. On the whole, therefore, we can look forward with confidence in our ability to complete another successful year and also to continue the policy of preserving the fair balance between profits distributed and those put to reserve which is responsible for the company's sound financial position.

The negotiations to which I referred in my statement for the acquisition of a controlling interest in an engineering concern have been brought to a successful conclusion and arrangements have been made by which the whole undertaking will be acquired for the sum of £145,000 which will be provided equally by Ivers-Lee (Great Britain) Limited and this company.

MITCHELLS AND BUTLERS, LIMITED

VERY SATISFACTORY YEAR'S TRADING

MR ROBERT H. BUTLER'S REVIEW

The sixtieth annual general meeting of the ordinary stockholders of this company was held at the White Horse Hotel, Birmingham, on Thursday, the 4th instant, under the presidency of Mr Robert H. Butler.

The chairman, in moving the adoption of the report and accounts, said:—

Ladies and gentlemen, I am pleased to say we have had a very satisfactory year's trading. It has again been a very difficult one and the severe winter contributed its own special problems. We are fortunate in having our own generating station which enabled us to keep the Brewery running during the crisis. We had at no time to stop brewing entirely, although we had to curtail our output considerably in those difficult weeks. I should like to express my thanks to all those who cheerfully carried on under such adverse conditions.

2 PER CENT. BONUS REPEATED

Turning to the figures of the balance sheet, you will recall that I deemed it advisable last year to caution stockholders that they must not look upon the 2 per cent. bonus as an annual increase in dividend. Nevertheless, I feel that we are justified in repeating it this year.

An increase in the profits tax was anticipated and we have made the necessary provision in the accounts. I am sorry that the Chancellor also decided to impose a further heavy burden upon the trade in his Supplementary budget by increasing the duty on beer, wines and spirits. The beer duty was 80s. on the standard barrel in Mr Neville Chamberlain's budget of 1933 is now more than four times this amount, the new figure being 325s. 5d. and the duty on spirits has more than doubled in the same period. While the trade has borne without complaint a great weight of taxation during the country's difficult times it can rightly claim that at the earliest moment it should be granted some relief. In this connection I would like to quote a declaration of the late Sir William Butler. When addressing the stockholders in 1937, he said, "I can understand that people who do not appreciate a study of the balance sheet the full amount of capital employed in the business might consider that a concern which can declare a dividend of 23 per cent. on its ordinary stock does not appear to require any relief of taxation, but rather may be looked upon as making an abnormal profit. This, however, is an erroneous view, for the percentage of profit ought to be calculated on the whole of the capital employed in obtaining the profits; in that way, it will be seen that trading capital includes not only stock capital, but reserves which are mainly derived from surplus profits not taken out of the business but again 'ploughed in' in the trading operations of the company. The percentage of profits so calculated in our own case cannot be considered otherwise than a very reasonable commercial return on the total capital employed."

Sir William's remarks apply with even greater force today, as our balance sheet illustrates.

NEARLY £5 MILLION "PLOUGHED BACK"

In 1920 our policy of "Fewer and Better," which had started about two years previously, began to be operative, and from that date to 1947, quite apart from large sums charged as depreciation, we have expended on capital account almost exactly £5 million, and during that time only £1½ million new capital in the form of cash has come into the business. Practically the whole of this £1½ million has been absorbed in providing additional working capital necessitated by the increase in

our business, higher taxation, wages and other expenses. You will see then that almost the whole of the £5 million has been provided out of reserves built up by our policy of conservative distribution of profits, and I think you will agree that the charge so often made by members of the Government that insufficient profit is "ploughed back" into business, cannot be laid at our door.

This new profits tax has, of course, reduced this year the amount we have been able to put to reserves, and will continue to do so, so long as it remains in force.

We continue, wherever possible, to develop our policy of removing licences in connection with new grants, and I am pleased to say that at the 1947 Brewster Sessions we secured a number of important grants of full licences in areas outside Birmingham and Coventry, all of which were confirmed. We are looking forward to the day when these licensed houses can be built, as they are needed for the public residing in the areas. Stockholders will readily appreciate that as regards our most important areas, Birmingham and Coventry, no applications can be made by us for new grants until the respective licensing planning committees have made further progress in their difficult duties.

NECESSITY FOR LICENSED PREMISES ON NEW BUILDING ESTATES

I would like once again to emphasise the necessity for erecting special buildings on the large building estates now being developed at the same time as the dwelling houses which they are designed to serve. I refer, of course, to shops, licensed houses and other special buildings indispensable to the life of a community, and I feel that the demand by the public is so great in a number of cases that the local authorities concerned, together with the appropriate ministry, should be prepared to authorise the erection of temporary buildings to meet this demand.

I referred last year to the setting up of Licensing Planning Committees in Birmingham and Coventry under the Licensing Planning (Temporary Provisions) Act, 1945. In accordance with the spirit underlying that Act, we, in conjunction with other brewers, have had several meetings with these Licensing Planning Committees and various schemes for the redistribution of licences are under discussion.

SHELDON AREA

In particular I would like to mention the Sheldon area, comprising a number of large building estates now being developed by the Birmingham Corporation; these estates when completed will have a population of more than 53,000. The Birmingham Licensing Planning Committee have been in consultation with the Birmingham and Midland Counties Wholesale Brewers' Association as to the number and nature of the licensed houses which would be required to serve these large estates and through the co-operation of all concerned I am very glad to be able to state that agreement has now been substantially reached in this most important matter.

WOLVERHAMPTON BUILDING ESTATES

The Wolverhampton Corporation who are contemplating development of several of their large building estates, have also invited the association to state their views as to the best method of providing licensed houses for these estates. The association have met the appropriate sub-committee of the Wolverhampton Corporation and have outlined the policy they suggest should be adopted.

I am very gratified to feel that our relations with these various authorities are so satisfactory, as I feel strongly that the policy of co-operation between the trade and Licensing Planning Committees, Licensing Justices and Local Authorities is one which will fully repay us all in terms of the betterment of licensing conditions and service to the public.

PREPARATIONS FOR RECONSTRUCTION AND REDEVELOPMENT

I think you should know that although we cannot yet do much towards the carrying out of our post-war reconstruction and redevelopment plans, we are not standing idly by waiting for the day when we can start. We are making our preparations now. In order to be ready for future trade expansion a considerable amount of work has to be done in the brewery, bottling department, and maltings, to bring these departments up to date by the extension of mechanisation, with its consequent saving of labour. We fully realise that considerable capital expenditure will be involved in carrying out the large-scale plans which this will necessitate, and we are making provision accordingly. Your board is determined that in the forward march of the industry which will continue when restrictions are lifted, this company, with its great record of progress, will occupy a prominent place.

PROBLEM OF EXPORTS

You will already be aware that the Government, in order to increase exports to hard currency areas, has made an order requiring that about 50 per cent. of the whisky drawn from bond is to be exported. Naturally, this has curtailed our supplies to our houses and customers. In addition to this, we have been invited to export some of our beers, and we are studying this side of the business very thoroughly. During the war we had some experience of exporting to our Forces serving overseas, but prior to this we had no experience; we are newcomers to the commercial export market, and may in the future considerably expand our trade in this direction. In this connection, however, there will be no further curtailment of our supplies to the home market as the Government are granting us extra materials to produce beer for export.

Considerable difficulties still face us, both in connection with our home trade and our export trade. Supplies of timber and other materials for casks, cases, bottles and almost everything we require are becoming even more difficult to obtain.

You may be interested to know that the managerial system is no innovation so far as this company is concerned. In point of fact 60 years ago our published accounts showed that we were managing public houses at that time. It is, of course, well known now that we have grown to be probably one of the largest direct sellers to the public, by means of this system, in the country. Through our managed houses has grown the improved public house with its provision for social and recreative needs of the public and the supply of food. Also it may not be very well known that as owners of more than 300 tenanted houses we can claim to have extensive knowledge of the running of this type of house. Through our inspectors we are in daily touch with their trading conditions and ensure that the rentals of each of the houses we let are such as to enable the tenant to get a very adequate living. We take care to see that his supplies are fair and reasonable and at no time have we discriminated between tenanted and managed houses to the detriment of the former. We believe in fostering to the best of our ability a happy relationship between all sections of employees, whether they be at the brewery, in the managed houses, or the tenanted houses.

Mr D. Davey Cole seconded the adoption of the report and accounts, which was carried unanimously.

FURNESS, WITHY AND COMPANY, LIMITED

PROBLEM OF SHIPBUILDING COSTS

The fifty-sixth annual general meeting of Furness, Withy and Company, Limited, was held on the 2nd instant, in London.

Sir Ernest H. Murrant, K.C.M.G., M.B.E., the chairman, in the course of his speech, said: In view of the unavoidable delay in the presentation of the accounts, your directors adopted the unusual course of declaring the dividend on the ordinary stock at the time that stockholders would normally look for it. Accordingly a dividend of 8 per cent. per annum, less tax, was paid on September 17th. After making full provision for taxation in the United Kingdom and abroad, there is a total credit balance of £1,033,996. Your directors make the following recommendations:—That £142,056 be provided for the inauguration of a pension fund for employees in the U.S.A.; that £100,000 be transferred to deferred repairs account; that £250,000 be set aside for depreciation and that £33,968 be transferred to fleet replacement account, leaving £202,721 to be carried forward.

The total of assets, namely £32,315,223, is, without doubt, considerably less than the actual value of those assets today, a statement which may appear gratifying but which I suggest must be viewed in the light of existing circumstances and future possibilities. No subsidiary company has incurred a loss. All have very satisfactorily served the purposes for which they were acquired or formed. Their dividend distributions have not been extravagant, on the contrary our traditional policy of combining sound finance with development and expansion, which has served the company so well in the past, has been consistently maintained.

A SERIOUS MATTER

Most people will have read a series of statements in recent months regarding the excessive costs and delays involved in building new ships. The seriousness of these statements should not be underrated. In my address in September 1945 I referred to contracts having been placed for the construction of five new ships. It will no doubt be a surprise to stockholders to learn that of those five ships only two have yet been delivered and we have so far only received the final bill for one. We have paid on account of the other sums which very clearly indicate that the final costs will be very considerably in excess of the estimates on which the contracts were based.

Tracking down the causes for the delays and increased costs is an endless and exhausting business; there are reasons and explanations beyond my powers of description, but the more one attempts to trace the various causes the more one becomes convinced that one is following an endless chain—a chain which I suggest must be broken somewhere before there is any real hope of arresting the current course of events, which in the long run must do great harm to both the shipping and shipbuilding industry.

DELAYS IN DELIVERIES

At the present time the various shipping companies which are embraced by our consolidated accounts have contracts outstanding for 14 ships; in each case we have a firm estimate—to use a contradiction in terms—of the cost which, however, is subject to increases in certain eventualities, and we have an estimate of the date of delivery, but if the past is any guide to the future, it is a certainty that the ultimate actual cost will be considerably in excess of the estimate, and even if estimated deliveries are maintained, it will be well into 1950 before all the ships which have been contracted for are finally ready to put into commission.

It is a matter about which one cannot afford to be indifferent. Shipowners do not want to have their industry ruined by high prices for new ships, any more than shipbuilders want to have their industry ruined by the absence of orders for the same reason. But only industries which can make, sell and consume their products on a short-term basis can go on indefinitely absorbing ever-increasing costs and passing them on to the user or consumer. In a long-term business like shipowning, which involves building ships to operate for 20-25 years, it is obvious that one cannot rely upon continually passing on to the users, through freights and passage money, the consequences of each new ship costing more than the last—the chain is bound to break somewhere sooner or later.

THE OUTLOOK

I do not imagine any stockholder will expect me to attempt any forecast of the future prospects. There are altogether too many uncertainties and too many things, both under control and out of control, to justify any expression of opinion. Step by step, however, the shipping industry is gradually reaching towards a greater measure of self-administration, although control by licence and direction still remains with the Ministry of Transport in order to ensure the fulfilment of essential import and export programmes. How long it will be necessary to continue working to a planned economy, it is impossible to forecast, but present indications would seem to suggest that for various reasons, including currency problems, a complete reversion to freedom of initiative and enterprise is likely to be deferred for a longer period of time than had been hoped.

In the meantime, and in spite of all the difficulties arising out of increased construction costs, increased operating costs, exchange problems and restrictions of every description at home and abroad, great progress is being made in the reconstruction of the British Merchant Marine.

TONNAGE POSITION

It is difficult to say precisely what the actual tonnage position is in comparison with 1939, owing to the presence on the U.K. Register of a number of vessels which are returnable to the United States, but assuming the returnable tonnage to be of the order of 1,750,000 G.R.T., then the comparison would be 16,056,000 tons in 1939, as against 14,023,000 tons in the spring of 1947, all figures referring to ocean-going ships of 1,600 G.R.T. and over.

To close the gap between these two comparative figures—a gap which is at present largely filled by the returnable ships—there are under construction in British yards for British owners some 320 ships of all kinds, totalling 1,562,000 G.R.T. If one excludes from these figures a number of small craft, in order to make the figures comparable, it can be said that some 1,500,000 tons of ocean-going ships are under construction for British owners, apart altogether from those which had been ordered and on which construction work has not yet commenced.

Not all of this new construction is in replacement of war losses; part must be reckoned as replacing natural obsolescence, but the whole picture reflects no mean achievement by an industry which suffered greater war devastation than any other, and an industry which incidentally contributes more to the country's exports than any other. Whatever the future may hold, your directors feel that your company has foundations on which we may continue to build with every confidence, and in the belief that we shall still find a reasonable amount of incentive to justify our efforts.

The report was adopted.

THE WALL PAPER MANUFACTURERS, LIMITED

EXPORT ACHIEVEMENTS

The forty-eighth annual general meeting of The Wall Paper Manufacturers, Limited, was held, on the 27th ultimo, at the Midland Hotel, Manchester. Mr Alan V. Sugden (Chairman of the company) presided.

In the course of his remarks, the Chairman said: The provision made for taxation in the past year was adequate to cover the additional charges framed in the Autumn Budget, and continued:

I make no apology for our increased dividend. Most of our stockholders are small people and in many cases with fixed incomes based on investments whose dividends are subject to heavy taxation. They are consumers and, like all other consumers, find everything they have to buy costs more. With higher wages, higher salaries, higher prices all round them, why should shareholders be expected to forego similar consideration? Are they expected to be above such mundane considerations, or are they singled out to live a life of exceptional purity, the only class with parsons and pensioners which is not to join in the mad scramble for debasing the value of our money?

A new burden has now been laid on their income prospects in the higher rate of profits tax levelled on dividend distribution.

It is plainly the duty of directors—in fact, they are expressly charged as such—to serve and watch over the interests of shareholders, amongst other things, by endeavouring to earn such profits as they reasonably can, and out of those profits to pay such dividends as seem proper, having regard always to the future prosperity and efficiency of the business.

HOME AND EXPORT SUPPLIES

Since the directors' report was published more has become known of the effects of the cut made in supplies of paper for home trade, and the resulting figure is 29 per cent in weight of consumption in 1939. No account is taken of the arrears accumulated during the five years in which wallpaper was not produced, nor of the increased demand for the article, which has resulted from a higher standard of living in working-class homes consequent upon higher wages. Considering that home morale is very much dependent on cleanliness, a point recognised by one Ministry at least by directing us to divert a proportion of our output to mining villages, it does not appear that the Government has any clear understanding of the psychology of the inhabitants of this island or perhaps favours dirt for its relation to austerity and the wearing of the hair shirt. The anticipated decline in our wallpaper interest emphasises the wisdom of the board over the last decade and more in spreading risks and widening the scope of remunerative development in other directions. It is to these other interests that we now look with some confidence to make good the mutilation inflicted upon wallpaper manufacture.

The target figures for export in the Cripps Plan for the paper group of industries was 116 per cent. of 1938 in value by mid-1948 and 140 per cent. at the end of 1948.

The Company's wallpaper exports for the final year covered by the accounts was 330 per cent. of 1938 value. This magnificent achievement has resulted in some contraction in current export orders as immediate demands have been satisfied in many markets. Even with this decline in orders, it is anticipated that the export achievement for the current year should be not less than 200 per cent. of 1938. Very serious efforts are being made to open up new markets besides developing existing ones, and market research continues incessantly.

The report was adopted.

BANK OF LONDON AND SOUTH AMERICA, LIMITED

LORD WARDINGTON'S REVIEW

Extracts from the address to the stockholders of The Bank of London and South America, Limited, by the chairman, The Rt. Hon. Lord Wardington, circulated with the balance-sheet. Copies of the full address are obtainable from the head office of the bank at 6, Tokenhouse Yard, London, E.C.2.

The sustained high level of export prices for nearly all commodities has resulted in another good year for the Latin American Republics, although it has not been so uniformly prosperous as 1946. The period of building up large reserves of gold and foreign exchange came to an end with the arrival there early in 1947 of exceptionally heavy imports, and a general policy of retrenchment is now being followed pending some solution to the inter-related problems of a world-wide shortage of dollars and the restricted convertibility of sterling, the two currencies most widely used for international trade.

BOOM IN IMPORTS

This boom in imports brought with it additional business to your bank in financing shipments not only from the United Kingdom but also from the U.S.A.; furthermore, in conjunction with the active export trade, the continued buoyancy of internal business in Latin American countries has—within the bounds of existing legislation for confining credit to productive purposes—maintained the local demand for banking facilities generally. An undercurrent of labour unrest still prevails in many of the Republics, related largely to the high cost of living, since the inflationary trend still shows but few signs of abatement despite price controls and various other combative measures. Unfortunately, the unfailing remedy for inflated prices—a larger offer of consumer goods for sale—which it was hoped the increased arrivals of foreign merchandise would permit, has not yet become possible, because a large part of this year's imports into Latin America consisted of capital equipment whilst most countries there are for the time being limiting their purchases of consumer goods to bare essentials.

No revaluation of currency has occurred during the year in any of the countries where the bank is established, and the rates of exchange used for closing our books at September 30th show only fractional changes from last time. Certain governments are now permitting to some extent what were formerly not officially recognised quotations, but transactions allowed at these higher free rates have only a limited application.

RESULT OF YEAR'S OPERATIONS

A profit of £373,902 has been made after providing for legal reserves in South America and for taxation on the year's profit, and after making an appropriation to reserve for bad and doubtful debts, out of which full provision for such debts has been made. This result compares very favourably with the profit of £341,588 for the twelve months ended September 30, 1946. Of our net profit of £373,902 the interim and final dividends less income tax absorb £133,320; a transfer of £240,000 is being made to contingency reserve and the balance carried down to next year's profit and loss account is being increased by £582 to £180,051.

Having surveyed conditions in each of the countries in which the bank is established,

the chairman continued: Particularly in the more advanced countries there is normally a very large demand in Latin America for imported consumer goods, and, notwithstanding the growth of local industries, there should for some time be a wide opening for British products, especially as Germany and Japan—both important prewar suppliers to Latin America—remain out of the market. On the other hand, a universal extension of Britain's own Spartan policy of austerity and restricted imports would undoubtedly cause still further contraction of world trade generally.

EXPORT TARGETS

The export targets for textiles in 1948 set by H.M. Government raise hope that Britain's important position in this line of trade with Latin America may be re-established, although sight must not be lost of the difficulty in finding buyers owing to import restrictions in so many countries. Our Manchester and Bradford agencies are well equipped to deal with any increased business which may accrue. Prospects for Britain's other leading prewar export to South America, namely, coal, are not so promising. Bearing in mind Britain's present meagre food rations, it may be apposite to recall that we formerly shipped each year approximately 2,500,000 tons of coal to the River Plate to pay for a large part of our meat supplies, but one must regard with some doubt the chances of regaining the major part of this reciprocal trade at the present rate of coal output. Particularly is this so in the long-term view because of the increase in oil production in South America and the extensive schemes there for hydro-electricity.

During the year British trading interests have been actively engaged in renewing and widening their connections in Latin America and many business men have made extensive tours in the area. Among these may be mentioned the Petroleum Equipment Mission to the Caribbean Area, the Agricultural Mission to the pastoral countries, and the floating exhibition of British products which called at several South American ports. All such visits provide opportunities for the fruitful exchange of views and do a great deal to promote friendly relations.

IMPORTANCE OF QUALITY

In their reports to me, one or two of our branch managers refer to the quality of post-war British products; some isolated cases have evidently occurred where goods have not reached the high standard for which British brands have a well-deserved reputation abroad, and I am sure that manufacturers will make a special point of investigating any specific complaints of this kind which may come to the notice of their agents. Among other competitive factors which have already been stressed by returning visitors are the need for guaranteed delivery dates and firm quotations.

Summarizing the overall situation, it may reasonably be said that Latin America remains in a relatively favourable position. Although the internal fiscal condition of some of the Republics leaves room for improvement, disequilibrium in the Budget and germane matters are not so out of hand anywhere that they could not be remedied by wise statesmanship, and there are no fundamental economic problems in any way comparable with these afflicting the older nations of Europe.

IDEAL BUILDING AND LAND DEVELOPMENT COMPANY, LIMITED

HOUSE BUILDING DIFFICULTIES

The thirteenth ordinary general meeting of this company was held, on the 2nd instant, in London, Sir Thomas Keens, D.L., the chairman, presiding.

The following is an extract from his circulated statement:—

The consolidated profit and loss account shows a trading profit of £110,883, and after adding thereto income from investments and transfer fees, and deducting the usual management expenses, there remains a net profit of £103,273, against £95,089 last year. This result the directors think most favourable in view of the ever-increasing restrictions.

The board recommend the payment of an ordinary dividend for the past year of 5 per cent., less income-tax. If a dividend of or exceeding 5 per cent. is paid on the ordinary shares, the preference shareholders are entitled to an additional dividend of $\frac{1}{2}$ per cent., less tax, in respect of their shares.

The situation as regards the building industry has not improved since the last annual meeting of the company, and the outlook remains obscure. The general feeling in the industry is one of frustration with difficulties at every turn, some of which are unavoidable, but many avoidable, due to Government action in placing ideologies first and relegating to the background the solution of the problems.

We have considered it prudent to turn our attention to activities outside the United Kingdom, and our efforts have been directed to South Africa. We have unanimously agreed that it is in the interests of the company for us to acquire property investment and also to carry out housing and development work in South Africa.

The report was adopted.

THE STRAND HOTEL, LIMITED

DOLLARS AND THE HOTEL INDUSTRY

The fortieth ordinary general meeting of this company was held, on the 4th instant, in London, Major M. Gluckstein (the chairman), presiding.

The chairman, in the course of his speech, said: I do not claim to be stating anything new in emphasising the dollar-earning potential of the hotel industry: those dollars which are so priceless to the national economy we are told, and rightly so, that unless the Treasury is kept supplied with them we shall starve! Why then, is the industry denied the opportunity of making more fully its contribution to the national effort? If it is thought that the public would resent a smartening up and refitting of hotels; or that it would be jealous of preferential treatment of the industry, in order to attract overseas visitors, then surely—it is for the Government to make known the value of hotels as a ready medium of earning dollars, in the same way as they explain other necessities in their "export" policy.

Every business man knows that despite our desperate financial straits there are some economies we cannot afford to suffer, and there are seeming extravagances which bring tribute. A show of prosperity is more likely to bring reward than a display of shabbiness. And who denies that given facilities we could give material help to the country in its fight to improve the present standard of life; here is an opportunity for imagination and vision to play a part. We know we have the support of the Tourist Board and hope they will drive home to the Ministers concerned the fact that, without help of the kind I have indicated, the industry will not be the benefit to the country that it should be in this time of emergency.

The report and accounts were adopted.

NEEPSSEND STEEL AND TOOL CORPORATION, LIMITED

MR S. C. GOODWIN'S REVIEW

Mr. S. C. Goodwin, J.P. (chairman) presided on the 2nd instant at the twenty-seventh annual ordinary general meeting at the registered office, Neepsend, Sheffield. In the course of his address he said that despite difficulties caused through shortage of materials, fuel and labour, the results showed an improvement over those of the previous year. Surplus and reserves of the parent company totalled £429,876 against £403,956. Current assets totalled £708,915 against current liabilities and provisions £282,586, an excess of current assets of well over £400,000, thus placing the company in a very satisfactory position. Net revenue from dividends, interest, etc., after deduction of taxation, amounted to £110,906, very similar to that of last year. The directors recommended the transfer to general reserve of £25,000, bringing that reserve up to £325,000.

Consolidated statement of corporation and subsidiary companies showed surplus and reserves £722,885 against £661,377. Current assets of the whole group amounted to £1,282,636, against current liabilities and provisions of £432,947, showing an assets excess of £849,689. It would be seen that the Neepsend Group was in a very sound position financially. The consolidated profit and loss account showed trading profits £314,724 against £165,517 in the previous year.

In the last quarter of the financial year production was seriously disorganised due to shortage of fuel and materials, which in some instances necessitated the temporary close-down of certain departments and consequent loss of turnover.

If they could be left without interference to carry on their many occupations, then he had no fear for the future.

The report was adopted.

DICTOGRAPH TELEPHONES, LIMITED

SUBSTANTIAL PROGRESS

The eleventh ordinary general meeting of Dictograph Telephones, Limited, was held, on the 4th instant, at Croydon, Mr Philip V. Summer (the chairman) presiding.

The following is an extract from his circulated statement:—

The year under review has been overshadowed by the national economic situation, but we are able to report substantial progress.

NOTICES

COUNTY BOROUGH OF SOUTHEAST-ON-SEA EDUCATION COMMITTEE

MUNICIPAL COLLEGE

Acting Principal: B. Thomsett, B.Sc. (Eng.), A.C.G.I., M.I.E.E. DEPARTMENT OF COMMERCE

APPLICATIONS are invited for the post of SENIOR ASSISTANT, to develop degree and advanced professional courses. Candidates should be a Graduate in Economics or Commerce and/or possess a professional qualification. Experience in business and teaching is desirable.

Salary in accordance with the Burnham Technical Scale, i.e., £600 to £750 with training allowance.

Full details of the post and form of application may be obtained from the undersigned on receipt of stamped and addressed foolscap envelope. Application to be returned to the Acting Principal of the College, Victoria Circus, Southend-on-Sea, within a fortnight of the date of this advertisement.

H. BOYES WATSON, Chief Education Officer. Education Office, Warrior Square, Southend-on-Sea. 25th November, 1947.

THE Civil Service Commissioners give notice that a Competition for one or more Clerkships in the House of Commons will be held in July, 1948, in conjunction with the Normal Open Competition for the Administrative Class of the Home Civil Service by Method 1 (written examination and interview); candidates who wish to enter for both Competitions must complete a separate application form for each.

Candidates must be at least 20 and under 24 years of age on 1st August, 1948; they can compete only if nominated by the Clerk of the House of Commons. Full particulars and forms on which application for nomination must be made can be obtained by writing to the Secretary, Civil Service Commission, 6 Burlington Gardens, W.1, quoting No. 2068. Completed application forms must be received by the Clerk of the House of Commons, House of Commons, S.W.1, not later than 31st January, 1948.

The exceptionally heavy demand for installations of Dictograph Telephone and Sound Equipment has continued. Record trading results are shown by the parent company, the rental and maintenance revenue having again considerably advanced. Our subsidiary company, Gramplan Reproducers, Limited, has had a satisfactory year.

Your directors feel that the time has arrived for the formation of a profit-sharing bonus scheme.

There is a combined trading profit of £85,935, being an increase of 75 per cent. on the comparable figure last year. The directors recommend a final dividend on the ordinary shares of 10 per cent., less income tax, making 16 per cent. for the year.

The increase we shall now endeavour to make in our export trade, whilst essential, is bound to result in some restrictions in our home trade; the Government has, however, indicated its appreciation, as during the war years, of the need to maintain service to our existing users. Whatever the immediate difficulties may be, your directors feel that the stabilising effect of the company's rental and maintenance income entitles them to look to the future with confidence.

The report was adopted.

CALCUTTA TRAMWAYS COMPANY, LIMITED

SERIOUS INTERRUPTIONS

The ordinary general meeting of the Calcutta Tramways Company, Limited, was held, on the 27th ultimo, in London.

Sir Geoffrey R. Clarke, C.S.I., O.B.E. (the chairman), said that during the year under review the successful working of the undertaking had been seriously interrupted in the first place by unrest amongst the company's employees, and from August until the end of the year by the communal rioting, which had often rendered it impossible to put a car on the road. The effect of those happenings was the reduction of £243,710 in the traffic receipts compared with those of the previous year, the greater part of which had occurred in the last five months of the year. Unfortunately, during that period no reduction in expenditure had been possible.

By the end of the year more normal conditions had returned to Calcutta. In order to show the company's appreciation of the manner in which its employees had carried on under difficult conditions, a new scale of wages was voluntarily introduced on January 1, 1947, under which every employee of the company had received a substantial increase.

Notwithstanding that, the Union of Tramway Workers had put up additional demands for bonuses and yet higher wages. A general strike of all employees, including the clerical staff, was declared on January 21, 1947, and had continued until April 15th, when a tribunal was appointed.

Difficulties had arisen in the interpretation of the award of the tribunal, and it had not been possible to ascertain the total cost to the company for the current year. In order to meet the estimated deficit it was necessary to conserve the company's liquid resources and to withhold the payment of a dividend on the ordinary shares.

The report was adopted.

GOLDEN HOPE RUBBER ESTATE, LIMITED

IMPROVED EARNINGS

The annual general meeting of The Golden Hope Rubber Estate, Limited, was held, in London, on the 4th instant. The directors' report presented for 1946-47 stated that the work of putting the estates in order had continued throughout the year and little remained of the more harmful weed growths which had spread during the Japanese occupation. Labour was sufficient for essential work and health was good. The year's crop was 4,135,104 lbs. of rubber.

The chairman, Sir Eric Macfadyen, said: The profit of £11,679 is based on production costs of the normal kind, exclusive of money spent on rehabilitation work, amounting to £28,616, which is a balance sheet item pending consideration of the company's war damage claim. In the current year it is hoped to produce about 5,500,000 lbs. of rubber and perhaps 500,000 lbs. of this would be sole crepe, as the manufacture of this grade has been resumed on the estate which produced it before the invasion; as a result, the company's earnings should show marked improvement. It is also joining with a number of other plantation owners for whom Harrisons & Crosfield (Malaya), Limited, are agents, in the formation of a local company to undertake latex concentration; this plant may not be in operation for another twelve months.

The company owns 9,408 acres planted with rubber. Areas totalling 35 per cent. to 40 per cent. of the whole, though still making their contribution to output, will require to be replaced by stages over the next ten years with either replantings or new plantings half of these areas would have been dealt with before now, but for the war. The programme will have to depend upon consideration of finance and labour.

The report was adopted.

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GOVERNMENT RETURNS

the week ended November 23, 1947, ordinary revenue was £66,013,000, ordinary expenditure of £70,754,000, leaving a surplus of £4,739,000. The surplus accrued since April 1, 1946, £226,712,813 against a deficit of £96,583 for the corresponding period of 1946.

MARINE AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1947-48	Receipts into the Exchequer (£ thousand)			
		April 1 to Nov. 30, 1946	April 1 to Nov. 30, 1947	Week ended Nov. 29, 1946	Week ended Nov. 29, 1947
Income Tax	10,856,000	493,078	466,260	5,755	10,490
Corporation Tax	80,000	20,212	23,455	450	350
Excise Duty	155,000	56,949	109,779	2,696	3,789
Other Taxes	57,000	27,271	34,283	680	1,900
Grants	6,000	23,571	23,571	750	200
Other Receipts	—	29,329	172,213	17,179	2,550
Total	170,000	710,030	729,557	27,414	19,270

Expenditure	Estimate, 1947-48	Receipts into the Exchequer (£ thousand)			
		April 1 to Nov. 30, 1946	April 1 to Nov. 30, 1947	Week ended Nov. 29, 1946	Week ended Nov. 29, 1947
Income Tax	10,856,000	493,078	466,260	5,755	10,490
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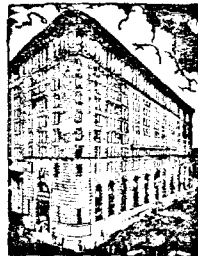
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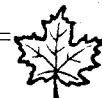
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Germany: The Real Issue

THE Foreign Ministers have conferred for a fortnight, and the best that can be said of their efforts is that they have not yet been forced to break up the Conference. Of agreed solutions, there is no trace. After a week's disagreement on political issues, they have now turned to the economic field and the outlook so far is no more hopeful. A visitor from another planet, unskilled in giving diplomatic language its real, and hidden, meaning, would find this persistence of disagreement very puzzling. The main issue of the Conference, by common consent, is whether, and how, the unity of Germany shall be restored. All the delegates (except perhaps the French) vie with each other for the role of chief champion of German unity. All are convinced that Germany should become once more a political and economic unit. All are agreed that there should be a Central Government with effective powers. All are agreed that the removal of the present barriers to the free flow of goods and services is vital not only to German revival but to Europe itself. If German unity were really the main object and the first priority of each delegation, it is hard to see how agreement could be avoided. But in fact unity is now little more than a symbol or slogan. The delegates are carrying on a sort of diplomatic double talk. They speak of the necessity for Germany to be politically and economically whole. They are thinking about the danger that it might be wholly Communist, or wholly absorbed in the Marshall Plan.

The political discussions of last week turned, not on the desirability of central government, but on the kind of government it would turn out to be. The Western Powers believe, rightly or wrongly, that a Central Government established in Berlin at the present time would be under such strong Communist pressure that it would be not much more than a Soviet tool. Moreover, they believe that the political unification of the country would offer such opportunities to the Communist-controlled SED (the Socialist Unity Party) and its nationalist demagoguery that all Germany would be in an uproar. The Russians on their side believe that their control of the SED and their strategic position in Berlin would give nation-wide Communism a flying start. Both sides may be wrong—indeed, the Western Powers seem to be excessively defeatist about the political development of Germany. But that does not alter the fact that the approach of both sides to the proposal that Germany should be politically united is governed by the same expectation that a united Germany would be a seed-bed for Communism.

Now that the economic discussions have begun, it is equally necessary to distinguish between the forms and the substance of the debates. Officially, economic unity is the issue. To elaborate it, both sides have gone back to documents and proposals already months old. Mr Bevin's main points—that all German resources should be pooled for reconstruction, that there should be a common import-export programme, that the repayment of money spent by the Allies in maintaining Germany should take precedence over reparations, that a Russian share in the control of the Ruhr should be conceded only if joint control were also established over industries in the Eastern Zone—all these points were already

elaborated in March. Mr. Molotov goes back even further. His two central demands—that all four Powers should share in the control of the Ruhr and that \$10 billion should be paid in reparations from current production—have been fished up unchanged from the documents presented during the Paris discussions in July, 1946.

But since the days when the Foreign Ministers met in Paris and in Moscow, a profound change has occurred in the economic life of Europe. Mr. Marshall has made his offer of American aid to a united European recovery programme. The mere possibility of a Marshall Plan has created a climate for the talks on Germany so new that it can be only with really remarkable self-restraint that neither Mr. Bevin nor Mr. Marshall refers to it. The real issue before the Conference is not so much German economic unity in the abstract as the problem of what to do with a Germany half of which is in the course of being geared into the Marshall Plan, while the other half will be expected to wreck and oppose and sabotage that plan at every point.

Under these conditions, there are only two ways in which German economic unity could be secured by the agreement of all the occupying Powers. One would be that the whole of Germany should be excluded from the Marshall Plan, the other that the whole of Germany should be included. It is a little difficult to envisage what immediate economic difference would be made by Germany's exclusion from the Plan. If Russia had a say in the economic control of Western Germany, there might be an attempt—possibly in the supposed interests of a new joint import-export plan—to divert to other markets vital resources, such as coal, whose availability for the countries of the West was assumed in the Paris Report, and these diversions would be the greater if the Russians also got their way on reparations. But it is not in amendments of the figures in the Paris Report—important though these might be—that the effect of Germany's exclusion from the Marshall Plan would have to be sought, but rather in the blow that it would strike at the whole conception of the Plan. In its first year or two, it will inevitably take the form of dollar aid to a number of hard-pressed European states, and the exclusion of one might not harm—might even benefit—the other fifteen. But if the Plan claims to be more than a co-ordinated dole, the claim rests on what it can do, in a rather longer run, to promote the growth of a real community of interest, political and economic, in Western Europe, and for this the participation of Germany, or at least of Western Germany, is completely, and obviously, essential.

The exclusion of Germany would not bring any short-term reliefs to America and Britain to offset this retreat from longer-term ambitions. No saving of dollars or sterling would follow, since, with a quarter of the old Reich transferred to Poland and millions of Germans expelled from the lost lands, Eastern Germany certainly has no surplus of food to export to the Western Zones. In fact, if the Western Powers carried some responsibility for the whole of Germany, they might find themselves under a moral obligation to spend more, not less, in order to feed the hungry people in the Eastern Zone.

Nor would this extra assistance necessarily be temporary. The Russians demand that in return for conceding economic unity they should be given some guarantee that Germany will deliver reparations from current production. But at what point could the shattered German economy begin paying reparations? No longer self-supporting in food, needing every sort of outside assistance—even steel—for its recovery, Germany will have to devote the whole of its exporting capacity to the task of paying for the imports of food and raw materials it requires. Reparations would be possible only if the West were prepared to give larger and more permanent subsidies for German imports. Economic unity under these conditions would

mean bigger and more lasting doles, not the steady restoration of a viable German state.

The other method of combining German economic unity with the Marshall Plan would be to bring the whole of the reunited German state within the orbit of the Plan. But the imagination boggles at the task of devising a method by which the Russians would both keep a voice in German affairs and allow their own Zone to become an integral part of a Plan they believe to be aimed against them. At a time when such nations as Poland and Czechoslovakia are being encouraged as far as possible to divert their trade from the West and link their economies more closely with those of their Eastern neighbours, is it likely that Russian policy would commit a complete *volte face* in the case of Germany and cheerfully acquiesce in the power-house of Europe being restored to assist the Plan?

*

To state the dilemma bluntly seems to leave no hope of settlement, no margin for adjustment on either side. This is almost certainly the reason why Mr. Bevin and Mr. Marshall forbear from the provocation of mentioning the Plan. It can, after all, be argued that if muffling the issues leaves even the smallest opportunity for some completely new initiative, then the muffling is worth while. But it entails a danger—the danger that muffled differences may breed muddled ideas. It is a confusion at this stage to think of German unity as an absolute value, independent of the kind of unity achieved, and of the price paid for it. For instance, if the price to be paid for German economic unity today were a crippling or an abandonment of the Marshall Plan, that price would be too high. For the next five years, at least, Western diplomacy can have only one absolutely top priority—and that is to ensure the unquestioned success of the recovery plan for Western Europe. If German economic unity assists that end, well and good. But the touchstone of every concession made on the German issue, of any bargain offered or bait put out must be: will this move make it more or less difficult to revive the West? From this it follows inevitably that the only Russian concessions and initiatives which the Western diplomats can afford to accept are ones which go very much further than any Mr. Molotov in his first fortnight has seemed inclined to make.

The possibility that this phase in the endless bargaining between East and West will break down need not, however, too greatly disturb the Western Powers so long as they remember that it is not the final phase. Since the Marshall offer was made, a new factor has entered into the negotiations—the recovery of economic initiative by the West—and provided the Western Powers pursue their objective of Western economic revival with absolute single-mindedness, they will find that the opportunities for further parleying with the Russians will create themselves. Already Mr. Molotov is a little on the defensive when he leaves the safe ground of political unity and a Central Government. At one point he even proposed—and then withdrew—a postponement of the whole discussion. The defensiveness, the uncertainty will increase as the Marshall programme gathers momentum and restores men's hope. It follows that the Western Powers are likely to find themselves in a steadily improving position for negotiation with the Russians, provided they do not throw away their position at this stage, in what is virtually the first round. Their firmness in maintaining their basic position—that no concessions on Germany shall weaken the Marshall Plan—can and should be coupled with the utmost readiness to reconvene the Foreign Ministers' Conference at any time and even to propose themselves that a further meeting should take place six months or a year hence. It is useless to deny that East and West are involved in a struggle for the possession of the German soul; but the struggle is, should be and can remain a peaceful one.

Malthus at Manchester

COMPARED with the rather refreshing Couéism recently displayed by Mr. Herbert Morrison and Sir Stafford Cripps, the inspissated Malthusian gloom emitted by Mr. Churchill at Manchester last Saturday sounded, to say the least of it, a trifle depressing. Of the "broad plain truths" enunciated, the most paradoxical was the proposition that

Socialism, that is the substitution of state controls by officials instead of by private enterprise, will make it impossible for 48 million inhabitants to continue living in this island and at least a quarter of all who are alive today will have to disappear in one way or other, after enduring a lowering of standards of food and comfort inconceivable in the last fifty years.

Even when all due allowance has been made for the tactical pessimism of political prophecy—a perfectly legitimate instrument in the hands of the Opposition—this is going a little far. However cogent the grounds for acute anxiety afforded by the present crisis and however real the dangers which beset the economic life of the nation within the next few years, it is difficult to see what useful object can be attained by such gross exaggeration. It is, of course, conceivable—though it is not by any means, as far as can be foreseen, probable—that over a term of years world conditions may make it difficult to support the present large population in these islands; and it is undoubtedly true that, over the next few years at any rate, this country will be unable to feed itself adequately without the substantial outside assistance envisaged in the Marshall Plan. But these things have little if anything to do with Socialism. Until quite recently the food experts of the Western hemisphere, impressed by the record of the years after the first world war, were more impressed by the fear of early gluts than by the fact of present shortages. If the prevailing ideas have changed, it due to technical factors—to the realisation that the agricultural recovery of Europe (especially of Eastern Europe) will be delayed, to the disorganisation of food production in India and the Far East supervening upon the large increase in population, and to the growing fear that, after a series of bumper harvests in the United States and Canada, the drought cycle is about due to recur. The political colour of the British Government has had very little to do with it.

When all is said and done, there are as yet no valid reasons for any long-term pessimism about the feeding of Britain. To prophesy that Socialism will drive twelve million Englishmen out of the country by sheer hunger is scarcely a very helpful contribution to either the understanding or the solution of its present difficulties. These are mainly due to the inevitable dislocations and destruction caused by six years of universal warfare which have upset the whole balance of the world's economy,

and even if the Government's attempts to regain equilibrium have often been misguided and administratively inefficient, it may still be doubted whether any other Government, given the mood of the people on the morrow of a victorious but exhausting war—could have done much better.

Nor did Mr. Churchill carry much more conviction when he accused the Government of making "unfair and abusive use" of wartime controls. He did not, in fact, quote a concrete example of this kind of malpractice and he admitted that, as long as shortages exist, controls are inevitable. No clearer enunciation of this principle could well be imagined than the special pledge to the consumer contained in the Conservative Industrial Charter that controls would not be removed from any necessity of life until it is certain that it is within the reach of every family. The real charge which should be brought against the Government is not that of unfair use of controls, so much as of the failure to promote the essential conditions under which they can be relaxed, a failure due more perhaps to mistakes of wider economic judgment than to any positive affection for controls as such. The real reason why controls have had to be reinforced and extended is the maldistribution of labour and of resources brought about by the Government's policy or lack of it—Mr. Dalton's cheap money, Mr. Bevan's exaggerated housing drive and the timidity with which the whole Government regards any proposal to limit the rise of wage-incomes. These are the chief factors which have maintained and aggravated the existing inflationary pressure, and have driven Ministers to rely more and more on the wartime controls even when they are thoroughly disliked by their supporters—as was illustrated last week by the extremely small majority accorded to the conscription order. And this is where the real danger lies, in the invasion of fundamental liberties, not so much through deliberate policy, as by administrative action into which the Government is driven as the result of mistaken decisions or impolicy in quite other fields.

Mr. Churchill was evidently conscious of the fact that criticism alone was not enough. But of his six points of positive Conservative policy, all but one were framed in such general language that they could hardly be taken very seriously as an alternative programme. Indeed, four of them might almost equally well have been embodied in a manifesto of the present Government. On one point only was he specific, and that was the reduction of Government expenditure, for which he laid down a target of £500 million. That such a target could and should be achieved can readily be acknowledged—indeed, the target may be too modest. But whether its full implications have been duly weighed either by Mr. Churchill himself or by the Conservative Central Office may, perhaps, be doubted. For it

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could only be accomplished by the almost complete cancellation of the food subsidies and by a drastic reduction in the foreign commitments and expenditure of the fighting services. And it remains to be seen whether these measures will ever find their way to embodiment in a Tory party programme.

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It is this lack of belief in any practical alternative Opposition programme which explains, more than any other single factor, the limited dimensions of the swing-over to Conservatism displayed in the four recent by-elections. There has, of course, been a substantial increase in the Conservative vote, and a General Election held at this moment might even yield a small Conservative majority. But this Tory lead—if indeed it exists—is a very small result for thirty months of almost unrelieved disappointment and disillusion. Nor would it be proof against even a mild improvement in conditions between now and 1950. In 1945 the “floating vote” went pretty solidly to Labour and some of it has now floated away again. But the evidence still seems to show that the great body of electors who are not irrevocably tied to any party doctrine still find themselves in a dilemma that they cannot solve.

Confronted on the one hand by a party whose panacea for all the nation's present difficulties is contained in the blessed word nationalisation, and on the other by a party which, whatever progressive elements it may contain, is too often apt to become the puppet of monopolistic vested interests masquerading under the disguise of free enterprise, the floating voter may well find himself more than a little puzzled. His instinctive reaction in these circumstances may well be “a plague on both your parties,” but this, as he well knows, will neither solve his or the country's political problems. It might be expected that he would, therefore, turn to the third alternative, in the shape of the Liberal party, which, with its great progressive tradition, might be conceived as constituting the ideal middle way between

reaction and socialism so likely to appeal to the common sense of the British citizen. But it would appear that the law of political polarisation is acting in this country scarcely less strongly than in France or Italy. At Epsom last week one more Liberal candidate forfeited his deposit—the third within a fortnight. Whether or not the middle element of opinion ought to vote Liberal, it is not doing so. It is more difficult every month to avoid the very unpleasant conclusion that the multiplication of Liberal candidates does more to lower than to enhance the influence and efficiency of the party. If the Liberal candidate gets so few votes that he loses his deposit, the party becomes a laughing-stock. If the Liberal gets enough votes to avoid this fate, but not enough to come within striking distance of election, he has still succeeded merely in sterilising the Liberal vote and in absolving both Tory and Socialist from any necessity to consider it. Painful though it may be for the devoted labourers of the party machine to acknowledge the fact, it has become clear that, in all save a small minority of constituencies, Liberal candidates do more harm than good to Liberalism. It is better that Liberals should be forced to choose between the larger parties, and that the larger parties should be compelled to solicit their votes.

This conclusion is as negative as it is painful. The facts of the situation compel it for the moment. But no lasting health can be assured to British political life by such a state of affairs. There is very little doubt that a great mass of British electors, perhaps the majority, are not content to entrust the country's fortunes either to the trade unions or to the Tories. If they are compelled to choose between them, it will be a choice of evils, and no solid progress can be built on an electoral system that is a mere alternation of grievances. This is the central political problem of this post war generation, first of all to make articulate and coherent the vague philosophy of the middle vote, and then to construct for it an effective instrument of political activity.

Food for Sterling

THE dollar contracts for food are beginning to run out, and the effect can be expected to be felt before long. The official front is still resolutely sanguine, but the British consumer can get a glimpse of what may be in store for him when he reads of a delegation from the Ministry of Food getting into difficulties in its negotiations in Canada because it wants to reduce purchases of foods that are already all too scarce—and having to face the prospect of accepting a reduction in deliveries of wheat as well. The bare larder is coming into sight. Availability in the producing areas is still, of course, a problem; but it is being replaced as the most serious problem by lack of dollars. The more is the urgency of the need to redouble the search for any supplies of food that can be obtained, from anywhere in the world, in return for payment in sterling.

There is no watertight division between dollar and non-dollar sources. Some apparently soft currency deals turn out on investigation to involve a draft on dollars. The financial agreement with Belgium, for instance, provides that while Belgium will hold sterling up to an official maximum of £27 million, any sterling above that amount must be convertible. Even if the technical peculiarities of Belgium's relation to the sterling area are left out of account, supplies from Belgium above that limit might, from the dollar-saving point of view, just as well be bought direct from the dollar countries. Somewhere in the tangled web of the first Russian negotiations, where prices and British delivery dates offered successive stumbling blocks, lurked a similar difficulty; and not very surprisingly, the same considerations limited the dollar-saving usefulness of the projected

agreement with Poland, although in this latter case delivery dates may have been paramount. Elsewhere, however, no question of convertibility intrudes. Denmark, Holland and Ireland all have definitely available food surpluses which, though they can consume them at home, they would prefer to use for obtaining imports. To promise to supply the imports—of coal, for example—is not always as simple as it sounds. But if that obstacle can be surmounted, then the only remaining question is the price—in sterling. There may not be much food to be had for sterling alone. But there is food to be had for sterling that can be spent on coal.

The Danes, even after their much-publicised deal with Russia, have an estimated exportable surplus for the next twelvemonth of between 45,000 and 55,000 tons of bacon, and 40,000 to 50,000 tons of butter. Britain has already struck a bargain on Danish eggs; the Ministry of Food's negotiators met the Danish demand (which was based on higher production costs) for an increase in price from 17s. 6d. to 26s. per long hundred. On bacon, butter and cheese the negotiations broke down. The Danes, faced with the need to subsidise their farmers in order to get any exportable surplus at all, held out for prices which the Ministry would not pay. The situation in Holland is broadly similar, although the details naturally differ. Ireland would supply more meat, both canned and carcase, if the price were right; at the British figure the Irish prefer to eat the stuff themselves. Odd supplies of poultry, eggs, cheese and fruit are available in Central Europe—but always at higher prices than those of last year.

The total is not impressive. If all sources are taken together, it is probably no more than 20 per cent of British requirements, on the present ration scales, of the foods concerned. If the bacon ration were four ounces a week, with the rest to match, the Ministry of Food might well decide that the game was not worth the candle; that numerous small deals, struck at the cost of considerable diplomatic friction, at the risk of alienating Empire opinion, and at great administrative inconvenience, were in every sense uneconomic. But at present levels every crumb counts. Every home appreciates, as never before, the importance of a rasher when a rasher per head is a week's supply.

Tracking down and bargaining for small inconvenient parcels of this and that, here and there, is not a congenial job for any Ministry. The apparatus of state purchase, like a combine harvester, needs a large field for economical operation. The sickles and reaping hooks of private enterprise are more suitable instruments for getting into corners. In the past, many small supplies have been passed over simply because they could not be conveniently fitted into the pattern of long-term, large-scale procurement and distribution—a pattern which yielded magnificent results in the days of Lend Lease and Mutual Aid, when price control was still in operation in the great supplying areas of the Western Hemisphere, but which is proving less congruent with the very different conditions of 1947. Now that sixpenny lots cannot be neglected, there is a strong case for drastically narrowing the area over which Government trading is the sole instrument. But private enterprise, if it is to be given a chance to pick up such scraps of food as it can find, will have to be allowed to bid a price that persuades the producer to sell—and it will have to do so, not because it is private enterprise, but because (as the Ministry of Food has discovered) to offer an attractive price is the only way to get the food (and even then, sometimes, only if it can be turned into goods). If these extra supplies of sterling food are to be brought into the British larder, then either the subsidy payments will have to be increased, or else the price in the British market will have to be allowed to rise. It would be an over-simplification to pretend that there are no other difficulties such as the possible reaction on other suppliers if a very high price is paid for marginal amounts. But it is not very far from the truth to say that the major obstruction in the way of buying such sterling food as exists is the inability of the Treasury to make up its mind whether it would rather increase subsidies or prices. For this, if for no other reason, it is high time that the whole question of food price policy was brought out into the open and critically examined.

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This is not the place to re-examine the general economic case against the food subsidies and the contribution that they make to inflation. What is relevant here is to point out that they achieve little or nothing in the way of better nutrition. Whatever purpose they may be thought to serve, it is not that of improving the standard of nutrition of the people, or of any section of the people other than old age pensioners and other beneficiaries from social security, pension funds and the like, many of whom could be provided for much more cheaply by an increase in their cash income. It is not price, but the ration, that today determines the volume of food that is consumed. The demand for eggs (at subsidised prices) is believed to show, in some areas, the first signs of falling short of the ration in those periods when it rises to three eggs a week; at the ration of one egg or less per week, the subsidy plays no part at all in determining demand. With the possible exception of milk, there is no reason to believe that other subsidised foodstuffs would present a different picture. The defence of subsidies on the ground that without them the masses would starve, that (to quote, alas, Sir Stafford Cripps) it is better to attack the purse than the stomach, is in present circumstances the result either of hopeless mental confusion or of a less pardonable dis-

ingenuousness. The subsidies, at present ration levels, support not food consumption but incomes in general, those incomes that so disastrously chase too few goods. Judged by the end-result, what the expenditure of £400 millions a year stimulates is not the demand for food, but the demand for beer, tobacco, electricity, transport, entertainment, betting, football pools and the whole apparatus of spivvory and the black market.

This, however, is something of a digression. Where the subsidies impinge on the subject that is under discussion in this article—the supply of sterling food—is not by being high or low, but by being—since the last Budget speech—fixed in amount. Or, to be perfectly accurate, it is the combination of limited subsidies with retail prices that must not be allowed to rise that causes the trouble. Either a subsidy stop or a prices stop might be sound or unsound policy, but either one by itself would be workable. A combination of subsidy stop with prices stop simply makes supplies unobtainable.

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Possibly this does less than justice to His Majesty's Government. But appearances are against them, and until they explain themselves, the public can only judge by appearances. The recent breakdown of the Danish negotiations and the disappointing totals agreed on in the agreement with Ireland suggest that the British Government have taken as their guiding principle that, since prices to the consumer must henceforward reflect any increase in price to the producer, the latter must at all costs be prevented from rising. The old Cost-of-Living Index, the Red Flannel Standard, may be dead and discredited, but its ghost still gibbers in the corridors of Montagu House and Portman Square; and the hungry British public is, by its negotiators, represented as preferring to spend its money—sterling, not dollars—on almost anything rather than bacon, butter, cheese or milk. If the price of bacon rises because the expensive Danish product now forms part of the supply, consumers will indeed have less money to spend, after buying their week's ration; but the ration will be larger, or, at the least, safeguarded. Is the national stomach really so well filled that non-food expenditure should be given this assumed priority? Is Sir Stafford Cripps sure that he is defending the stomach, and not the purse? It would indeed be the height of absurdity if the end product of the subsidy system, originally devised so largely to maintain nutritional standards, were to be an all-round lowering of those standards even beyond what world shortage and dollar difficulties make necessary. But if the prices stop and the subsidy stop are both held sacrosanct, that is just what will happen; will happen, moreover, not only through the cutting off of possible European imports, but through a head-on collision with the Government's own home agricultural policy.

There are, fortunately, signs that the Government is aware of this paradoxical possibility. Sir Stafford Cripps's allusions in his speech in the Budget debate were rather enigmatic than otherwise, but a policy of concentrating subsidies on the most essential basic foods, while reducing or abolishing them on the rest, was at least adumbrated. If eggs, bacon, sugar, tea and oils and fats were all deprived of subsidy (to take one possible combination) there would become available a saving of some £115 million, which could be used either to keep the prices of wheat, butter, milk and some of the “protective foods” stable in the face of rising producer prices, or else to neutralise the high prices paid for marginal supplies.

As with state trading, so with subsidies, and so with price policy, the conclusion to be drawn from current events is that the time has come—came, indeed, long ago—to re-draw the frontier between the domain of rigid and detailed control and that of the normal price mechanism. The question is of degree, not of principle. The one certainly wrong policy is to take refuge from thought in mere immobility, like a mule standing with all four legs rigidly planted because it cannot make up its mind which to lift first.

Eastern Europe Since Truman

THE eight months which have passed since President Truman promised aid to Greece and Turkey have brought a marked tightening of the Russian and Communist grip throughout Eastern Europe. The series of pacts between Danubian States resulting from the recent journeys of Marshal Tito are its latest phase. With the Four-Power conference deciding whether Europe is to be finally divided between West and East, now is a good time to examine the recent development of the "iron curtain" countries which form the advanced base for Soviet policy in Germany.

In Yugoslavia and Bulgaria, at the beginning of this year, the opposition was already powerless and the governments were firmly controlled by the Communists. Since then the policy has been to exterminate the remnants of opposition and to deter Yugoslav and Bulgarian subjects from having even social relations with foreigners. This was the purpose of the series of trials, of which the most important were, in Bulgaria, those of the Agrarian Petkov (who was executed) and of the Republican ("Zveno") General Stanchev (who was sentenced to life imprisonment) and in Yugoslavia those of the liberal Slovene Professor Furlan (death sentence commuted to life imprisonment) and of the Serb left-wing Agrarian Dr Dragoljub Jovanovic (nine years' imprisonment). Study of the evidence published at the trials shows that, with the possible exception of General Stanchev, none of the accused was in any way dangerous to the regimes. Their only crimes were that, in parliamentary speeches or private conversation, they criticised the Communists, and that they sometimes met persons from the West. The new regimes have decided not to be content with the practice of the prewar dictatorships of the Right in Eastern Europe, which allowed hostile talk but suppressed all hostile activity. They have preferred the more "modern" and thorough totalitarianism of Moscow.

In Rumania the same result has been achieved, starting from a situation in which slightly more freedom existed. The opposition Peasant Party was suppressed and its leaders, including Dr Maniu, were arrested and sentenced to long imprisonment. At the same time the two important shades of opinion within the Government coalition which differed from the Communist Party—the Socialists and the "Tatarescu Liberals"—have been liquidated, the former by forced fusion with the other "workers' party," the latter by expulsion from the Cabinet by a vote of no confidence in parliament. In Poland Mr Mikolajczyk has fled. Some of his close collaborators have been arrested (after the Czechoslovak Government, to its shame, had handed them over) and the Peasant Party's name and organisation have been taken over by one of the numerous left wing rumps which the Communists have succeeded in detaching from it. Within the government, however, the Socialists have at least succeeded in maintaining their independence. Neither the rank and file of the Socialist Party, nor even all its present leaders, wish to merge themselves in a "workers' unity." This would simply mean the conquest by the Communist power clique of an organisation with sixty years' history of which it has some reason to be proud.

The situation in Hungary is similar, though things are, from the Communist point of view, still less advanced towards "the only true democracy." During the spring and early summer the once powerful Small Farmers' Party was successfully split and purged. At the August elections it received 25 per cent of the poll (in contrast to 60 per cent in 1945), and its present leadership is subservient enough to satisfy the Communist Rakosi. But about a third of the votes were given to three parties standing to the Right of the government coalition. Since then one of these, the Hungarian Independence Party, has been suppressed

and its leader Mr Pfeiffer has left the country. Within the coalition the Socialists remain, as in Poland, nominally independent. Their leader Mr Szakasits has recently made a speech against "fusion," arguing that, if this were carried through, "valuable masses" among the workers would not follow the Socialist party leadership, and thus workers' unity would, in fact, become weaker, not stronger.

The key country of the whole region is Czechoslovakia. There very far-reaching economic and social changes have so far been combined with very considerable political freedom. During the last two years the rule of law has, in fact, been restored. Yet the Czechs cannot yet afford to be complacent. The public humiliation inflicted on them by Moscow in July, when their Government was compelled at the last moment to withdraw its acceptance of an invitation to the Paris Conference on the Marshall offer, caused something like a panic. Since then there have been several signs that the Communists and their Russian patrons are planning the *Gleichschaltung* of Masaryk's republic. The draft five-year plan announced by the Prime Minister early in October makes it clear that the structure of Czech industry is to be transformed, at great economic risk, in order to make Czechoslovakia a source of supply to its eastern neighbours and to break its connections with the West. The political strategy of the Communist Party is more and more clearly determined by the desire to obtain a 51 per cent majority in Parliament, so that it may override the other parties which have been until now its loyal partners in the "National Front" created at the end of the war.

In this connection the position of the Social Democrats is of decisive importance. They have for more than a year shown increasing impatience with Communist policy. The Communist attacks on the person of their new chairman, Lausman, show that the party is still defending its independence. The foundation of the Cominform can hardly have reassured them, but it may be expected that pressure from the Communists for "fusion" will now greatly increase.

The recent crisis in Slovakia is another sign pointing in the same direction. The Slovak Democrat Party closely resembles the Small Farmers' Party of Hungary before it was purged. It is a hotch-potch of peasants, tradesmen, officials and professional men, many of whom can rightly be accused of having had friendly relations in the past with people who might fit into a rather wide definition of "Fascists." Intrigues of various members of the party with exiled right-wing nationalists are being exploited by the Communists to disrupt the party and to engineer a majority for themselves in Slovakia—at the 1946 general election they won 30 per cent and the Democrats 60 per cent). The struggle has ended for the time being in a draw, but it will be resumed. In their manoeuvres in both Slovakia and the Czech lands the Communists are making great use of extra-parliamentary pressure by the trade unions, which are under their firm control. They will not stop at civil war if their Kremlin patrons give the word. It should not be forgotten that, though Czechoslovakia is mostly surrounded by Soviet-occupied or Soviet satellite territory, it also has a frontier with the American zone of Germany. Czechoslovakia today is, as much as France and perhaps more than Italy, a vital sector in the west-east battle for Europe.

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It emerges from this brief survey that, while their present regimes last, the Balkan countries at least are lost to the West. Political barriers seem likely, for the present, to prevent all but an insignificant trickle of trade westwards; Western cultural influence is rigorously excluded, and for Balkan citizens personal

contacts with Westerners are deadlier than the plague. Under their present regimes these countries are being rapidly sovietised. They are now in approximately the same stage as was Russia under the New Economic Policy of 1921. The old rulers—landowners, big industrialists and high-ranking bureaucrats—have been liquidated as a class, the "commanding heights" of the economy have been taken over by the State, and the Communist Party has a monopoly of political power. On the other hand in agriculture, and to a lesser extent in commerce, a middle class still exists. The next stage—the liquidation of this middle class by collectivising agriculture and by concentrating commerce in the hands of state-controlled co-operatives—has yet to come. But that it will come there is little reason to doubt. The fact that these countries have not yet adopted Stalinist institutions in every field should not be allowed to disguise the fact that they are closely and consistently copying the Soviet model.

Politically, then, Yugoslavia, Bulgaria, and Rumania are one-party states—and the same is true of Albania. There the secret police is supreme, and education consists of the unceasing repetition of moralising slogans. Economic policy is based on vast plans of construction, which dazzle on paper but the realisation of which depends on the skill of workers and engineers and on the proportion of national resources which can be directed from the maintenance of armies and police forces.

Those who believe that the Soviet Union had before 1941, by the use of mass industrialisation, collectivised agriculture and a penal labour force running into millions, "solved" the problem of rural overpopulation which was the curse of Eastern Europe between the wars as of the empire of the Czars, and that the Soviet Union as a "peace-loving socialist State" is bound to be generous in trade with "popular democracies," will be optimists for the future. Those who take a more

sceptical view of the Soviet past will doubt whether, even if peace lasts a generation and there are no internal political troubles, these vast economic problems can soon be brought near to "solution."

In Poland, Hungary and Czechoslovakia things have not, or not yet, gone so far. The western Powers can still hope to trade with them on a useful scale, and they can still keep contact with their democratic friends, provided that they do not compromise them; provided in particular that Americans resist the temptation to treat Socialists as "expendable," by forcing them into positions and tactics which they are neither strong nor determined enough to maintain. Yet, even so, it should be understood that this situation is anything but durable. At any moment the Russians and Communists can suppress the remaining liberties in these three countries; and as soon as they feel that suppression will not be dangerous to them, they will do so.

Unless something happens to loosen or break the Russian grip, the sovietisation of Eastern Europe, with its 80 million people, is certain. By the "Russian grip" is meant the presence of Russian armies in eastern Germany and Austria, and the control by Communists of the military and police systems of the East European countries. The grip will not be quickly broken by Western commercial or cultural influence, nor by protests at judicial murder. Even the attraction of a successfully working Marshall Plan would have little effect in countries held down by such overpowering force. In the short run, the grip will be broken only if the Kremlin can be convinced that to maintain it will bring more danger than advantage.

In the long run, the decisive factor may well be the national pride and independent spirit of the Poles and Czechs, far stronger and long in memory than anything the Soviet rulers have encountered in the republics of their Union.

NOTES OF THE WEEK

M. Thorez Licks his Wounds

When the concerted attack of the French Communists and trade unions began last month, it was compared in these columns to the Ardennes offensive launched by Hitler in December, 1944. Had it succeeded it would have prolonged indefinitely the battle joined in western Europe for and against the Marshall Plan; now that it has failed, the Communists fall back weaker than before but still strong enough to continue the struggle from prepared positions. There must be no premature jubilation, such as M. Bidault has allowed himself.

The calling off of the general strike by the *Confédération Générale du Travail* was timed to avoid a split between its moderates and extremists, and to deprive the French people and the world of the chastening sight of the general strike collapsing through weariness, dissension and perhaps even fear at the firmness shown by M. Schuman's government. Moreover, the strike had failed in its three main political objectives: to show working class solidarity against a centre government, to show interest in the Marshall Plan, and to provoke the Right into violence. General de Gaulle sat tight. M. Schuman took the powers he needed and used troops without allowing any shooting.

In a confused, individualist way French men and women have been making their choice between orderly protest and hooliganism, between the claims of the democratic republic and those of the Communist caucus in the trade unions. In hundreds of thousands of cases it has needed great personal courage to resist strike pickets, to carry on work in face of intimidation by such gangs as seized control of St. Etienne. But much work has gone on, if sporadically and in patches. Through all the violence and exasperation the men in the generating stations kept going, producing over 80 per cent of the normal power supply. M. Schuman owes his victory to the common sense of the common man.

It may be that the major Communist effort has yet to come; but it can hardly be delivered before the forces scattered in the abortive general strike have been rallied and regrouped. That delay should give time for the government to make further preparations against violence and to widen the split which is beginning

to appear in the central trade union organisation. But time is one of the things the French economy cannot afford. In spite of the assurances given to Mr Dulles by M. Monnet, there can be no doubt that serious damage has been done by a month's civil strife. Stocks and resources are low, transport has been working in fits and starts, and by the beginning of this week it was estimated that France had lost two million tons of coal, 400,000 tons of iron ore, and 175,000 tons of steel. Foodstuffs have gone bad in the ports and cargoes of raw materials have been delayed or diverted. All now depends on the success of M. Mayer's efforts to find a new level at which wages and prices can be balanced for the winter, and on M. Schuman's campaign against the black markets and the "saboteurs of the people's food."

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Congress Against Time

It is difficult for men and women in Europe, waiting in desperate anxiety for food and supplies, to realise what a revolution has taken place in American thinking since March this year. To them, relief seems to be coming at a snail's pace, but to get a proper perspective they need to turn back to the American attitude to foreign aid in the spring and summer. In April and May, it took weeks of fantastic argument and endless debate to prod 400 million dollars' worth of aid for Greece and Turkey through Congress. Later—as late as August—it was seriously thought that once the British ended the convertibility of sterling, the remaining \$400 million of the Loan could not be unfrozen without specific Congressional approval. Today the whole tempo has changed. The \$400 million have been released by a simple exchange of letters between Mr Snyder and Sir Stafford Cripps; and the Bill asking for an appropriation of \$597 million for Interim Aid, after passing the Senate in record time, is apparently already certain to muster an overwhelming majority in the House of Representatives.

While admitting the phenomenal increase in America's sense of urgency, one may still ask whether events in Europe are not outstripping it. Few Americans are aware of how fast the mortal

flux of Britain's foreign reserves still continues. Few have gauged, except in general terms, the extent to which lack of food and dwindling supplies lie behind the success of the Communists' tactics of disruption. In France, the Government's only hope of fending off further disturbances as the winter advances lies in its ability to add something to the worker's diet. In Italy, too, the Government's anti-inflationary policy—described in a later article—cannot succeed unless increased supplies of raw materials arrive in time to absorb the growing numbers of unemployed. The latest round of disturbances has inevitably reduced the amount of deliveries—of coal or other raw materials—which can be made from domestic sources in both France and Italy. Their need for Interim Aid is now twice as urgent as it was before the strike wave began.

It is this extra need for speed which has yet to make its mark upon the mind of Congress. The determination of some Congressmen to cut the figures for Interim Aid, on the grounds that the calculations were faulty, reflects this lack of realism. Equally the likelihood that in return for unfreezing the remainder of the Loan, the Americans have insisted that Britain provide some £20 million in dollars for Germany betrays a complete misunderstanding of Britain's financial straits. The trouble in America is not that people refuse to learn. Few nations have learnt so much in so short a time. The trouble is that events outstrip knowledge, and that need is always one lap ahead.

The Parliament Bill

The Parliament Bill passed its third reading in the House of Commons on Wednesday. What will happen to it now, when it goes "to another place" remains to be seen. One thing, however, is already clear; the attempt to revive the controversy of Lords *versus* Commons as a living political issue has so far proved a complete failure. The spirit of 1910 has obstinately refused to be reincarnated and there have been few indeed to "applaud the hollow ghost," though it is, of course, conceivable that the actual rejection by the Upper House even of this dubious measure might strike some sparks of genuine public feeling. That it could cause anything approaching a conflagration is extremely improbable. In these critical days interest in House of Lords reform enjoys a very low priority, and taken in isolation from this dormant constitutional question, the Bill merely looks like a rather disingenuous piece of jugglery. As Sir Arthur Salter pointed out in committee it makes a big breach in three of our principal Parliamentary traditions; as a constitutional measure it has been smuggled in by a side door without previous discussion; it is retroactive, and it has been introduced with a special purpose of applying to a particular case, for the Government has completely failed to disguise the fact that its real and perhaps only *raison d'être* is the coming Iron and Steel Bill.

In these circumstances it was scarcely to be expected that the third reading debate would make any notable contribution to the philosophy of the Second Chamber. The Home Secretary endeavoured to defend the Bill on the ground that the machinery of Parliament was too slow for the exigencies of modern democracy, and that therefore delaying powers should be curtailed. But this argument will hardly carry much conviction when the spate of complicated and controversial legislation introduced by the present Government is considered. Mr Butler had an easy reply when he pointed out that the Bill solved nothing and only limited the suspensory power of the Upper House for opportunist motives. Whether the ideal limit for those powers should be one year or two, or even five, may be open to argument. The fundamental objection to the Bill lies not so much in what it does, though that may be mischievous enough, as in the way in which it does it. The casual introduction of constitutional changes is a vicious precedent, and one which might not always redound to the benefit of the "progressive" party.

Priorities in Overseas Development

The Committee stage of the Overseas Resources Development Bill was concluded last week after only four days' discussion; of these by far the greater part was taken up with the implications of the Minister of Food's entry into colonial development through the activities of the Overseas Food Corporation. On this the Opposition was on firm ground, and it was a pity that Mr Strachey quite unjustifiably twisted some of the arguments to make the issue appear as a contest between private enterprise and the public corporation.

The result of this distortion was that some of the points made by the Opposition were never answered. In spite of protestations by Mr Strachey and Mr Creech Jones, it seems certain that the Ministry of Food would never have entered the colonial picture

at all had it not been responsible for the inauguration of the East African groundnuts scheme. But what neither of them answered convincingly was the question of how priorities are to be determined. There is, first of all, the question of priorities of capital investment in this country and overseas. Can we, at this time, asked Sir Arthur Salter, afford capital investment, that is, export capital goods, to Australia and other Dominions (food projects in which are the main justification of the establishment of the Overseas Food Corporation under the Minister of Food), when we have no responsibility for them as we have for the colonies? In the colonies themselves, who is to settle a question of priorities between a public corporation and private enterprise or between the Overseas Food Corporation, responsible to the Minister of Food, in one colony and a public corporation, responsible to the Secretary of State, in another? It was pointed out in Standing Committee, and admitted by Mr Creech Jones, that the overriding priority given to the groundnut scheme had caused some dislocation to the normal economy of the area. Is the scheme's comparative success in recruiting African labour due to the fact that it has been drawn from the sisal plantations where it could have been producing sisal for export for dollars? Would it have been better to have allocated some of the railway equipment sent to East Africa to West Africa, where a shortage of rolling stock last year prevented 100,000 tons of groundnuts from being moved? When priority is given to a project initiated by the Ministry of Food's corporation, which means that the chief beneficiary is the British consumer, what will be the effect on local opinion in the colonies?

These queries do not detract from the virtue of the main principle of the Bill. But it does seem that the implications have not been fully grasped by the Government. In the colonies, no less than at home, planning does not end with the establishment of a public corporation.

Indo-Pakistan Agreement

In a world where diplomatic negotiations between the Great Powers are so continually at deadlock that any rapidly achieved agreement among independent states is a matter for astonishment, it is indeed good news that India and Pakistan have reached agreement on all outstanding issues relating to partition, including the division of the armed forces and their equipment. This settlement does not cover the dispute over Kashmir, which remains serious, nor points of economic conflict such as the export duty imposed by Pakistan on raw jute sent for manufacture in India. But, considering how much blood has been shed and how difficult the process of partition has been, the scope of agreement is remarkable. The number of disputable points would have enabled Mr Molotov to have stonewalled for ten years.

The speed of settlement reflects credit on all concerned, and even more on India than on Pakistan, for it is clear that India goes to the conference table as the stronger party. The Indian Government is under pressure from many of its supporters to press its advantages to extremes. For this reason it is now in a stronger position, in that it can present the agreement on military questions as its own work in direct negotiation with Pakistan without direction by a British Commander-in-Chief. One may, nevertheless, be sure that Field-Marshal Auchinleck made his contribution to the successful outcome before his departure, and the task of reconciliation.

The Kashmir problem is now the most intractable of the issues still dividing the two Dominions. Pakistan would probably like to withdraw from the adventure if it could, but there are signs that the situation is largely beyond control from Karachi. Not only would Pakistan's prestige be seriously compromised by any action to compel the raiders to evacuate Kashmir unconditionally, but such a finish to the Kashmir invasion would be only too likely to divert Pathan aggression against Pakistan itself. The overcrowded, poverty-stricken Frontier and its turbulent tribes have hitherto been kept quiet, if at all, by subsidies from Delhi; Pakistan cannot afford to keep up these payments, and is threatened with the creation of a "Pathanistan." The foreign Power which has supplied a number of up-to-date weapons to the Pathan tribesmen is believed to be interested in this development on the Frontier, which would fatally disrupt the settlement of the political succession in India reached under British auspices this year.

It is probable, therefore, that Mr Jinnah, by supporting the invasion of Kashmir, hoped to kill two birds with one stone: to annex Kashmir and to divert the aggressive energies of the Pathans away from Peshawar and the Punjab. The outcome has not been a happy one for Pakistan, for Indian troops have repelled

the invaders from Srinagar, while Pathan looting has turned many Kashmir Moslems against the Karachi Government. But if the tribesmen come back from Kashmir, where do they go next?

Far Eastern Cominform?

There have been several press reports of a conference of Far Eastern Communist parties supposed to have been held in Harbin (now under the control of the Chinese Communists) between November 20th and 27th. It is said to have resulted in the establishment of an organisation in Vladivostok corresponding to the European Cominform in Belgrade, and to have been attended by Communist delegates from the Soviet Union, Mongolia, China, Korea, the Philippines, Indonesia, Malaya and Burma, but not from Japan. In contrast, however, to the formation of the European Cominform, which was given full publicity from the Soviet side, there has been no similar publicity for the alleged Harbin conference and it seems doubtful whether any organisation similar to the European one has in fact been set up. But there can be no doubt that Communists are at present very active all over the Far East from Manchuria to Java, and there is no reason to suppose that the preoccupations of Mr Zhdanov and Mr Malenkov with the affairs of France and Italy are so exclusive as to make them miss any chances of causing trouble for Mr Marshall in Further Asia.

In this connection some figures recently published in Moscow by the magazine *Party Life* on the membership of Communist parties are of considerable interest. According to these figures the two largest parties outside the Soviet Union are those of Italy and China, with over two million members each. Next come the Czechoslovak party with 1,125,000, the French with 1,000,000, the Polish and Hungarian with 800,000 each, the Rumanian with 700,000, the Bulgarian with 500,000 and the Yugoslav with 400,000. Japan is credited with 100,000 party members, while poor, backward Britain only has 43,000 of these creatures. That Italy has the largest Communist party in the world outside Russia is a fact (assuming the figures to be correct) which is not generally recognised; that the Chinese Communists are numerous is perhaps better appreciated, seeing that they are able to carry on a civil war, but their place on the statistical list may nevertheless cause some surprise. There is a belief, widely held in this country and the United States, that the Chinese Communists are "not really Communists" because they do not socialise industries where there are no industries to socialise. But in their attitude to all possible Marshall Plans in east or west the Chinese Communists' attitude is all that any Cominform could desire.

Agricultural Criticism

The debate on agriculture in the House of Lords threw up few new facts. Some of the criticism pointed at the Government for giving insufficient attention to agricultural requirements is misdirected. Agriculture has been given a reasonably high priority in the capital investment programme. Increased allocations of steel for agricultural machinery were recently announced. The building of new houses is proceeding, if anything, faster in rural than in urban areas; and consultations now take place regularly between the local authorities and the National Farmers' Union on housing needs. For the Government, Lord Huntingdon was able to state that 30,000 Poles and European workers and 10,000 German prisoners remaining as civilians should be available for next year's harvest. This will fill two-thirds of the gap left by the repatriation of German prisoners. The remaining labour, however, must be recruited at home; and it is true enough that houses are not going up nearly fast enough to accommodate it. The problem might be overcome if only the Government would restore grants for the reconditioning of rural cottages; and, owing to the special need for labour over the next year caused by the removal of the Germans, there is a strong case for giving rural areas much more than their fair share of new houses as a temporary expedient.

Thus there are further steps the Government should take to expedite the programme of agricultural expansion. But its main defect is not that it is inattentive to agriculture, but that it is unselective in its methods of encouragement. The policy of relying on high prices to stimulate production will prove, in the long run, and perhaps in the short run, too, to be a blunder. Selective subsidies for the re-equipment of farms, the restoration of the reconditioning grant, a full and bold use of the Agricultural Land Commission (whose composition, under the chairmanship of Sir Frederick Burrows, was announced this week), and possibly

a temporary reintroduction of compulsory cropping orders to safeguard the supply of potatoes and cereals—these are some of the measures that would get results.

Welsh Progress

True to its promises, the Government has issued a compendious White Paper, setting out the work of its departments in Wales over the last year (H.M.S.O., Cmd. 7267, 2s.). This is the substitute attraction for the appointment of a Welsh Secretary of State, which was demanded a year ago by many of the Welsh contingent in Parliament and which, on the whole rightly, was refused by the Government. The White Paper is, speaking generally, a useful and detailed progress report, of considerable value to any serious student of Welsh affairs. It also suggests that co-operation between the departments over Welsh matters has been fairly effective. The primary aim of Government policy has been to restore Wales's economic prosperity—to stop the drift of labour to England, to diversify industry in the coalfields, to increase the volume of trade handled by the Welsh ports, to raise the prosperity of hill farming, to revive the slate industry in North Wales; and some progress has been made towards each of these objectives.

The volume of unemployment has been reduced during the year from 8 to 6 per cent—and many of those still not absorbed are unemployables, the sad legacy of the great depression of the 'thirties. During the year 39 factories in the Welsh development areas (half of them Government-financed) have been completed and occupied, and a further 145 schemes are under construction, though how these will fare under the capital cuts remains to be seen. After the programme is completed, Government factory building will be mainly confined to providing male employment in a limited number of different places.

Many other activities are recorded, such as a start on the clearance of derelict sites. Some of the Government's measures accord better with social than with economic criteria, and the desire to make amends to Wales for its sufferings of the past ranks high in the programme. But it would be churlish to make this a point of criticism. Wales badly needs the special attention it is receiving, and it is to be hoped that of the limited resources available, it will continue to get a fair share.

Income Tax in Malaya

The decision of the Governors of the Malayan Union and of Singapore to introduce an income tax against the advice of their Advisory Councils has caused a storm of protest among commercial interests in Malaya and a fall in Malayan rubber and tin shares on the London Stock Exchange. The fight is not a new one. In 1920, a war tax was converted into income tax and reimposed in 1921-22, but in 1922 a proposal to retain it for peace time purposes had to be dropped owing to the strong opposition. In 1941, income tax was again introduced for war-time purposes, but it had to be re-enacted annually, and the legislation lapsed with the Japanese occupation.

The proposed basis of tax is 20 per cent on companies' profits and a progressive rate of 3 to 30 per cent on individuals. By British standards it is not, therefore, a stiff tax—though stiff enough by other comparisons—and the long history of opposition to income tax shows that its critics are prompted more by fear for their pockets than, as they claim, by wounded pride, because the tax is imposed just before the new constitution, giving an appreciable measure of responsible government, comes into force. On economic grounds there is a great deal to be said in favour of the tax. Malaya, in common with other colonies, has always been cursed with revenue which fluctuated in accordance with world prices of its export commodities. It was more fortunate than most because it was more prosperous than most, and was consequently able in bad years to maintain its comparatively high standard of social services out of surpluses accumulated in good years. But neither in Malaya nor elsewhere is it justifiable that social services should be financed in this haphazard manner or that the burden of them should be met by indirect taxation on necessities. Including the Far Eastern territories, there are only ten colonies where no income tax is levied, and of these ten Hong Kong now has the necessary legislation. The business community may have a genuine grievance about war damage payments, and they have every right to ask that the introduction of an income tax should be accompanied by considerable pruning of the cost of Government service, which is very overloaded. But on the main issue they will show themselves short sighted and narrow minded if they persist in their opposition. Income tax in Malaya is twenty-five years overdue.

Union of Danubian Republics?

Marshal Tito has lately shown as much energy in burying the hatchet as he once showed in brandishing it. He has visited two ex-enemy countries, Bulgaria and Hungary, and is shortly to visit a third, Rumania. So, in the system of alliances covering the Soviet zone of Europe, the ex-enemies are to play their role side by side with the ex-allies Poland, Czechoslovakia and Yugoslavia which concluded alliances with one another and the Soviet Union last year.

Much of the speculation which has followed Tito on his journeys is irrelevant, whether or not he is a rival with Dimitrov for future presidency of some Balkan federation. That the initiative towards closer ties in eastern Europe should come from him is natural, for Yugoslavia is the only ex-ally country having a common frontier with all three ex-enemy Danubian states. If there was public diplomacy to be done, it was more befitting to the dignity of the world Communist hierarchy that the first gestures should be made by a small "people's democracy" than by the giant Soviet Union itself.

The Yugoslav pact with Bulgaria was drafted during the summer visit of Dimitrov to Tito in Bled, and now comes into force. It is the most important of the new alliances, because it affects an area which adjoins the "western imperialist sphere"—the northern frontier of Greece. The Yugoslav communiqué announcing the pact specifically stated that the two states would together oppose the activities of the United Nations border commission (whose staff have begun work). The Yugoslav pact with Hungary is of less immediate importance; but it is perhaps intended as a hint to Czechoslovakia that if it does not make quicker progress towards eliminating "reactionary western influences" in its political life, the sympathy shown by the "eastern popular democracies" and their Soviet patron for the Czechoslovak point of view about Hungary's northern frontier may cool.

A Hungarian pact with Rumania is expected to result from the recent visit of the Premier to Bucharest, undertaken in reply to M. Groza's trip to Budapest in the spring. Finally Yugoslav-Rumanian and Rumanian-Bulgarian pacts are promised. Here there are few political obstacles to be overcome and they therefore have less significance.

Is this system of alliances part of a blueprint for a future Union of Danubian Soviet Republics? Or for the incorporation of the Danubian states—with or without Poland and Czechoslovakia—in the Soviet Union? Prophecy is dangerous, but it seems unlikely that the blueprint stage will be passed until political bolshevisation—now nearing completion almost everywhere—has been followed by social and economic reconstruction on the Soviet model, which is still far off. But these pacts show to what an extent the Russians have consolidated in eastern Europe a political and military base for operations further west.

* * *

Germans in Blinkers

During the herring-chasing that has occupied the Foreign Ministers this week, Mr Molotov dragged one particularly savoury morsel across the path of negotiation, and incidentally misled the *Daily Worker* into voicing the complaints of German capitalists. It is alleged that big profits are being made out of the sale abroad of German coal: it is being sold at 32 marks a ton, but the Germans are paid only 12 marks. In other words, Bizonia's coal is fetching \$10 a ton, of which the Germans receive only the equivalent in marks of \$3.60. Mr Molotov scents a scandal.

In fact, the joint export-import agency of Bizonia and the parallel authority in the Soviet Zone use the same pricing methods: world prices in dollars or sterling are charged for exports, and the German manufacturer receives in marks the pegged 1938 price. In addition, both authorities have recently allocated to the Germans a small percentage of the foreign exchange earned so that they may purchase raw materials and incentive goods for their employees. So Mr Molotov can hardly have been interested in anything but the propaganda possibilities of his inquiry, which fitted neatly into a widespread campaign, managed from Berlin, by which German economists, industrialists and politicians in the West are being misled.

The leading economic journal of western Germany, the *Handelsblatt* of Duesseldorf, has been playing its part. Recently it demanded that the proceeds of exports should be handed to Germans for immediate use in importing raw materials. It alleged that not more than 10 per cent of export earnings come back to the German economy, that coal and timber alone were

earning \$20 million a month, and that import licences to the value of \$25 or \$35 million a month could be granted without more ado. This is to ignore the Category A imports of food, fertilisers and seeds which are presented gratis to the Germans at a cost of \$700 million a year; the *Berliner Zeitung* refers to them as "negligible quantities of rubbishy food." It ignores also the sum of nearly \$4,000,000 a month spent on miners' clothing. It overestimates the proceeds of coal and timber exports. Such dishonesty is not unusual in the German press.

It is true that there has been a great discrepancy between the totals of exports and imports. To the end of September exports for 1947 amounted to \$135½ million, while the value of non-essential (Category B) goods was only \$25½ million. But the blame for the discrepancy must be laid at the doors of the German economic authorities in Frankfurt, who have proved incapable of using fully the working capital placed at their disposal for imports. It is for them to draw up import schedules; the Allied agency merely assists procurement. Unfortunately, experienced and enterprising officials are rare, and the Frankfurt bureaucrats are caught in the toils of red tape.

The outcry against the British and Americans will grow as exports grow. For September they were up to \$28 million, 28 per cent of all contracts being with firms in American-occupied Bavaria, the black sheep of the states in most other economic matters. But that record figure will have to be multiplied six times before Bizonia's exports and imports will even look like balancing. And to achieve that result will need the full co-operation of German manufacturers, who must not be misled by mischievous rumours about Allied profiteering on the side. Propaganda against the occupation authorities in Bizonia is being given too much rope.

* * *

Land for the Services

The promised White Paper on the armed forces' requirements for land in Great Britain (Cmd. 7278. 4d.) does not specify the actual areas which are to be permanently retained for military training, airfields and associated purposes. The locations have not yet been finally settled. It does lay down the total area which will be required, which is put at just over a million acres. This compares with the training area of over eleven million acres held by the services during wartime and with that of 250,000 acres held before the war; and it represents less than 2 per cent of total land area. On the face of it, this seems a reasonable compromise. Two-thirds of the land is needed for actual training, mostly by the army; and it is expected that only 8 per cent of this land will be lost to agriculture (apart from, presumably, some interference with rough grazings). The arguments against training more men overseas are cogently stated.

While, however, it is difficult to criticise the total land needs of the services, now that at last they have been agreed, the detailed choice of locations still gives cause for anxiety. Only 40 per cent of the land wanted for training already belongs to the services, and, in addition, the public will encounter new obstructions, such as the stopping-up of roads on old training grounds. The procedure laid down for the selection of individual areas seems, it is true, to be eminently reasonable. It comprises, first, a regional consultation between the Ministry of Town and Country Planning and local interests and amenity societies, then an examination of the proposals by an inter-departmental committee, and finally (if there are objections) the holding of a local inquiry by an inspector of the Ministry. The inquiry can, however, be cut out for reasons of security—it is to be hoped this will not happen often. Despite the fairness of this procedure, there are signs that the services have an undue preference for certain areas, such as Wales, and too little inclination to take themselves to the remoter parts of Scotland. In addition, the Government's refusal to recognise as binding its wartime promises to reinstate certain dispossessed inhabitants is bad statesmanship. However, the White Paper does at least show that decisions over service training are not to be arbitrary and unexplained; and it is up to the Government to see that a like democratic spirit infuses the local inquiries and decisions.

* * *

1851-1951

Last year's decision to drop the project for a World Exhibition in London to commemorate the centenary of the Great Exhibition of 1851 was the only one possible. No successor to the Crystal Palace could find a place in the present capital programme.

Last week's announcement that there would, after all, be a token exhibition, a National Display "illustrating the British contribution to civilisation in the arts, science and technology" marks a brave determination not to be beaten by adversity. Whether it is a good decision or not depends on whether the hair-line distinction is unswervingly kept in view between the small-scale and the skimpy, between the token representative of genuine resources which cannot just now be spared for the shop-window, and the merely and wholly *ersatz*. Which the display will exemplify, time will show. Certainly it should be a guiding rule, for each of its component parts in London and elsewhere, that only the best is any use at all. For the second-best, however gallantly attempted, there should be no room. The temptation should also be resisted to cover up any shortages of contemporary achievement by overmuch reliance on the glorious past. In so far as the displays are genuinely concerned to show a century in perspective, the historical emphasis has its place; but it would be lamentable if the general effect were to be that of a beautifully composed and informative obituary notice.

Nothing in Mr Morrison's announcement in the House of Commons, or in the singularly harmonious debate which followed, suggests that anything but the highest standards both of quality and of contemporaneity would be aimed at. The danger is that under the really appalling difficulties which can be expected to characterise the period between now and 1951 those standards might be imperceptibly lowered, that those who have undertaken to put on a show somehow may feel that that show must go on, even if it is obviously turning into an amateur charade. With a project consisting not, as in 1851, of one central undertaking focused under a single guidance, but of a large number of widely dispersed activities, there is all the greater danger.

Shorter Notes

The British people's attitude to aliens is not as a rule so generous that the passage through Parliament of the Medical Practitioners and Pharmacists Bill should be allowed to take place without comment. During the war, by a defence regulation, doctors from certain territories—mainly refugees—were allowed

to practise in this country, under restricted conditions, without having to obtain British qualifications. The Bill regularises their position by enabling them, and certain other categories, to practise, without restrictions, when the defence regulation has lapsed. This is a liberal measure from which the usual trade union spirit is happily absent, and the British Medical Association is to be congratulated on agreeing to it. Will not the dentists now show a similar generosity?

*

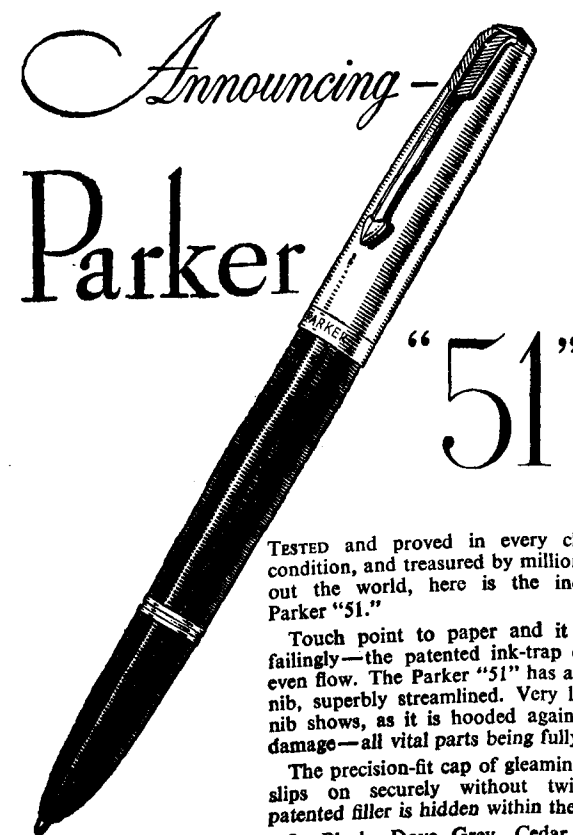
The announcement that a small committee is to be set up to inquire into the black market in meat and poultry—in officialese "the methods by which livestock, poultry and meat . . . may be finding their way into consumption outside controlled channels"—is at least welcome evidence that the Ministry of Food is waking up to the menace of the black market in this country. It is doubtful, however, whether the committee will be able to make any really useful recommendations. So long as the food reaching people through the "controlled channels" gradually dwindles, so long will they tend to supplement their supplies outside them. In this country, the law cannot be enforced unless it commands virtually universal respect. And it is that which the law relating to food distribution is gradually losing.

*

Henceforth women are to be full members of Cambridge University. This once much debated issue was passed by the Regent House last week without a breath of protest. The only conspicuous bar to complete equality is the continued denial of proctorial status. Perhaps the necessary declension of the traditional title was more than the Vice-Chancellor could stomach. *Egredia procuratrix* would be going a little far.

*

Christmas currency demands have at last succeeded in largely outweighing the special influences now making for a contraction of the note circulation. In the week to Wednesday last the total expanded by £10.7 million, compared with an increase of £2.2 million in the previous week; but even this bigger movement was far smaller than that for the corresponding week last year—then the expansion was £22½ million.



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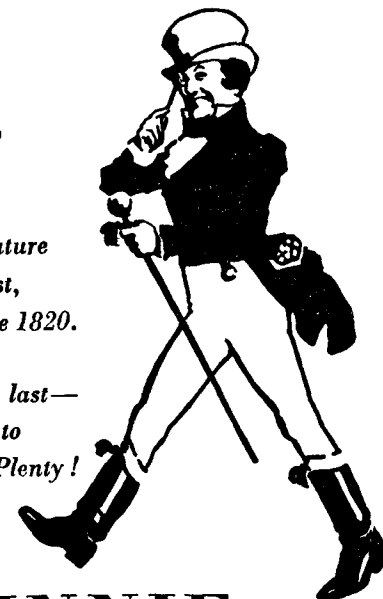
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Letters to the Editor

World Court Without Work

SIR,—On my return from New York my attention has been drawn to the fact that in your issue of November 22nd certain observations appeared referring to the alleged slowness of the International Court of Justice in dealing with the Corfu Channel case. As these comments may be wrongly construed, and are in fact misleading, I think it only fair to point out that there is nothing in the procedure of the Court to cause any delay in the disposal of a case. The suggestion that the Court contributed in any degree to the alleged delay is both unjust and incorrect. A certain period of time elapsed between the filing of the British application instituting the proceedings on May 22nd and the appointment of the Albanian agent on July 23rd, but this delay was not attributable to the Court, nor had the Court any power under its rules to cause the Albanian Government to appoint an agent at any earlier date. In fact, the Court promptly made an Order on July 31st (which it could not do under its rules until the Albanian Government had appointed its agent) fixing time limits for the delivery of the Memorial and Counter-Memorial respectively.

Before making this Order the President consulted the parties, and the time limits took into account the fact that the written pleadings (which must inevitably precede the oral hearing) would require considerable time to prepare. The Government of the United Kingdom was allowed until October 1st to file its Memorial. As the time limits should obviously be equitably balanced as between the parties, it seemed fair and reasonable to allow a substantially equivalent length of time, i.e. until December 10th, to the Albanian Government to prepare its answer—the Counter-Memorial.

The truth is that a case can be tried as speedily before the International Court as before any other tribunal, the rate of progress before the case is actually heard depending to a great extent on the states concerned and not the Court.—Yours faithfully,
Royal Courts of Justice, London HARTLEY SHAWCROSS

Transport Next Year and After

SIR,—In the course of an interesting article on "Transport Next Year and After" you refer to the "mass of exceptional rates which are the product of road competition and account for as much as three-quarters of the merchandise revenue of the railways" (my italics). No comparisons more recent than 1935 appear to be available, but by that year the published figures of traffic at standard and exceptional rates showed that while road traffic might be the most important cause of new exceptional rates, the largest proportion of traffic charged at exceptional rates was still to be found in the lower classes (coal and heavy merchandise Classes 1 to 6). This indicated to my mind that there were then potent causes compelling the grant of exceptional rates other than the diversion of traffic to road—the particular circumstances surrounding the traffic in question. What has happened since we do not know, but the point does bear on the exercise by the Commission of the wide powers to draft charges schemes granted by Part V of the Act of 1947.

Ministers in debate repudiated suggestions that they should lay down any plan or principle of rate-making to which the Commission should work. On the Third Reading the Minister himself argued that the determination of rates and charges could best be

left to discussion between traders and the Commission before the Tribunal "as a watchdog for the public." Even if relieved from road competition by their rights to acquire long-distance haulage, the Commission will, I think, still be compelled by the representations of traders. In these circumstances I myself should expect to see a charges system reflecting not that greater simplicity to which the Minister looked forward, but one composed, even more than at present, of a mass of rates, each of them depending upon the pressures which the interests concerned could exert upon Commission and Tribunal.

Earlier in the same article you remarked upon the difficulties of coping with a business such as road haulage, "a sprawling affair consisting of 48,000 licensees, most of them small operators, and 140,000 vehicles." Nationalising such an industry would be a really heroic enterprise. The Minister, however, opening for the Government on the second reading, anticipated a transfer on a much more limited scale. The Commission, he thought, would need to acquire only 2,000 to 2,500 undertakings and 23,000 vehicles, excluding the 11,000 used by the railways for cartage and so on. This is a much less formidable proposal. But the Minister's figures, surely, are surprisingly small? If they are really correct, a long-distance business operating so few vehicles must have been run most efficiently indeed to inflict on their competitors all the damage with which they are credited.

I am omitting the "C" licensees, but here again we have no decent statistics to go upon. Once again all we know is the total number of vehicles—350,000 or so on "C" licences, a figure which includes all retail delivery vans and others engaged on purely local work. The licensing authorities ought to be able to ascertain readily enough the broad division between those public and private carriers who run long distances and compete with the railways and those who do not. The Lord President of the Council during the debate made the astonishing statement that "all the facts and the arguments are known or can be easily ascertained." As you, Sir, pointed out over a year ago, we know practically nothing from official sources. There is no possible excuse why we should continue to be left in ignorance and thus deprived of the opportunity for informed discussion of this most important question.—Yours faithfully,

The University, Birmingham

GILBERT WALKER

From The Economist of 1847

December 11, 1847

It is a remarkable sign of the changes which have taken place in society that some of the upper classes now occupy themselves with sewers and cesspools. They become auxiliary to scavengers—in some countries the punishment of felons. The mode in which this is brought about establishes a close connection between the extreme classes of society. The very poorest become, from foul drains, the prey of fever; from them fever, with its ghastly aspect, threatens the very opulent. They cannot hope to escape a general epidemic; at any rate they are called on to support the sick poor, and they thus become personally interested in the preservation of their health. Then the classes which look up to the superior classes for a share of honour and of wealth, active men of philanthropy and of business, who in former times would have been gallant squires to armed knights, first huntsmen or first falconers to great nobles, become as it were chief scavengers, and undertake tasks which, by the same aspiring class a century ago, would have been despised and loathed. "Mr. Chadwick in his zeal in this employment," we are told, "has been riding on his brown pony through countless miles of the London sewers." Thus are the most opulent and the most energetic connected with the most humble and the most helpless, and all are bound together by the chain of one common humanity. . . . The supposition that it is barely possible some better method may yet be found to dispose of the refuse of cities, which is both a useful manure and the bases of some manufactures, than by washing it into the river, should at least inculcate caution in present and future legislation. . . . It is especially necessary, we think, to be cautious when the community is afflicted by one disease [influenza], and is apprehensive of another [cholera], not to allow alarm to banish reason, and promote to a vast extent that interference of Government, which is obviously burdening it day after day with a responsibility too great for human beings.



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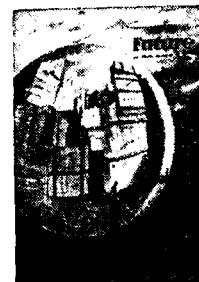
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Books and Publications

History of *The Times*

"The Twentieth Century Test, 1884-1912." The Third Volume of the History of *The Times*. Printing House Square. 21s.

As a dramatic narrative of the decline and rise of a great newspaper, challenged by novel techniques and wealthy competitors, this volume of 850 pages is not quite successful. The central theme, which is the transition from the ponderous presidency of Buckle to the patient pressure and moody whip-cracking of Northcliffe, runs through eleven of the twenty-four chapters. But its development is interrupted by long chapters in which the world political scene between 1884 and 1912 is repainted from the work of such masters as George Saunders, the Berlin correspondent, Wickham Steed of Vienna, Valentine Chirol and Mackenzie Wallace in the London office. Those slices of history should have been assembled in one volume, together with the analysis of the paper's attitude to domestic politics which is so conspicuously missing from this volume. We would then have had a continuous study of public affairs and personalities, separated from the story of Northcliffe's intervention and of Moberly Bell's management.

This said, thanks must be given for fascinating reading matter, first-rate writing, lavish scholarship and the majestic margins of well-printed pages. Also for the candour with which intrigues are unravelled, personalities recreated and financial difficulties explained. It was the wrong kind of editorial control and the loss of £200,000 or more in Parnell's suit over the Pigott letters that together drove *The Times* into the arms of Northcliffe. Given Buckle's limited experience and austere character, and the temperament and tastes of Chirol, it was inevitable that *The Times* should let the newspaper revolution that was going on a quarter of a mile from Printing House Square pass it by. To Buckle, editor throughout this period, the important part of the heritage he received from Chenery was the institutional character of the paper and the political independence won by Delane and Barnes. He seems to have been unaware of the enterprise and ingenuity that his predecessors had devoted to the collection and reporting of news, the improvement of printing and the development of circulation. Consciousness of national responsibility became, and long remained, an excuse for turgid and inconclusive writing. Business was left to Bell—although Bell was not content to leave either news or views to Buckle—and the printer was the master of the make-up; he arranged the columns "as he found most convenient." Northcliffe never tired of reminding the "old gang," the "black friars," the men who believed that "news improved with keeping," that the now "stagnant" office had once set the pace to Fleet Street.

To read how Moberly Bell fought off the chief proprietor's scheme to associate *The Times* with the *Standard* and the *Daily Express* under Arthur Pearson, and how Northcliffe was brought in to conduct "Operation Scotland"—as the purchase of control was called—is to marvel at the devotion and ingenuity put into maintaining the standards and prosperity of the Thunderer that had ceased to thunder. A great deal was at stake. There was a

genuine risk that "X" would play fast and loose with what he was pleased to call "my hobby"; and once he had made up his mind that he could no longer achieve his main aims with the help of Buckle, Bell and Chirol—"the giant tortoises"—he had them all out within a few months; Bell worked to death at his desk.

A whole chapter is devoted to a fair and brilliant word portrait of Northcliffe as he appeared in Printing House Square in 1908. Its main strokes were done by the late Harold Child, prince of "fourth leader" writers. The editorial staff quickly recognised the power of their new chief, and the struggle that followed between him and them brought the best out in both sides. But he became less patient and scrupulous as time passed. As the portrait has it: "By 1912 Northcliffe's health, no less than his taste, forbade close reading." He insisted on the first steps being taken towards that clear simplicity of make-up that now marks *The Times* and revived the passion for news gathering by the most up-to-date methods. Without him "the twentieth century test" would not have been survived.

Yet the paper was full of excellent things, long before "X" was insisting that the manager should use a telephone and answer letters promptly. There was a remarkable expert staff of foreign correspondents, so well informed at their various posts that a diplomatic correspondent in London was superfluous. The present pattern of power politics was taking shape as *The Times* staff linked together in long despatches the moves of Russia and France in Asia, the weakening of China and the rise of Japan. Nathaniel Curzon was proud to be "our special correspondent"; and the deaf Bourchier used to have "selected state secrets" shouted into his tympanum by Ferdinand of Bulgaria.

Throughout the book the honours all go to the foreign department. Exceptions are the two first-rate and exciting chapters on the Jameson Raid and on the Parnell case. Buckle took the paper's policy gently from left of centre to right of centre, but it is not revealed in this volume what he thought of the trade unions, of Gladstone's demagoguery, of the social revolution, in fact of the immense changes that were taking place in the minds and circumstances of readers of *The Times*.

Shorter Notice

"Il Sistema Tributario e le sue Prospettive." By Sergio Steve, Rizzoli. Milan and Rome. 158 pages. 400 lire.

This study of the Italian taxation system comes as number four in a collection of economic and financial studies published under the auspices of the Bank of Italy. Its author is a Professor of Financial Science and Financial Law, who has been a member of the Economic Commission set up at the request of the Constituent Assembly. The book has therefore an authoritative value as a text-book, which analyses the traditional structure of the Italian system and the various expedients introduced to meet extraordinary expenditure; it indicates also the criteria followed by the present Government under the influence of the Einaudi school, to which the author belongs, to produce greater simplification, efficiency and equitable distribution of burdens. There can be no doubt of the author's competence, and the book will be of interest to those concerned with comparative study of taxation systems or with the financial structure of the Italian State.

AMERICAN SURVEY

The Power to Investigate

(From Our US Editorial Staff)

THE power to investigate, the power to hold public hearings, is perhaps the greatest of the implied powers exercised by Congress. Nowhere in the American Constitution is mention made of this major function, yet it is the basic process by which Congress prepares Bills for legislative action, reviews the executive action that ensues under the law, and even occasionally airs aspects of the state of the nation on which no legislation is in process. Hearings are now under way on European aid; they will start very shortly on the long-term aspects of the recovery plan; and at an only slightly later date they will be the means of scrutinising the results obtained under it. But Congressional action in committee on such sober subjects has been pushed into the background over recent months by two flamboyant shows, staged by the House Committee on Un-American Activities and the Senate War Investigations Committee. Both have given more comfort to gossip writers than to citizens who take at its face value Alexander Hamilton's anticipation of the Congress as "confidential guardians of the people's rights and liberties." Popular reaction to the spectacle has been sufficient to cause Bills to be introduced looking toward regularisation of the committee procedure.

When control of Congress shifted to the Republicans, there was almost audible smacking of lips as the chairmanship of the Special Committee to Investigate the National Defence Programme, formerly headed by President Truman, passed to Senator Brewster of Maine. It had been an expensive war, and it was assumed that, in spite of earnest efforts to avert scandal by preventing profiteering, the spending of huge sums by government had trailed a dismal fringe of corruption that could be turned to political account.

The result to date has been hardly to the credit of the investigators. The Senators' first attempt—to prove that undue influence in high places favoured the expensive plans of a promoter named Howard Hughes to build a new reconnaissance aircraft—backfired and hit the Committee chairman. The second blast, also aimed at Mr Hughes, found target in an air force procurement officer who had been called as witness. The resultant scandal almost made the public forget that the Senators had shot at a duck on the wing and hit their own decoy.

Meanwhile, the House Committee on Un-American Activities, chasing a different kind of bird, was creating similar dismay. The process of bringing Hollywood to Washington to face charges that Communist influence was permeating the industry first brought welcome publicity to the Committee's ambitious chairman; later it turned sour. If ten men were found who chose to invoke their constitutional rights and refuse to say whether they were Communists or not, twice ten details came to light to render even more questionable the loose procedure followed by Congressional investigators more eager for headlines than for facts. The public attitude toward the ten is represented by the sharp debate between the editors of the *New York Herald-Tribune* and the distinguished essayist, Mr E. B. White; the latter says, "The essence of our political theory in this country is that a man's conscience shall be a private, not a public, affair, and that only his deeds and words shall be open to survey, to censure and to punishment. The idea is a decent one and it works"; the former fear the political consequence of "protecting the individual to the point of destroying Western democratic civilisation."

The public attitude toward the investigators has taken the form of two Bills, both aimed at regularising procedures. Mrs Helen Gahagan Douglas (Democrat, of California), whose constituency includes Hollywood, has introduced HR4564, providing that all witnesses shall have the right to counsel, and

the right to make a statement at the close of their testimony that shall be part of the record; that persons whose reputations are brought into question by committee reports or statements of witnesses shall have a right to cross-examination of those responsible for the allegation; and that the right of the press to comment on Congress, or individual Congressmen, shall be maintained and newsmen not be called upon to answer for what they have written except by majority vote of the committee.

This Bill is clearly aimed at the Un-American Activities Committee. Senate Resolution 646, introduced last session by Senator McClellan (Democrat, of Arkansas) is equally clearly of moment to the Brewster Committee. The Reorganisation Act of 1947, which reduced the number of standing committees to 19 in the House and 15 in the Senate, frowns on Special Committees like the Brewster Committee. Unless extended at the new session, this committee's work is due to end on January 30th; Senator McClellan's proposal makes it clear that any investigation of "the practices, procedures, administrative processes, and efficiency of any department or agency of the Government or any corporation owned by the Government or in which the Government has a financial interest," was the business, not of Special *ad hoc* Committees but of a Joint Committee to be composed of members of the standing Senate and House Committees on Expenditure in the Executive Departments. The Senator is now said to be considering an amendment to his Bill requiring this Committee to set up certain rules of procedure.

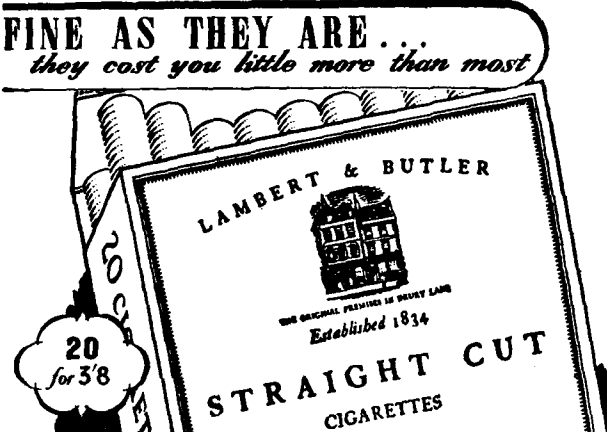
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Concurrently with public interest in the reform of investigatory procedures in the legislative arm of the Government, there is considerable discussion of the adequacy of such procedure in the armed forces. The first Congressional Special Committee on record was set up in 1792 to inquire into the defeat of General LeClerc by the Indians; the present inquiry into the defeat of General Meyers by his own greed will probably not be the last. But the General's irregularities could have been detected at closer range, and General Arnold has found it necessary to apologise for the slackness with which complaints against officers were treated within the Air Force organisation. It is probable that the function of the Office of the Inspector-General in the services will be reviewed. The position of the Air Force in this respect does not differ from that of the Navy, whose investigation of the Green Bowl Society—a fraternity at the Naval Academy at Annapolis which is alleged to be devoted to the service advancement of its members—had to be done by the Deputy Inspector-General because the Inspector-General was a member, or of the Army, whose inspections of various allegations of misconduct—General Lee's in Italy, for example—have been regarded by the public as so much whitewash.

But the setting up of new procedures of investigation is a thorny business, either in the Armed Forces or in the Congressional Committees. How can an Inspector-General operate without whitewash if his office is part of the chain of command? How can a special investigation division, outside the chain of

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command and therefore presumably attached to the civilian Secretary's Office, know enough about the situation to judge wisely, even if it did not act as a private Gestapo, as some of the higher officers have suggested it might?

On the Congressional side, is there not a distinction between an investigating body of legislative origin and a court? It is in Committee that Congress does its work, thrashes out its differences and problems, and educates its new members. The difficulty of Senator Pepper's proposal that hearings be divided into two categories, those designed to get information from citizens as background for legislation and those designed to put him on trial for alleged misconduct, is revealed by the announcement that Representative Nixon (Republican of California), a member of the Un-American Affairs Committee, intends to introduce anti-Communist legislation on the strength of the recent hearings.

Congressional hearings provide a sounding board comparable to question time in the House of Commons. Throughout democratic history it has not been a primary function of members of the legislature to tread gingerly and spare feelings. At its best, the process is healthy, informative, and an essential part of the democratic process of resolving rival claims. At its worst it may be perverted and deformed, but the perversions and deformities are subject to correction at the ballot box. The fact that judicial qualities are not the only ones needed in "confidential guardians of the people's liberties" raises questions not only about the desirability of fixing procedures that might become straitjackets, but also about concentrating investigations in a standing committee. Successful investigations depend on the zeal of the investigators—plus the skill of their supporting staffs. As long as seniority determines committee chairmanships, it is pure chance whether Senator McClellan's proposed Joint Committee would have such zeal. The job done by the Senate War Investigating Committee under Mr. Truman could hardly have been expected from Senators Reynolds and Walsh, heads of the Military Affairs and Navy Committees at the time when Senator Truman moved for the appointment of a special committee. They had the necessary power, but not the necessary will.

Perplexities about how to get the right amount of investigation and the right amount of the right kind of publicity for it, are very real. With power in the right hands, there is no problem. That is why there is much to be said for letting popular reaction discipline the investigators. Yet in the interval until the voters' impact is felt, there is the possibility that individual citizens—some of them more, and some less, innocent—may get hurt.

American Notes

Amendments to the Aid Bill

The Interim Aid Bill has made extremely slow progress in the House of Representatives this week, where debates have shown once more how surely the Congressional power to amend can become the power to destroy. In this case, however, most of the damaging provisions were beaten off. One amendment defeated by 136 votes to 109, would have allowed shipments of relief goods only when they were not in short supply. As virtually no goods needed abroad are surplus in the United States, and certainly no grain and fertiliser, this would have made the Interim Aid Bill a dead letter. Similar amendments to prohibit the shipment of fertiliser and farm machinery were also defeated. The House accepted, however, several provisions on purchasing policy which reflected the general alarm over the inflationary effect of foreign aid. One would prohibit purchases for foreign relief in the United States at prices above the prevailing level; another directed that commodities should be bought in a manner calculated to ease the strain on American resources, and may be bought abroad (up to 25 per cent of the whole programme) when the price is not more than 10 per cent above the American price. The Senate version permits this "off-shore" purchasing, but does not include the price provision, which is evidently aimed at Argentine wheat.

Amendments were also accepted tightening American control over the relief funds, by striking out the provision permitting the opening of Italian and French credits, and an attempt was made to turn over administration from the State Department to a highly

reluctant Red Cross. The inclusion of "incentive goods" in relief was accepted only after Mr. Herter spoke authoritatively on the important role that cigarettes and nylons could play in the reconstruction of Europe. After this rough passage, Administration leaders now hope to secure approval of the full \$590 million Aid Bill on Monday.

Congress, however, has now gone far past the deadline of December 1st set by Mr. Marshall, however rapid the pace in comparison with earlier foreign aid bills. It still must face the House-Senate conference, and the actual appropriation of money will still have to be made when the Bill has passed. Its slow progress has delayed the presentation of the full Marshall Plan to Congress, and it will now be sent by the President just as Congress is preparing to disband. From the debate in the House it is clear that no matter how loudly the anti-Communist note is struck what will chiefly concern Congress is the effect on prices and the standard of living at home. It is from this source that the greatest restrictions on the Marshall Plan will spring.

* * *

The Battle for Controls

The Administration has at last laid before Congress a draft of the first instalment of its anti-inflation programme. It authorises the extension of export controls to March 31, 1950; priorities and allocations for scarce commodities like iron and steel, soap and a long list of foods; controls over transport; and the rationing of scarce foods. It includes the power to buy up the whole crop of certain products. This Bill is in the nature of Mr. Harriman's homework, for Senate Republicans have refused, with growing indignation, to buy "a pig in a poke." They have wanted to know precisely what was to be controlled, when, and how; and they have been particularly anxious to see what limitations on its powers the Administration would accept to support its protests that it was not really seeking a return to the "iniquities" of full war controls on prices and consumption.

The specifications in the Bill are a tactical defeat for the Administration. In the first place, while Mr. Truman has asked for a full panoply of powers, his emissaries have protested loudly that they would be used only in an emergency and against the selfish and thoughtless minority who refused to join in the operation of voluntary controls. Congress is thinking, too, in terms of voluntary controls—but without the ultimate powers to be invoked "just in case." In the second place, Congress is certain to be somewhat cynical over these powers as anti-inflationary. Does the power to allocate steel for Europe help to keep prices down at home? The fact seems to be that the Administration is trying, because of domestic politics, to shelter under the anti-inflation umbrella, the equally laudable, but less popular, devices for sharing American production with Europe under the Marshall Plan. It is significant that its first Bill presented to the special session really carries the authority to impose broad rationing between American and European demands rather than purely anti-inflationary measures.

In this it differs radically from Senator Taft's eight points. His programme has three main sections: the fiscal, in which he advocates cuts in government spending (and taxes), restraint on bank credit and consumer credit, and on government guarantee of house mortgages; an appeal for voluntary abstinence and harder work; and the cutting and rigid direction of exports. It appeared after Senate Republicans, convinced that Senator Taft's broadcast denunciation of the President's programme was a monumental blunder, had administered a sharp lesson in tact and tactics. It has been followed by a series of highly publicised "secret" meetings between House and Senate Republican leaders to work out the price policy they know they must have for victory in 1948. For Senator Taft to admit that meat rationing may become necessary by April is a measure of the diet of crow before the Republican Party.

Events have at last forced the Republican Party to push forward its own four-point programme for control of inflationary trends. They are now seeking higher gold reserve requirements for the

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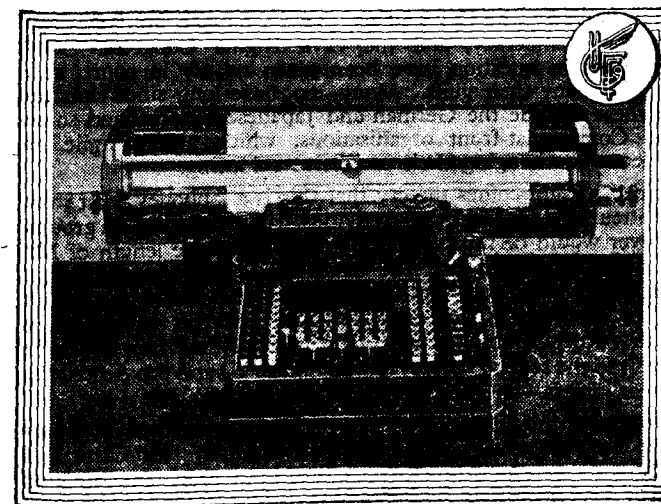
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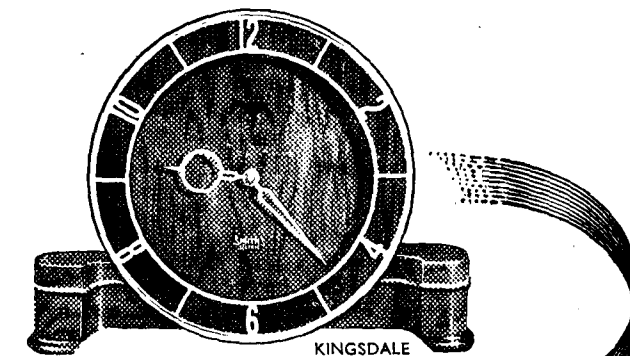
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This programme, however, differs sharply from administration plans, and the end of the Special Session is now only a week away.

* * *

Business in 1948

The year 1947 is closing with a final rebuff to the bearish interpreters of the postwar business boom. While it is true to say that the physical volume of production (as measured by the Federal Reserve Board) will for this year show only a modest improvement on the 1946 average, it has regained most of the setback which took place this spring and summer, and it is again very near a postwar peak. Commodity prices, too, are almost as high as they have ever been, unemployment is nominal only, and industry is no longer hag-ridden, as it was a year ago, by the fear of crippling labour disputes. Wage settlements have been expensive, but industry is preparing, apparently, to meet a third wave of wage advances early in 1948 without too much haggling on terms.

The business community seems to discount, to a surprisingly large degree, the continuing mood of anxiety on Wall Street, though it is only fair to say, in passing, that the investor does not necessarily reap a full reward at every stage in the journey towards a business peak. For most producers, there seems to be an underlying conviction that "postwar backlogs" are still sufficiently substantial to offset all but the mildest reaction from present trends, and in this belief they are fortified by the optimism which radiates from some Federal agencies.

The Department of Labour, for example, declares that a "tremendous demand for the products of American industry will keep the economy operating at record levels through 1948." Forecasts from this Department assert that a probable decline in exports will not exert any major influence on business activity, and that while consumer soft goods may meet with "unfavourable developments," the general emphasis will be on high demand for durable goods, with bright prospects for the service industries. A further expansion of employment is predicted, along with a sharp gain in labour productivity.

These forecasts go hand in hand with the now familiar warning that industry should reduce prices, rather than increase wages, and that recent developments suggest the possibility of a "wage-price spiral leading to collapse." But, in general terms, this authoritative prediction is undeniably bullish, and since it follows an equally bullish forecast made (and subsequently justified) some time ago, it is scarcely surprising that many industrialists disregard the storm warnings given by Mr Truman and by Mr Marriner Eccles, of the Federal Reserve Board.

* * *

Pattern and Prospect

In the light of these forecasts, it is interesting to note the pattern of developments over the first nine months of 1947, as published by the Department of Commerce:—

GROSS NATIONAL PRODUCT* (Billion Dollars)				
	1946 4th Qtr.	Changes Over 1947:—		
		1st Qtr.	2nd Qtr.	3rd Qtr.
Personal consumption.....	154.9	+ 3.1	+ 4.0	+ 4.0
Private investment.....	30.4	— 1.0	— 0.3	+ 1.3
Exports (net).....	5.2	+ 3.1	+ 2.2	— 2.8
Govt. purchases of goods and services	28.2	— 0.8	+ 0.1	+ 0.7
Gross national product.....	218.7	223.1	229.1	232.3

* Quarterly figures adjusted to annual rates.

The downward trend of the export surplus (or net foreign investment) has continued through the fourth quarter. So far as can be judged, however, private investment remains at an exceedingly high level, the figures for the September quarter concealing a dual upsurge for new equipment and for inventories. If, as the Department of Labour now alleges, labour productivity is due for a sharp advance during the coming year, it may mean that this

stimulus to business activity is less solid than it now appears to be. It is true that unemployment in October reached an all-time low point (other than in war periods) at 1,700,000, but it is also true that the process of re-equipment must by this time have reached a stage where the flow of durable goods, temporarily at least, could expand with an actual decline in workers' payrolls.

Similar doubts may be expressed on inventory levels where, as the Department of Commerce notes, industry is no longer fortifying itself against possible breakdown through shortages, so much as anticipating the gains in consumer expenditures to be expected from higher wages, veterans' bonus payments, more liberal credit terms, etc., plus some sort of "foreign market guarantee" through Marshall Aid. No decisive changes may be expected in the flow of Government purchases, so far as can now be foreseen. Consumer expenditures continue to reflect higher price-levels, a readier flow of durable goods, and quite probably, the anticipation of new wage claims ahead.

For the time being, the inflationary factors seem still to tip the scales in favour of activity remaining at very high levels in early 1948. The Christmas buying spree, for example, may well prove to be a formidable rival to that of 1946. But it would seem to be very foolish to indulge in more than a short-term forecast at the close of 1947. The weight of adverse factors is steadily increasing, and while the Federal government may be loth to break the movement by a forceful monetary policy, there are still signs that the banking and credit structure is slowly assuming a shape which has become all too familiar in earlier cycles.

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The Attorney General's Little List

Certain cinemas have long found that the inviting word "banned" brings the customers rolling in. Banned books sell out their editions over night. Will the official label "subversive" add the same excitement to membership in certain organisations? Mr Clark, the Attorney-General, has just completed the thankless task of listing the subversive groups to which federal employees belong only at the risk of polluting their loyalty and losing their jobs.

It is hard to please everyone. Mr Clark has pointed the red (or black) finger at 91 organisations, including labour schools, the Communist Party, the Columbians, the Ku Klux Klan, American Youth for Democracy, and the Civil Rights Congress. The organisations in question have been given no say in court, and many hotly deny their guilt. Many, too, have long since shut up shop; these include the German and Japanese societies and some of the Communist-front organisations, which are as agile as chameleons in changing their protective colouring.

From the Right comes the cry that this is a "phony" list; the Committee on Un-American Activities has a little list of groups that never would be missed which is four times the length of Mr Clark's. It is evident that the black list is going to be fought over as fiercely as ever was Paris's apple, and that Mr Clark is going to be heartily sick of the whole business before he is through. Keeping the list up to date is a full-time task in itself; woe be it to the federal employee who "joins"—and the Americans are great joiners—on the strength of last month's list.

The idea of proving guilt by association is as dubious in theory as it is likely to prove complicated in execution. Mr Clark and Mr Richardson, head of the Loyalty Board, are to be congratulated for their insistence that discharges for disloyalty will be based as far as possible on individual merit, rather than on the black list.

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Air Transport

The complete lack of any settled Federal policy for domestic air transport has brought a new round of controversy in Washington following the suggestion by Mr Averell Harriman, Secretary of Commerce, that his own Department shall in future take over "the development of a sound economic pattern for the national airlines." Mr Harriman declares that the CAB should in future confine its affairs mainly to "quasi-legislative and quasi-judicial" activities, leaving his own Department to "promote and foster business in general, and aviation in particular."

Among the criticisms of CAB listed by Mr Harriman is the alleged failure of that agency to keep pace with the numerous pleas by the industry for revisions of rates and routes. A special

commission which examined the position for President Truman some time ago, reported that at the close of summer, CAB had on hand more than 1,200 pleas by individual lines covering rates, routes, and mail subsidy payments, and that the only solution was a temporary embargo on development, pending the grant of funds by Congress for a generous expansion in staff and other control facilities.

Rather paradoxically, the current excitement in Washington comes at a time when Wall Street experts on the domestic lines seem to be taking a cautiously optimistic view of probable trends within the industry. Over 1946, when the initial postwar boom in passenger services was at its height, most aviation stocks were boosted to extravagant levels. The boom, however, proved to be short-lived, and was already fast waning when a series of disastrous accidents on domestic routes sharply underlined the issue of safety. The vigour of Federal investigation, however, seems to have brought about a revival of public confidence, and the industry itself has not been slow to emphasise that it holds a generally satisfactory record in terms of passenger mileage. Apart from passenger traffic, there has been a steady advance in cargo tonnage, more particularly for specialist machinery, apparel, drugs, furs, perishable fruit, and many types of luxury goods.

The domestic lines are expected to suffer a net loss in 1947, while the 1948 prospect is clouded by fears of a general business setback. But plans for fresh advances in mail and passenger rates, and the prospect of a steady advance in the volume of freight suggests that the industry may have seen the worst. There is evidence, at least, that operating costs have been cut sharply during recent months of relative depression.

So far Congress has made no thorough examination of recent reports on airline policy. But recent stress by the services has been on the vulnerability of the manufacturers in the face of sharp fluctuations in orders both on civil and military account. Congress may agree with Mr Harriman that the Federal government should take a much more direct interest in the financing and development of new types of aircraft for all users. Despite widespread criticism of CAB's civil policy, the service advisers seem likely to provide the most effective mainspring for the release of new funds in the necessary volume.

Embargo Against Russia

The anti-Russian feeling which has been counted upon to smooth the path of the Marshall plan through Congress is proving an awkward ally, hard to keep in its place. Members of both parties are demanding that in the name of consistency, if nothing more, the United States should cease selling heavy machinery to the Russians with one hand while providing Western Europe with the means of resisting Russian aggression with the other. The cry has been taken up with particular vigour by Mr Harold Stassen, who, after Mr Truman announced that he could see no reason for halting shipments to Russia, telegraphed a list of six reasons why the United States should give up "economic appeasement" of the nation that is everywhere openly opposing and sabotaging American efforts for peace and recovery.

Mr John Taber, head of the House Appropriations Committee, has expressed the view that if the United States would stop all shipments to Russia, Russia would long ago have agreed to a world peace. In fact, American exports to Russia are hardly so weighty a weapon. In the first nine months of this year they amounted to \$113 million, or about 1 per cent of American exports; and since July they have been more than offset by imports from Russia of such vital materials as chrome and manganese. American exports consisted of electrical machinery, mining and pumping material, machine tools, and locomotives.

Unquestionably these could be transferred to Western Europe; but the State Department is sorrowfully aware that the Soviet Union, through its control of Eastern Europe, has a much more damaging response in hand. Any version of the Marshall plan so far published assumes that Eastern Europe will continue, and greatly increase, its contributions of food and fuel to Marshall Europe. To declare a Russian embargo, and put the Soviet Union in the position of Japan before Pearl Harbour, instead of bringing the Russians to heel, would widen the breach and increase the cost of the Marshall Plan beyond anything now estimated.

In his foreign policy Mr Taber is showing the same penchant for cutting off his nose to spite his face that has been evident in his domestic economies.

THE WORLD OVERSEAS

Partition on the Spot

(From a Special Correspondent in Jerusalem)

THE reaction of the three interested communities in Palestine to the United Nations' approval of partition has been almost exactly what one would have expected. The Jews are pleased, the Arabs angry, and the British sceptical. But sentiments stop short of excess. There were frenzied Jewish rejoicings; now many Jews are finding imperfections in the plan. There were widespread Arab riots; they were neither as violent nor as lengthy as many officials expected. The average British official (the adjective is carefully chosen) first said, "The whole thing's damn silly"; on reflection his attitude is more, "Well, it's an admirable scheme on paper, but . . ."

Partition is a victory for the Jewish people, and was celebrated as such. But some of their leaders realise already that, unless they walk extremely warily, victory may be costly and its fruits bitter. It has already created new and difficult problems. The Zionist movement has in the past maintained surprisingly strict discipline amongst its adherents, most of whom are not by nature disciplined people. Now there is a slight cracking of that discipline. There is an immediate demand both from would-be immigrants waiting in Europe and also from lands where, in the past, Jews seemed reasonably secure, that the gates of Palestine be at once opened to them. But no appreciable increase in immigration is likely until the British administration is withdrawn; even when the Jews take over their part of Palestine it will still not—they say—be possible to bring in more than a

maximum of 5,000 a month. So the Jewish Agency, or the Jewish Government, will soon be appreciating some of the difficulties which for so long bedevilled the British.

Fears of persecution have led Jewish communities settled for generations in the Moslem countries of the Middle East and North Africa to send urgent appeals to the Agency that they should be immediately brought to Palestine. "We are hostages: our lives are in danger," is the tenor of the messages. This problem the Agency had not foreseen. They fully intend that at some future date these Middle East Jews should emigrate to Palestine (whether they want to or not), but there is no room for them yet; priority must be given to European Jews. What will happen if there are indeed pogroms in Aleppo, or Damascus, or Baghdad, or Tripoli, no one here is able to decide.

The new Jewish State faces even more complex internal situations, of which the most important are political. The executive of the Jewish Agency which, until a constitution is promulgated and elections held, will probably turn itself into a temporary government, is composed of nineteen members. Eight of them belong to the General Zionists, seven to Mapai (Palestine Workers' Party) and four to the strict orthodox Mizrahi Party. Seats are held in the Asefath Hannivharim (the elected assembly) and indeed on other representative bodies such as the Va'ad Leumi (national council) much in the same proportion, but with the addition of representatives of half a dozen smaller parties.

Since the Uno decision, two of these parties, the left-wing Socialists and left-wing Labour, both previously against partition and anti-Mapai, have announced their readiness to accept partition and to work with Mapai. This makes Mapai now far stronger than the General Zionists and can give official Jewish policy a strong leftish tendency.

The Mapai leaders, David Ben Gurion, chairman of the Agency Executive, Mosche Shertok and Mrs Golda Meyerson, are probably delighted with this development on a long-term basis. For immediate purposes, however, they are playing it down. They are at pains to point out that "Jewish Socialism" will be "for internal consumption only," and that they have no thought of any general "socialisation" of Jewish economy. This disclaimer is clearly aimed at pacifying their wealthy American supporters, who might be alarmed—and stop the flow of dollars—if they thought action would be taken in Jewish Palestine against private capital.

Incidentally, it has not yet been decided what name the new Jewish State will adopt. Zion is a popular suggestion; but, some Jews point out sadly, "you can't have a Zionist State, call it what you will, that doesn't include the city of Zion—Jerusalem." Eretz Israel, Israel, Palestine are other possibilities.

Faced though they are by these and a multitude of other problems, the Jews are exerting all their boundless energy and initiative—and, in financial matters, their guile—in hastening the construction of their state. It will be an authoritarian and ruthless state; but it will work.

Arabs Without a Plan

What can one say about the Arab State? The Palestine Arab leaders—the Mufti and the members of the Arab Higher Executive—know that unless they can reverse the United Nations decision by force of arms, partition will be inevitable. Yet they still refuse even to consider making plans to take over and administer their part of the country. Further, they refuse to allow any of the more reasonable, progressive young Arabs, who realise that something has got to be done, to make any plans of their own. The surprisingly complete observance of the three-day protest strike called by the Mufti shows that the Arabs follow the Mufti's orders. They dislike having the Jews in their "own land" and would be delighted to turn them out by force. But no Arab with his senses about him can believe that to be physically possible until, at any rate, very considerable assistance is furnished by the Arab States. It would, therefore, have seemed reasonable to make some attempt to keep what they have and to maintain their part of Palestine as a going concern, which it is, thanks to a maligned British Administration and also to Jewish initiative and Jewish money.

Nothing of the kind has happened. So far as can be seen, there will be no authority, no administration, not even leaders, to whom the departing British or the United Nations Commission can formally deliver the deeds of Arab Palestine. As transfer of authority must be made, opinion in British circles here is tending more and more to the idea of giving King Abdullah of Transjordan the baby to hold.

Can partition succeed? With good will on both sides the answer is obviously "yes." It is not an ideal solution: but it could be a solution and no one has produced a better or even a workable alternative. Unfortunately, there will be the very reverse of good will from the Arab side, and so it is possible that the 27 year-old conflict will continue—without a British administration to hold the ring and take the blame. The Jews will make a most determined effort to make a success of their state; Jewish leaders who had for years set their faces against partition have now accepted it *faute de mieux*. The danger is—if the Arabs finally accept the solution—that the Jews might use their state as a stepping off ground for peaceful penetration of the rest of Palestine. Jewish voices have already complained that partition violates their historical conception of a Palestine "on both sides of the Jordan." The extremists of the Revisionist Party and the terrorist organisations are for that reason flatly against it. Among even moderate Zionists there is equal determination that, come what may, Jerusalem must be returned to the Jews.

How implacable the Palestine Arabs' opposition to the division of "our own country" will remain depends mainly on the attitude of the neighbouring Arab States. Nationalism has a firm hold on the Moslem countries, but their dependence upon the Western Powers is still a factor capable of bringing about surprising changes in policy, which in their turn may alter the ideas of the Palestine Arabs.

Deflation in Italy

[BY OUR ROME CORRESPONDENT]

ON the stormy stage of current Italian affairs a new personage has come into existence to take his place beside the land-hungry peasants, the middle-class victims of monetary depreciation, and the bloated black marketeers—to mention some of the most frequently met types in the pantomime of the class war. The new personage symbolises the quandaries of a country living under capitalist forms but pervaded by collectivist sentiment, which constrains the Government to recede frequently into the background leaving the rights of property and the forces of sentiment to settle matters by a trial of strength (or often enough to leave them unsettled for fear on both sides of the consequences of the contest).

The symbolic figure is the workman whom his employer fears to lay off, but refuses to pay. There appear to be no statistics of the persons in this predicament, but to quote examples from sources at the opposite ends of the political gamut, the *Risorgimento Liberale* in October reported some thousands of employees of the Ansaldo works, Genoa, missing their pay because "the money had not come from Rome" (that is, from the Treasury), while the Communist *Unita* reports 13,000 workers of the Caproni engineering groups unpaid, except for an emergency gratuity of 5,000 lire per head, since the end of October. Officially the 1945 ban on dismissals, of which there was a counterpart in State subsidies to the wage-fund, has come to an end. In practice it remains in force by trade union imposition, but the subsidies are withheld.

The Government is committed to a policy of deflation. The economist, Luigi Einaudi, who is Vice Premier and Finance Minister and also Governor of the Bank of Italy (though he has delegated this last function for the moment) last week held the national congress of the Liberal Party spellbound with an hour's talk on the theory of inflation and of its cure by credit restriction. While, however, the economist Einaudi described with lucidity the financial consequences of putting the brake upon an inflation of bank advances, the statesman Einaudi passed over in prudent silence the question of how the credit-starved industries can lower their costs without provoking social explosions. A solitary Liberal in a Christian Democratic Government, he can with a good conscience leave this problem to the Ministers of Labour and of the Interior. These, in turn, though endeavouring to grapple with the multitude of problems which beset them, perhaps place their main trust in an automatic return to economic equilibrium through the operation of falling prices.

Communist Support for Shareholders

Among the paradoxes of the moment, political tactics have placed the organ of the Communist party in the unaccustomed position of upholding the cause of the shareholder while the Liberal Minister of Finance makes merry over the discomfiture of the bull market. "Falling prices on the Bourse, sudden losses etcetera, etcetera—these are attributed not only to the chaotic industrial situation but also to bear operations conducted by foreign groups wishing to buy up Italian industry cheap, with the connivance of the American (sic) Government of de Gasperi." Thus the *Unita*, in a report of noisy proceedings in the Milan Bourse on December 5th when a sudden drop in the price of a popular share occasioned physical attacks by irate investors upon supposed bear speculators. In his party speech two days earlier Senator Einaudi, recalling the various collapses of bull markets witnessed by himself since 1914, described these as "amusing for the onlooker but less amusing for those involved." In the Milan Bourse the misfortunes of the shareholder have been continuous since the summer, and the Government is accused of dull indifference to an organ essential for economic recovery. But it would be mistaken to regard the present events in Italy as the simple test of a deflationary policy: it is the test of such a policy in conditions which allow of its implementation at the banking end, but which is exceedingly difficult to work out in the labour market.

The deflationary measures of Senator Einaudi have included a raising of the official bank rate from 4 to 5 per cent. In his address to the Liberal Party the Minister expounded why, in a condition of high instability of money values, bank rate should be an instrument of only subordinate importance: why, therefore, he had taken recourse to regulations modelled upon the US Federal Reserve rules. The new discipline imposed upon the Italian Banks requires them to utilise 40 per cent of all deposits in excess of the total of last October 1st for purchase of State securities, or alternatively to place the sum on deposit with the Bank of Italy. The choice of a proportion was experimental, and there

was an undertaking to change it in either direction if the restriction upon new advances to industry proved to be too stringent, or not stringent enough.

In the absence of up-to-date statistics it can be inferred from market reports that the deflationary process has dried up demand for a vast range of products. There is little to choose between the atmosphere of the Stock Exchanges, that of the market in Biella woollen goods, and the wholesale markets for agricultural produce. After some months in which the recession of wholesale prices were unmatched by any movement in retail markets, in recent weeks there have been sharp drops in shop prices, sufficient to affect the outlook of the poorest housewife. In olive oil, the staple cooking medium, prices have been almost halved, helped by a bumper crop. Almost equally abrupt has been the cheapening of wine, and notably that of sugar. But economists are wary of building these phenomena into a logical pattern. The latest period has seen exceptionally heavy receipts of American aid, and it is well within the authorities' power to provoke price-slides in particular markets to induce a falling price mentality.

Two Million Unemployed?

The current criticisms of the Einaudi programme can be classified as purely political criticisms, economic criticisms of the end pursued, and economic criticisms of the means employed. The most vociferous political critics are the Communists, whose high policy is to frighten away foreign investors by such proceedings as the seditious outbreaks in Milan last November. Moreover the chief Communist prescription for the ills of industry lies in the institution of Factory Councils (*Consigli di gestione*) with a share in management of all concerns. To obtain legal recognition for these councils is one of the main professed purposes of their current campaign. Whatever advantages such a reform might have to the eye of the future social historian, no indication is given of how the Councils could solve the managerial problems of today. Abdication of the capitalist would, it is said, bring social peace, and the Fiat-Mirafiori Works, where such a Council is said to work on excellent terms with the traditional management, is held up as an example. But criticisms from this quarter clearly have no practical application to a policy which like that of the de Gasperi-Einaudi Government places its reliance upon supplies to be received under the Marshall Plan.

Criticisms of the end pursued by Senator Einaudi start off from a computation that 2,000,000 Italians are effectively unemployed, and that the resources for employing them—fuel and raw materials—are at least more abundant than in 1946. Therefore, it is argued, credit should be enlarged to take up the slack of unemployed men and resources. This criticism overlooks the widening gap between Italian prices and those of the foreign markets for which much of the production of 1946 was destined. (The present manufacturing cost of the Fiat 1100 car, it has been pointed out, is double the price at which this car is on sale in France.) "Expansionist" criticism of the Einaudi policy is apt simply to ignore the perils of inflation.

The most serious criticism of the Government's financial and economic policy would appear to be that which finds its methods to be incomplete. In the words of the organ of the Republican Party, which hopes shortly to enter the Government with a due share in the shaping of its policies: "If what was intended was a check to inflation and a subsequent recovery . . . then the purpose of the measures already taken should have been to prepare the way for more substantial measures, such as drastic restriction of public expenditure, elimination or reduction of market subsidies, sharp curtailment of luxury expenditure, etc." The Republican writer finds that these tasks have not been tackled, and therefore fears that the shock of the deflationary measures, administered to an organism whose deeper rooted defects are uncured, may provoke disturbance without producing a lasting effect.

Cost of Appeasement

By a self-denying ordinance the Government has, as a matter of fact, laid upon itself the obligation to gain parliamentary sanction for each recourse to Bank of Italy funds. None will believe that Senator Einaudi is neglecting the aim of balancing the Budget. Heavy and unpopular imposts are coming into force this year, in particular an extraordinary levy on capital, the incidence of which upon security-holders has been aggravated by the great fall in values since the assessment period (first quarter of 1947). But heavy credits for public works are the price which the Government is having to pay for settling a chain of disturbances in the impoverished South. The latest currency returns show the note circulation mounting sharply enough in October under the influence of a public expenditure which cannot be radically compressed.

The public life of Italy this winter is moving upon political and economic planes which elude one another. It would appear that either by a gradual process of economic improvement the present political moods must be rendered obsolete, or, alternatively, political tensions will disrupt the society for which the present economic remedies are designed.

Uno's Second Year

[FROM A CORRESPONDENT]

THE second annual Assembly of the United Nations opened with acrimony, and vituperation became its habit. In this, at least, the Soviet and their satellites dominated the session. The American press and public were, as might have been expected, goaded into varying degrees of resentment, and showed little understanding of the apparent fact that in Soviet eyes it was Britain and the United States which were showing themselves hard to handle. Smaller countries, watching the giants collide, had to exercise considerable ingenuity if they were to escape damage. It was a Scandinavian who reported feeling at times like the victim in the old tale of the kindly King who, before he went hunting, always took care to send a royal messenger to ask the rabbits which sauce they would prefer to be cooked in.

On the other hand, the small nations have been developing a degree of initiative and independence which they might not have exhibited had the great Powers been less intent on their slugging match. From the beginning they showed a firm intent to work a way out of the straitjacket with which continued use of the veto had surrounded the Security Council. Not only did they vote with the United States on the device of setting up a "little Assembly" in continuous session, with power to discuss and investigate, but they also passed three resolutions urging nations to make more use of the World Court which they also empowered to interpret the Charter. This latter brought from Russia an indignant charge that it was a device to by-pass the Charter, but the measure was passed.

The Arabs have shown themselves shrewd and tenacious, and their resentment has, in comparison with the Russian love of pounding lecterns and screaming into microphones, been muffled and polite. In committee hearings their questions have probed farther into politics than was sometimes comfortable. The Indians have seemed sobered by their new responsibilities, and the Latin Americans have not sought strength in bloc voting as they did last year, but—stirred to self-assertion by the Argentine's lively bid for a share of the power and prestige enjoyed by Brazil—have offered objections and sought solutions on their individual accounts. Unit voting has its ironic aspects, and those who see only one man saying "yes" and another saying "no" miss the visions of those who see the men silhouetted against the relevant maps.

The Ghost of Europe

The yawning gap no tongue could fill is, of course, the absence of half Europe from these councils. The founders and masters in earlier centuries of Western diplomacy are mostly absent, and the majority of those who run about the concrete *salles des pas perdus* are tyros at the game. The French, to be sure, are here, but tentative and shadowy. The Belgians are ably represented by a surviving diplomat of the old school, the Dutch and the Scandinavian countries do their best, but when did any one of them claim to speak for Europe? Nations which have throughout history played star roles at international meetings are absent—no Austrians, no Italians, no Germans, no Swiss, no Spaniards.

Only the ghost of Europe is here, and the peace, within which this organisation was framed to function, has not been constructed. Those two factors, with their implications, lie at the root of many of the phenomena which have alarmed the public during this session. Until they are corrected the United Nations will continue to lurch about, twisted out of proportion and continually in danger of being thrown off balance.

It was partly in an effort to correct this that the French-Swedish resolution was offered which will take the next Assembly to Europe. Many reasons for the move have been put forward, some in argument and some by way of rumour. It is said that European nations, sure now of American support for UNO, want to transfer the educative effect of its discussions to their own lands; that nations who find themselves short of trained diplomats can only send their best men to represent them if distances between the home capital and the Assembly are short; that the Russians feel their propaganda may have more success on the European stage, than in the fogs of Flushing Meadow; that the Arabs want to get away from what they believe to be the effect of New York's;

large Jewish population on the American press; that the non-dollar countries would like to save by holding the next Assembly in a country where hotel bills and travelling expenses would cost less, and would not have to be paid in dollars (that this argument did not seem valid to Britain is perhaps a measure of their proportional contribution to Uno's budget which would be charged with additional expense for the transport of documents and personnel away from headquarters); and, lastly, that the next Assembly will coincide in point of time with the American Presidential elections. None who hope to see the United Nations flourish think it wise to fling its still tender form into the pit of American party politics. Whatever the motives that moved the various nations, the vote to travel, which became three separate votes before it finished, overwhelmed the objections of Great Britain and the protestations of Russia that the change would cost too much.

In the American press, at least, the achievements of this Assembly have been subordinate to the battles. The record deserves better of its observers. The Secretary-General listed five problem areas as awaiting action when the Assembly opened. Attempts of varying intensity, and with varying success, were made to handle all of them. Palestine is still a problem, but it has been aired and worked over until all sore spots have been revealed. Spain goes on being Franco Spain, and as very little happened after the Assembly's censure last year, less should be expected as a result of the tepid resolution produced out of the compromise this autumn. The Greek situation, on the other hand, is to be treated by means of a Balkan Committee, which the Soviet will boycott. India's efforts to impel better treatment for her nationals in South Africa came to a vote, but foundered on the rock of traditional regard for Field Marshal Smuts. Of the new problem areas, Egypt stays on the agenda of the Security Council; Korea has been assured a United Nations committee to oversee her elections—though without benefit of Soviet collaboration—and Indonesia, scene of the only "shooting war" with which Uno has so far had to deal, is still enjoying "good offices."

Strains of Daily Discussion

With the creation of Balkan and Korean Commissions, and the "little Assembly," the chief points in the American programme have been achieved, but against the Soviet will and at the cost of its abstentions. On the always delusive surface, Russia's own programme seemed to rest heavily on resolutions of censure. The one against "war-mongers" was urged in and out of session until the war psychology which Russia deplored was almost fanned into flames by the vehemence of the deploring. In the face of what Secretary Marshall was moved to call Russia's "brazen and contemptuous propaganda," it was no small achievement on the part of other nations to comb the burrs out of the resolution and put it into such order that they could pass it without offending each other or alienating the Soviets.

Strains of other kinds developed in the course of the Assembly. Discussion time was saved by the use of simultaneous translation into five languages—a beguiling device which had been proved valuable in the meetings of committees, but which only made its way into full Assembly this year. The Assembly has called for a higher degree of efficiency on the part of the secretariat; no less pressing is the analogous problem of finding representative personnel that has the time, the strength, the mental agility and the devotion which international discussion at this stage seems to demand. In its last and delicate stages the Palestine negotiations were imperilled by the very human difficulty of securing the requisite patience and intelligence from weary delegates eager to leave, but asked to sit through day and night long sessions. The success of the "little Assembly" hangs on finding first-rate men who can spend a year in its service.

To those who have watched Uno bodies continuously at work the wonder is not that they accomplish what seems in moments of pessimism so little, but that they accomplish anything at all. Procedures, which to Anglo-Saxons are as simple and easy as their mother tongue, are by that very token alien and difficult for other peoples who cannot fairly be expected to grasp at once the mass of written rules and unspoken codes which the West has been developing through centuries of practice. The old days when men were conveniently classified as savages, barbarians or civilised, and behaviour according to their assigned status was expected of them, are gone. The new democracy proceeds on the assumption that they are all of one piece, and all like the assumer. If this be illusion, on it hangs the success of the whole undertaking. The resulting stresses and strains are what make earnest people say almost prayerfully that the greatest achievement of this Assembly is that it continued to exist.

Finland Works its Passage

[BY A CORRESPONDENT]

If ever a country worked its passage, it is Finland, and the growing self-confidence that comes from hard tasks successfully performed is reflected in the results of last week's municipal elections. As usual now, at least in Western Europe, they were fought largely on national, not local, issues. The main issue was whether Finland's collaboration with Russia should be on Communist or non-Communist terms and to what extent Communist principles should govern the country's internal affairs. The verdict went against the Communists. The Conservatives and Agrarians increased their seats by 28 to 536, and the Social Democrats by 27 to 269. The Communist representation fell from 234 to 203. This swing to the right can largely be explained by a return to the usual centre of political gravity in Finland—right centre. But considering the support that Communists get from the proximity of Russia, the elections reflect a conscious reassertion of Finland's independence.

The chief material factor in this attitude is the remarkable revival of production. Exports increase steadily. From January to September this year they amounted to 31,532 million marks,* while imports for the corresponding period amounted to 29,630.9 million marks. Finland thus has a favourable balance of payments to the extent of 1,901.1 million marks. On the other hand, the continued rise in prices makes the real increase in exports less than the apparent. The volume is now about 90 per cent of 1935; it has risen from some 60 per cent at the beginning of this year. Similarly, the need to pay in dollars for over a fifth of the imports introduces familiar complications. A series of American loans has so far supplemented export earnings: another \$5,000,000 was obtained last month. But, since Finland is not participating in the Marshall Plan, its chances of continued aid grow less. Yet the prompt delivery of reparations to Russia depends largely on obtaining from America equipment and material to produce them.

Reparation deliveries have so far been made in full. Indeed, figures for the last reparations year, which ended on September 19th, show that in that period they exceeded the stipulated amount, and reparations worth 127 million dollars—42.4 per cent of the total—have been delivered. The Russians have extended the period of payment from 6 to 8 years, and some of the fines incurred for slow delivery have also been remitted. But such gestures should not be allowed to obscure either the great burden reparations impose—they amounted to 15 per cent of total exports in the second quarter of this year—nor the manner in which they distort Finland's economy. The false valuation of goods at 1938 prices works strongly against Finland. So does the actual low value placed on many products: wooden schooners, for example, are said to be entered at only half their real value.

Appeasement of Russia

Prewar prices were also used in valuing German assets to which the Russians lay claim in Finland. Under an agreement concluded last February their total value is put at 6,000 million marks, of which deliveries of goods to Russia will account for half, and foreign currency holdings now surrendered for 460 million marks. The cession of the power station which serves the Petsamo nickel mines, the rebuilding of the Soviet Legation in Helsinki, the surrender of an old warship and similar services have also been taken into account. The acquisition by Russia of a controlling interest in several important firms completes the total.

So the curious process of unexpected concession and flinty bargaining continues. After long negotiations the Finns have been given the valuable right to use the main railway line through the Russian defended zone at Porkkala: the first train, two-thirds empty and with windows covered, made the journey a month ago. But important trade negotiations with Moscow last month proved inconclusive. It was widely rumoured—and officially denied—that the Russians would discuss trade only if wider political issues, such as a military alliance, were also on the agenda. The overt domination of Finland would end the American supplies that are essential to the reparations programme. And the loss of Finnish reparations, which are the most promptly delivered of all goods imported by Russia, would hamper Russia's reconstruction. This is one of the reasons why the Finns work with such admirable industry. So long as they fulfil their obligations Russia will delay any drastic action to the last possible moment.

* FM 540 to the £.

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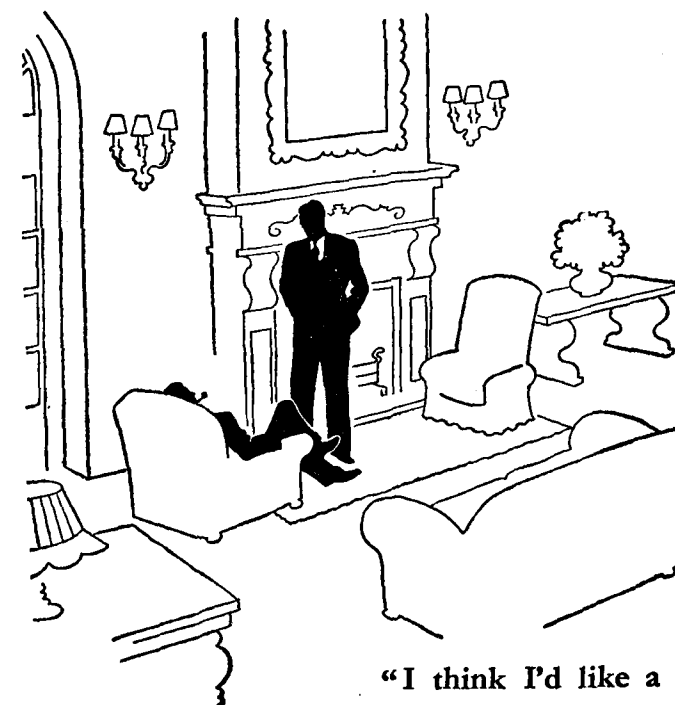
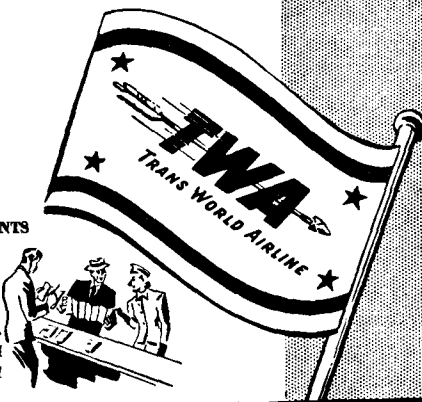
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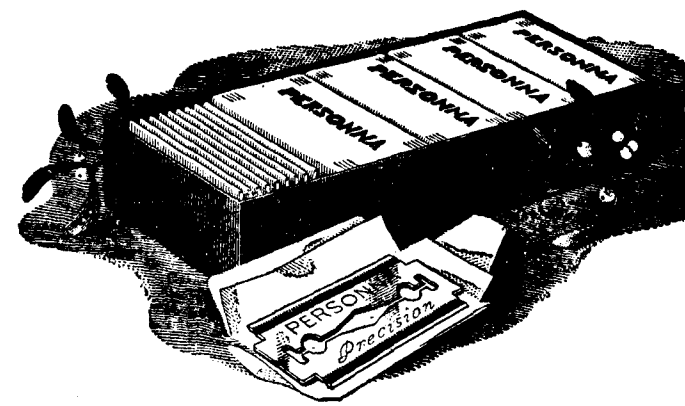
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THE BUSINESS WORLD

Britain's Exchange Reserves

AN exchange of letters between the Chancellor of the Exchequer and the Secretary to the US Treasury, dated the 4th and 5th of December respectively, declared the \$400 million left in the US line of credit to be at the free disposal of the British Government. Technically, it would be wrong to say that this amount has been "unfrozen," for it had never in fact been frozen. The outward form of this immobilisation of the balance of the loan that remained unspent on August 20th was a voluntary undertaking by the British Government to desist from further drawings until consultations on the subject had been completed with the US Government.

As the suspension of convertibility of sterling was a breach of one of the basic conditions of the loan agreement, there could be no alternative but to stop drawing. Any other course would have laid the US Administration open to charges from Congress of serious dereliction of duty. For obvious reasons of prestige the initiative in stopping drawings had to come from the borrower and not from the lender.

The subsequent consultations between the two governments have been almost continuous. The US Treasury was at first inclined to require proof of the British Government's contention that the events of August 20th were of the "emergency and temporary nature" which had been attributed to them in Mr Dalton's letter of that day to Mr Snyder; the American authorities were then disposed to look for such proof in the convertibility provisions of the payments and monetary agreements subsequently negotiated by Britain. But the facts of the British situation and of the world shortage of dollars, which may have been perceived only dimly in Washington before August 20th, have since percolated into many recesses of the US administration and even of Congress. The search for a hard and fast interpretation of the "non-discriminatory" clause nine of the loan agreement was abandoned in favour of Mr Snyder's eminently satisfactory statement of September 19th that "when any two governments work out an agreement it must be kept flexible. This was the spirit of the original loan negotiations. . . . It is basic to an understanding of Section 9 of the agreement to appreciate that it was never intended to constitute a strait jacket on British trade."

The same satisfactory treatment has now been given to the convertibility clauses of the loan agreement. Sir Stafford Cripps, in his letter of December 4th to Mr Snyder, has reaffirmed "the intention of His Majesty's Government to adhere as closely as possible to the objectives of the (loan) agreement at all times and to implement these objectives fully at the earliest possible time." In his reply, Mr Snyder has made no attempt at clearer definition. The whole question of the return to convertibility is thus left to the good sense and judgment of the British Government. The \$400 million has been made available without any of the constrictions upon British policy which might have resulted from an effort to give greater precision to the two basic conditions of the loan agreement, namely, convertibility and non-discrimination.

The contrast is unmistakable between the trust, understanding and elasticity now shown by the US administration, and the rigid dogmatism and legalism which found expression in the loan agreement. The change is welcome evidence of a

new atmosphere, particularly at the US Treasury, where the facts of economic life in Europe are at last being understood.

*

Unfortunately, the release of the \$400 million does not materially alter the shape of the problem of Britain's balance of payments. In particular, it should be emphasised that the additional resources, although made available without conditions which might have hampered Britain in the commercial and financial negotiations now in progress, afford no grounds for any relief from current and prospective austerity. In the popular press this week it has been suggested that at least it may now be no longer necessary to make the further cuts in imports of food which are threatened in the New Year. But even such a relaxation as this would be more than could be warranted by the state of Britain's external reserves and the prospect of achieving the export targets.

It is true that the Government's calculations of the extent of necessary economy in overseas outlay did not assume the availability of this residual £100 million from the dollar loan. But, even on the official assumptions—that the 1948 export targets would be achieved and the savings in overseas expenditure duly effected—the prospective position twelve months hence was extremely grave. On these assumptions, it was expected that the ultimate reserve of gold and dollars would have fallen by end-1948 to only £270 million, which Sir Stafford Cripps describes as the "minimum operable level." Yet, even though the import cuts and export progress had by that time restored equilibrium to the balance of payments as a whole, there would still be a prospective gap of no less than £250 million per annum in the balance of payments in hard currencies. On such a prospect, it would be a matter of common prudence to treat the uncovenanted £100 million as a means of augmenting the exiguous reserves.

The prospect, on these official assumptions and calculations, is bleak. But experience to date scarcely justifies confidence that the official programme will in fact be realised. On the contrary, all the evidence pointed to the probability that the "minimum operable reserve" would be reached before next autumn. And the additional £100 million—of which £25 million has at once been drawn—represents less than two months' supply of dollars at the current rate of outgo. It will scarcely suffice to provide for the effects of the prospective error in the official estimates.

The latest official figure for the gold reserve—from the current issue of *Monthly Digest of Statistics*—is £591 million as at June 30th last, compared with £582 million three months earlier. By end-November this holding had been reduced by £103 million by reported sales of gold, but there will have been additional purchases of newly-mined gold, principally from South Africa under the gold purchase agreement which expires at the end of this year. It is generally understood that the amount secured from this source in the first six months of this year was rather less than half the minimum amount contracted for in the year as a whole. In the current half-year, therefore, the purchases may reasonably be estimated at around £50 million. On that basis, the gross holding of gold and dollars at

the end of this month, before allowing for the final month's sales (and excluding also any unspent dollars drawn from the residual amount of the US credit), would be £540 million.

These are not, however, the only liquid exchange resources prospectively available. To this total of £540 million there has to be added the £100 million of dollars now available in the US line of credit, the £80 million gold loan which Britain will receive from South Africa in 1948, and the further £20 million of dollars which may be acquired from the International Monetary Fund before mid-September next. There is also the residue of the Canadian credit, which had been reduced by end-November to £82 million. In any attempt to estimate the rate of exhaustion of the global reserves it is better, however, to leave this item out of account, first, because any expenditure in Canada has for some time past been financed only to the extent of one-half from the credit (the remainder being paid for in US dollars); and secondly, because the difficulties of Canada's own external problem make it uncertain whether even this proportion will obtain in future. Excluding the Canadian credit, the global reserves available or prospectively available in the period from end-November last to mid-September next amount to about £740 million, before allowing for the undisclosed off-setting claims and liabilities. To ensure, therefore, that the reserve does not fall below the "minimum operable level," the maximum sum available for all purposes is £470 million.

In the three months to end-November, as a table in last week's issue showed, sales of gold and purchases of dollars from the IMF aggregated £163 million. To this figure there has to be added the amount utilised during September from the final drawings on the US dollar credit notified before August 20th; this amount was understood to be £37½ million. In addition, during the three months roughly £30 million was drawn on the Canadian credit, so that in three months the total exhaustion of reserves was £230 million. Even if the demands for Canadian dollars are excluded, this is equivalent to an annual rate of no less than £800 million; moreover, it is significant that there was no perceptible diminution of the rate of outgo during the last month of the period.

If, therefore, the drain were to continue at this ruinous rate, the total available reserves would be exhausted in a little more than seven months from end-November. It is true, of course, that the import cuts so belatedly imposed have scarcely yet had time to bring any important relief. The latest trade figures, those for October, did indeed show a reduction of some 6 per cent in the burden of import costs from the record level at which they were running during the third quarter of the year. But, despite the good performance of exports in that month, the visible adverse balance of trade was still running at virtually £600 million per annum.

It is difficult to guess the extent to which this visible deficit is being abated by a surplus on invisible items, for not only are these notoriously difficult to estimate but the problem is now further complicated by the fact that both the Government's

import programmes and the official estimates of the invisible account are based upon an f.o.b. valuation for imports although these continue to be valued on a c.i.f. basis in the trade returns. The largest potential source of gain to the invisible account in 1947 lies in the prospect of a big reduction in Governmental overseas expenditure, which in 1946 was estimated at £300 million and for the current year was expected to fall to £175 million. If this rate of reduction has in fact been achieved, it is possible that invisible items taken as a whole (and with imports valued on a c.i.f. basis) are showing a net surplus of approaching £100 million per annum. This would suggest that the global deficit on the balance of payments is now running at rather more than £500 million—which probably represents a substantial improvement upon the rate of outgo during the summer, but is fully £150 million more than the figure estimated for 1947 in the *Economic Survey* (when it was affirmed that "it would be unsafe" to borrow more than £350 million net) and £100 million more than the estimated actual deficit last year. Such improvement as has occurred recently in the global deficit is, however, no clue to the state of the dollar account. Indeed, in the third quarter of this year exports to the hard currency area actually declined. Moreover, the latest indices of import prices show a renewed upward movement and, as usual, the rate of increase is faster than that in export prices.

Finally, it must be emphasized that Britain's own dollar expenditure does not determine the total demands on the central exchange reserves. There is little doubt that in recent months there has been some acceleration in the rate of drawings to meet the needs of the remainder of the sterling area. India is certainly incurring large dollar outlays, while its dollar income has shrunk to very small proportions. Among other sterling area countries, Iraq and Eire are also believed to be making substantial demands, following the recent assignment to them of specific quotas of hard currency. It seems virtually certain that the additional strain imposed from these sources has more than offset the relief from the economy measures which are being taken elsewhere, in particular in Australia and New Zealand. These measures, like Britain's own import cuts, will take time to show results.

Undoubtedly, the whole programme of dollar economies should in due course substantially reduce the rate of draft on the shrinking reserves, but it would be unwise to assume that any really large reduction will be possible in the immediate future. Until these measures take effect, and until there is much more positive evidence than is yet available that the export drive will make large progress in the hard currency area, the only safe assumption is that the central exchange reserve will fall to the minimum level some months sooner than the authorities envisaged when the latest import cuts were announced at end-October. Plainly, there is no justification whatever for treating the welcome restoration of the right to draw on the US credit as any excuse for relaxation of effort. On the contrary, a realistic survey of the exchange position, as it now presents itself, rather suggests the need for still more rigorous economy.

Rubber and Geneva

(By a Correspondent)

RUBBER is admittedly the most important potential dollar earning product of the sterling area. It is produced mainly in the Colonies and to a lesser extent in Dominions of the British Empire. Producers of the commodity were accordingly entitled to derive some degree of encouragement from the preliminary statement made in the House of Commons on October 29th that special attention had been given to the

need for the easier access of Colonial products to the American market and that the advantages secured for the benefit of Colonial trade were equivalent and corresponding to the tariff concessions made by His Majesty's Government and the Colonies; it added that they were indeed immediate advantages. The optimism of the producer was obviously shared by the market and the consumer—curiously enough, to a major extent

dollar reserves. The latest external trade figures of the Dominion suggest that imports from the United States will this year amount to \$1,800 million and exports to the United States to \$900 million. Allowing for the export of about \$100 million of newly mined gold, there will be a deficit of some \$800 million, which is about the rate at which the gold and US dollar reserves have been running out this year. Canada's trade with the sterling area provides the complementary part of this picture, namely exports of \$1,100 million, imports of \$300 million, leaving a surplus of \$800 million. If sterling were convertible, all would be well.

This pattern of Canada's external economic relations is sufficient explanation of the Dominion's studious desire to do nothing that will damage the prospects of a rebirth of the system of non-discrimination and multilateral trade and payments. Comments on Canada's defensive measures to combat the drain on gold and US dollar reserves have, perhaps, tended to belittle the element of conscious discrimination that enters into both outright import prohibitions and the quota restrictions. The items selected for outright prohibitions have been chosen with a view to excluding imports from hard currency countries and, in effect, more than 90 per cent of the trade affected will be imports from the United States. As for the quotas, the choice of the pre-war period as the basis of the permitted volume of imports will have the same discriminatory effect. For each country of origin the permitted quota will be 400 per cent of the basic figure in the case of textiles and 210 per cent in the other categories of imports. This will mean that a virtually unlimited ceiling will be placed on imports from Britain, which are now a small fraction of the pre-war figures, while drastic cuts will have to be made in imports from the United States.

This discrimination squares with Canada's commitments under the Geneva agreement on tariffs and trade, given the balance of payments difficulties that have caused discrimination to be invoked. But if so far, why not a little farther? Why not invoke the balance of payments difficulties to justify openly discriminatory application of the outright import prohibitions? Why stop in its tracks the modest flow of exports from Britain to Canada which falls under the ban? That trade has been doing good service in slowing down both the drafts on the Canadian credit and the accompanying and equal payments of US dollars to Canada. Evaluating at its highest Canada's desire to promote a system of multilateral trade and payments, it is still difficult to appreciate the reasons for outright prohibition of certain imports from sterling countries.

Improved Steel Allocation?

Steel consumers will be fortunate indeed if they escape much confusion and delay in obtaining their supplies when the existing steel allocation scheme is modified at the end of March. The existing system, as *The Economist* has on several occasions emphasised, has laboured under obvious defects for many months. The trouble is largely the inflation of "M" forms (which entitle the holder to obtain steel) compared with the supplies of steel available to honour the forms. There is a gap of 2,000,000 tons between the two, and it is hoped to squeeze out the inflationary froth by cancelling all old "M" forms on March 31st next year.

All orders for steel placed under old "M" forms will thereupon be cancelled, unless they have been previously validated by a new Iron and Steel Authorisation, the issue of which will start in January. During the first quarter each industry will have to decide which steel orders it wishes to validate, but it will not be able to validate orders for more steel than is actually allocated to it. Thus the "M" form account will be squeezed—or lopped—into balance. That is a desirable and overdue step. But to expect that this process will work with more than the roughest justice would be optimistic. Steel may be the limiting factor in next year's economic planning, but a lot of work has already been done in various industries on the assumption that steel for which "M" forms had been issued would eventually be forthcoming. Is this commitment of resources and factory space to be wasted? Or do the allocations for the first period of next year take into account the existing degree of over-issue by making the cuts less severe for those concerns which have already gone ahead—on the assurance of a legal document of entitlement—with projects for which steel would be required early next year?

It is satisfactory that bulk authorisation is to be extended, but the scheme does not go very far in linking the control of steel supplies to the end-uses for which they are required. And it is apparently proposed that authorisations which cannot be matched by supplies of steel in any one quarter will automatically lapse and will have to be revalidated. That is good deflationary practice, but experience with the "M" form system showed that

it does not work smoothly in steel—partly because it is not possible exactly to forecast when the steel will be required since other shortages may delay even the best planned project, and partly because the particular type of steel may not be available for delivery. If authorisations which cannot be fulfilled for such reasons as these have to go through the official mill each quarter, delays will multiply, and the hope that "a few officials" will be sufficient to supervise the smooth running of the scheme will be vain.

Mr Marquand was prudent enough to admit that the scheme sounds complicated and will involve "considerable work" for industry. The detailed instructions which are to follow will be formidable indeed. And it does not promise to show a great improvement on the existing scheme in getting steel to the right users—at least in the early stages.

Unilateral Devaluations

The basic principles of the Bretton Woods agreements have been under heavy fire recently. The fundamental conception of the International Monetary Fund agreement is that it will eliminate the anarchy of unilateral devaluation of currencies, but that all changes in parities, for which the agreement provides reasonable scope and elasticity, shall be brought about with the approval of the IMF. Within the last few weeks three members of the IMF, Greece, Italy and Poland, have devalued their currencies, not by straightforward open methods but by circuitous measures which for all their complications can be seen to defeat the spirit of the Fund agreement.

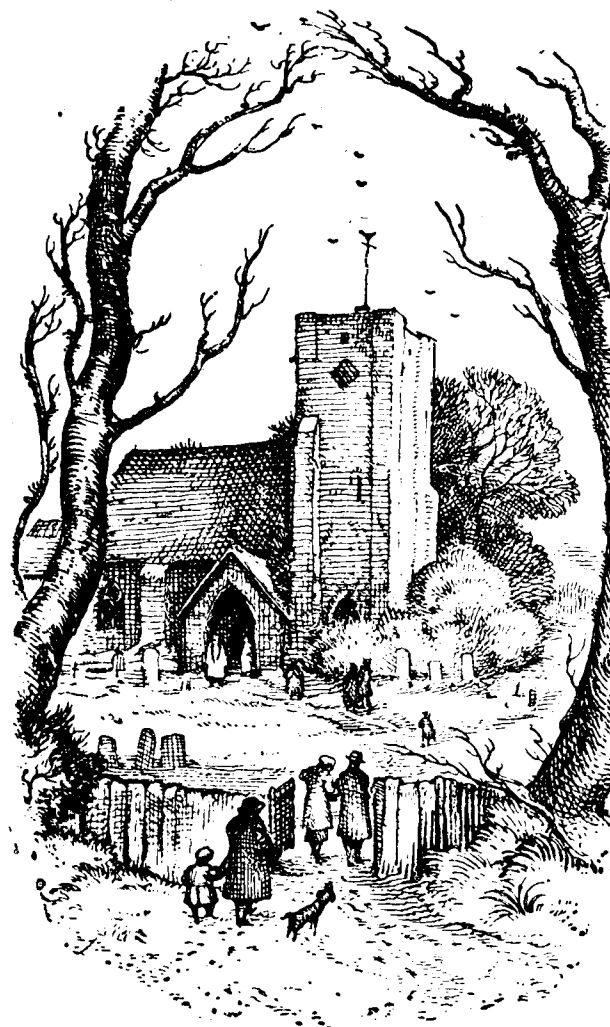
The case of Greece is the most blatant. It is also the most reprehensible because, in this case, the initiative or at least the encouragement must surely have come from the American officials who now direct Greek economic affairs. In order to overcome the handicap of excessively high prices for Greek exports (in other words to counter the gross overvaluation of the drachma), exporters have since the middle of October received in exchange for the foreign exchange proceeds of their exports drachmas calculated at the official rate of 20,000 to the £, plus foreign exchange certificates equal to the amount of the foreign exchange surrendered by them. These certificates have a free market and must be bought by Greek importers who when buying abroad have not only to pay drachmas at the official rate for the foreign exchange they require, but must also hand in an equivalent amount of foreign exchange certificates. A double offence against IMF principles is involved in this device. Not only is it tantamount to a unilateral devaluation of the currency, but the free market for certificates which has been tolerated and indeed used by the authorities, has provided cross rates, as between dollars and sterling for example, that have differed widely from the official parities.

Italy's Export Rate

The Italian devaluation varies a device which has long been in operation. Since early in 1946, when private trading with Italy was resumed, the practice of the Italian exchange authorities has been to allow the Italian exporter to sell in the free market half the foreign exchange proceeds of his sales and to apply the official rate only to the other half. The free "export" rate has fluctuated considerably and this year, as against an official rate of 222.70 to the dollar, has ranged between 520 and 920 lire. On November 28th a decree abolished this system and provided that the whole of the foreign exchange proceeds of Italian exports should be paid for at a rate calculated on the previous month's average free market rate. That free rate has been falling in recent weeks owing partly to the stringent deflationary policy being pursued in Italy. Thus the effective rate—the latest figure is 589.457 lire to the dollar, 1,961.30 lire to the pound and 149.32 lire to the Swiss franc—shows a higher exchange value for the lira than those produced by the 50/50 arrangements a few months ago.

The Polish measure is far simpler. The official rate stays at 400 zlotys to the pound, and so long as this remains on the statute books and in the parities notified to the IMF, all is presumably well. But it was announced last week that the Polish Government had established a new rate of exchange of 1,600 zlotys to the pound, which will apply to all such transactions as assistance from relatives abroad, allowances, inheritances and legacies.

One must wonder how these members of the International Monetary Fund reconcile their exchange policy with the obligation whereby "each member undertakes to collaborate with the Fund to promote exchange stability, to maintain orderly exchange arrangements with other members, and to avoid competitive



December

December is balance month. The last few days of the year make heavy demands upon the staff of the bank, for every account is "balanced" and checked. Modern office methods, involving the use of mechanised book-keeping systems and of photographic records in accountancy, have reduced the time spent in searching for the proverbially elusive penny, but even so, hard work by every officer is required at "balance time". You will soon have an opportunity of studying the balance sheet of the Midland Bank; it is clothed in conventional form, but behind its figures lies the story of great achievements for customers large and small.

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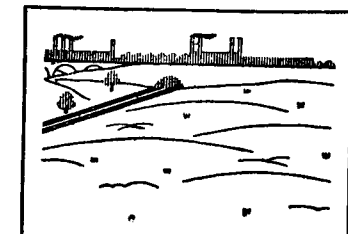
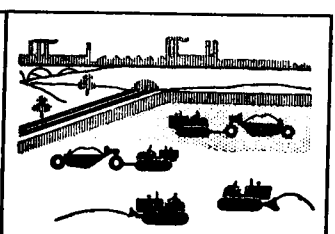
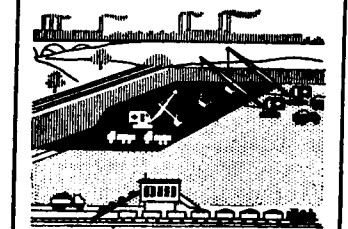
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exchange alterations." The three devaluations achieved by these devices may be wholly justified by prevailing convictions. But if so, why not approach the IMF with a request for a change in parities? This hole-in-corner method of devaluing brings into disrepute the one international instrument on which hopes of ordered international monetary relations can be placed.

* * *

Oil Bunkering Crisis

Although the oil supply situation is known to be serious, few people can have expected bunker supplies for ships to be gravely endangered, except perhaps in isolated cases where distributing facilities have temporarily broken down. But it is now announced by the Chamber of Shipping that some shipowners have been refused contracts for oil supplies in 1948. This means that next year shipowners will have to take pot luck at bunkering stations, paying 20 per cent more for spot oil than it costs at contract prices.

For some months it has been difficult to obtain oil bunkers in North American ports. Now it appears that contracts coming up for renewal are being refused. In the absence of details of the terms of such contracts, it is difficult to assess the extent of the anticipated shortage, but some measure of its adverse effect on British shipping may be judged from the fact that the Chamber of Shipping has seen fit to issue a statement. The majority of British steamships now burn fuel oil and the number of coal-burners has been steadily declining for some years, a process which has been accelerated by conversions from coal to oil fuel. There is a touch of irony in this new situation, for only a year ago owners of coal-burning ships were faced with the possibility of being unable to obtain bunkers. The more hopeful coal bunkering prospects may well be giving some shipowners cause to regret their decision to send ships to the yards for conversion to oil, while others will congratulate themselves on having specified dual firing for their new ships.

Means must, of course, be found to ensure adequate supplies of bunkers for the world's merchant ships if international commerce is not to come to a standstill. "Inland" priorities cannot be allowed to strangle the movement of dry-cargo ships, but the question arises whether this can be avoided without imposing some form of international control over the distribution of oil. Some shipowners have associated this bunkering problem with the proposed dissolution of the Petroleum Board, and are anxious that pooling should be retained until supplies of oil are sufficient to cater for a competitive market. These qualms will be set aside by the postponement of the dissolution of the Board; the immediate prospect of competition in the oil market was in any event quite limited. On the other hand, individual shipowners may well have been safeguarding their own position by ordering supplies in various parts of the world to a total figure far beyond their requirements. Nevertheless, until new pipelines and more tanker tonnage come into operation the problem of world distribution is likely to be acute. This can be deduced not only from the remarkable rise in forward rates for the time chartering of "free" tankers (despite the belated release of large numbers of T2 tankers from the United States), but also from the new leap in crude oil prices in the United States last week.

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Brokers' Commission and Agents

By all accounts the Stock Exchange Council is likely to confirm on December 22nd the changes in the rules governing the sharing of commissions. The effect will be, in short, that after January 1, 1949, the only agents in the United Kingdom and Eire entitled to share commissions will be the banks, and a limited number of firms who are able to show, on close scrutiny, that they are habitually engaged in the promotion of Stock Exchange business, and who are not members of a professional body entitled to charge for their services in this connection. Solicitors and accountants, many of whom handle a considerable volume of investment business, will then have to give advice to their clients gratis, or raise *ad hoc* professional charges—or abandon the business. Broker critics of the proposals resist them, firstly, because they may prejudice the initiative which creates business, and, secondly, because even if business is not affected, the result will merely be to substitute banks or Provincial brokers for agents among other professions. This, they argue, is the weakness in the claim that the changes will bring more business direct to the House at full commission.

But the Council probably has more in mind than mere commission hunting. One of its aims is to raise the status of the Stock Exchange as a profession, in which the sharing of fees with other professions would be out of place. Much remains to be done in simplifying and rationalising the whole scale of commissions; sharing of commission with non-professionals is an evident obstacle to such rationalisation, especially in the delicate matter of increasing the net return to brokers at the lower end of the scale. For example, all bargains yielding less than £1 net represent a clear loss, but any attempt to increase the minimum commissions would attract criticism so long as commission sharing was allowed.

The proposed change in agency commissions is directly linked with the other proposal, which also comes up for confirmation on December 22nd, to raise the minimum figure for reduced commission under Rule 197 (1) and (4) from £2,500 to £5,000. There is some force in the view that a commission of £9 7s. 6d. is hardly adequate for investing so large a sum as £5,000 in gilt-edged securities. Yet strong opposition to the change has developed in the House, especially from Brokers who are particularly concerned in dealings in Gilt-edged—where the concession is most frequently invoked. The supporters of the increase point out that if the changes in the agency commissions are successful in bringing more direct business to the Stock Exchange, then more business than hitherto will attract the concession rate, which is not applicable to agency business. A direct order for, say, £5,000 which attracts the concession rate admittedly yields a smaller net sum to the Broker than an indirect order which is ineligible for the concession. The case against revision is mainly based on the view that since the commission scale requires overhaul and since a major obstacle will be removed by the new agency arrangements a piecemeal alteration to the £2,500 rule is untimely.

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The scheme for the re-arrangement of the capital of the Stock Exchange outlined last March is to be put definitively to the proprietors in a somewhat amended form, to allow for the writing down of the £36 shares to 1s. No dividends are to be paid on these shares, and they will confer a purely contingent equity in the undertaking which could be valuable only in a dissolution. No consideration will be payable on a transfer. Each member will be obliged to hold one share, and those who hold a larger number will have only one vote. For each of their present shares the proprietors will receive two £4 cumulative redeemable annuities, and non-members will be required to hand over their 1s. shares to the council as part of the deal. The annuities will be redeemable at the option of the council at £100 after a minimum life of 5 years. There will be no limitations on dealings or holdings of the annuities.

* * *

Gold Scare in USA

A curious perverted type of gold scare is sweeping parts of the United States administration. It is a fear of continued gold imports and should be viewed as part of the apprehension with which all inflationary symptoms are now being watched in Washington. The reasoning behind this fear is that any foreign demand for American goods financed by dollars acquired through sales of gold to the United States, is twice accursed: firstly, because the impact of that demand on the prices of available goods has its customary inflationary effect; secondly, because the gold acquired by the US Government enters into the banking system, where it lays the basis for what may be a five to six-fold expansion of credit. The fear of this double inflationary impact of gold purchases by the United States has been reflected recently in the protests made from Washington to the Canadian Government concerning the latter's decision to pay a \$7 per ounce premium on all gold mined in Canada over and above the production in twelve months to June 30th last. The protest was not based on a quibble about the true interpretation of Canada's obligation under the Bretton Woods agreement; it merely took account of the far simpler argument that the Canadian programme would increase the gold flow to the United States and thus accentuate the inflationary forces already apparent in that country.

The fear of gold also made its appearance in Mr Snyder's statement regarding the freeing of the \$400 million balance in the American loan. In this he affirmed that "resumption of drawings against the line of credit at this time will permit the United Kingdom to continue the purchases in the United States necessary to maintain its present austerity programme and hence will not add to inflationary pressures in the

United States." The reasoning here, presumably, is that the resumption of drawings will merely allow the United Kingdom to maintain its purchases, it will not cause those purchases to be increased. Consequently, it will allow a corresponding reduction in the flow of British gold to the US Government.

This concern with the old visible symbol of gold as a factor in the credit situation is somewhat difficult to understand at this distance from Washington. The United States Government have at their disposal, through the Gold Reserve Act of 1934, all the technical apparatus required to sterilise any incoming gold. Beyond this, the powers of the Board of Governors of the Federal Reserve System to raise member bank reserve deposits are not fully extended, since reserve requirements against demand deposits of Central Reserve city banks are only 20 per cent compared with the figure of 26 per cent to which they could be raised under the existing legislation. The inflationary effect of foreign demand based on US assistance to other countries will not be determined so much by the form in which the dollars are procured—whether by gold sales or by credits—as by the accompanying measures, whether fiscal, physical or monetary, adopted to neutralise the inflationary forces to which that external demand has added its stimulus. Above all, it is surely strange that the US Administration should take exception to efforts made by the other countries to ease their dollar shortage by producing a little more of the one commodity, gold, which will produce dollars quite automatically. The attitude resembles that of one of the architects of the Republican party platform in the Roosevelt-Landon election of 1936, who stated that the party "favoured the orthodox automatic gold standard, but was fundamentally opposed to buying another ounce of foreign gold."

* * *

Writing Up Assets

Brush Electrical Engineering startled the City last week by announcing that it had written off £686,056 out of a trading deficit of £912,292 (compared with a trading profit for 1945 of £45,447) by revaluing its freehold land and buildings. The company has stated that the writing up of these assets should correctly be regarded as a counterpart of the writing down of assets which was an integral part of the re-organisation of capital undertaken in 1938. As such there is perhaps nothing unusual about the present action, but exception has been taken to writing up assets for the specific purpose of writing off a trading loss of any sort—especially one of these dimensions. Mr Alan P. Good, who has been managing director of the company since the latter part of 1946, has evidently been eager to clear up an unsatisfactory inheritance, for he has explained that the substantial trading loss for the year had already been sustained when he took over, and that subsequently the trading position has been greatly improved—for the first nine months of the current year the company has earned profits in excess of £200,000 and profits for the full year ending December 31, 1947, are expected to exceed this amount. Although these figures suggest that Mr Good has had a beneficial influence on the fortunes of the company, they do not mitigate the doubtful wisdom of using present inflated property values to bolster up assets to offset adverse trading results.

There have been other recent cases where assets have been written up for quite different reasons. For instance, Australian Mercantile Land and Finance has written up its fixed assets in the latest balance sheet from £285,100 to £559,300. Here the object has been to compensate for exchange differences on the conversion of overseas net assets in Argentina and Australia to sterling after revaluation. A similar step has been taken by New Zealand Loan and Mercantile. These actions appear quite justifiable, like that of the Estates and Agency Company, which in its latest balance sheet has revalued its estates in Ceylon and India at £865,600 compared with the valuation of £485,500 at June 30, 1946—possibly with adequate reason, though it is difficult to assess it from London. This company has voluntarily created a special reserve as part of the revaluation, equal to the amount of the difference, and this has dispelled any doubts about the company's position or intentions. Another case, that of Bartholemew (London), is to some extent open to the same criticism levelled at Brush Electrical Engineering, for here there has been a writing up of fixed assets by a substantial amount to take advantage of the present high level of property values.

An established tenet of conservative finance enjoins all companies to avoid the temptation of raising the book valuation of fixed assets in conformity with changes in market values. Departures from this principle are few, and they can be justified only by quite special reasons—among which the desire to write off trading losses cannot be included.

More Wage Claims

The Government's appeals to the trade unions to refrain from pressing claims for higher wages appear to be falling on deaf ears. Nobody expects that the TUC special committee, which has been investigating the whole question of wages, prices and profits, and will report to the General Council next week, will carry these problems much further forward. Yet wages questions are again looming ahead. This week the cotton spinners have tabled a claim for a general increase of 10s. a week for spinners, with a 5s. increase for spinners' assistants. The spinners will no doubt argue that the 10 per cent increase in production reported by Sir Stafford Cripps last week justifies this move, and that it is necessary to offer higher minimum wages in order to attract recruits to the industry. At the same time, any inflation in the costs of spinning would be passed on to the consumers of yarn and increase the difficulties of selling in overseas markets. What is more urgent in the spinning industry is the revision of the wage structure, which remains highly complicated and full of anomalies in spite of the recommendations for its simplification by the Evershed Committee of 1945.

The wage talks now going on between the railwaymen and the companies come in rather a different category, for they are in accordance with the recommendation of the recent Court of Enquiry. The railwaymen are still smarting under the Court's award of 7s. 6d. a week, instead of the £1 they demanded, but the Court emphasised that this increase should be regarded as an interim measure, pending an overhaul of the industry's wages structure. The main purpose of the present negotiations is therefore to devise some form of grading, which will remove some of the existing anomalies and provide an incentive for efficiency and promotion to more responsible work. The present minima would, it is understood, not be interfered with, but the differentials between the various grades would be much more marked. The grading of wages is a long process, as has been shown by experience in engineering and mining, and no rapid agreement can be expected. That is perhaps a good thing, for any further addition to transport costs at this stage would be highly damaging to industry generally. Yet both of these industries are suffering from shortage of labour, and both pay lower wages than many competing industries.

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Trade in Latin America

Lord Wardington's statement for this year's meeting of the Bank of London and South America is, as usual, a mine of information for all who have trade and financial interests in the Latin American Republics. Speaking generally, the current year has been marked by a major change in the trend of the wartime years. The phase of accumulation by these countries of large reserves of gold and foreign exchange was abruptly terminated early in 1947 when the first really large consignments of imports from the United States began to arrive. This deluge of imports, to use Lord Wardington's phrase, first caused congestion of transport facilities and docks; then a severe depletion of monetary reserves; and later the inevitable imposition of drastic import restrictions. The bank itself has naturally shared in this expansion; its bills for collection have risen by £5,926,000 to £21,113,000, and its documentary and other credits, now shown separately for the first time, stand at £17,741,000. Profits have expanded substantially; but in Argentina, as in Brazil, local earnings are subject to a limit on remittances fixed in proportion to the capital locally employed. In both cases the bank is in negotiation with the Governments concerned on the application of these measures.

Lord Wardington's detailed survey of economic conditions examines each of the Republics in turn, but the high-lights are his comments on the situation in Argentina and Brazil. In Argentina, the Government's five-year plan, conceived primarily as a bulwark against postwar depression, is being vigorously implemented despite the continuance of intense inflationary pressure. So intensive a programme of industrialisation will, in Lord Wardington's opinion, profoundly affect the character of Argentina's import requirements in the future, which may tend more and more to relate to capital equipment as distinct from consumer goods. Already, however, social stresses are beginning to appear, in consequence of the repercussions upon the agricultural community, which receives for its products prices far below those at which they are resold in world markets by the Governmental buying and selling agency (the "IAPI").

Meanwhile, there has been a violent impact upon the Republic's external finances. In the first eight months of this year, imports from the United States totalled 1,292 million pesos, in contrast with only 377 million in a similar period of last year, and the export surplus for the eight months amounts to only 200 million pesos compared with the record figure, 1,607 million pesos, achieved in the year 1946 as a whole. But, despite this huge concentration of import demands upon America, Britain remained by far the best customer of Argentina, purchasing in the eight months 1,002 million pesos (almost twice the comparable 1946 figure), compared with United States purchases of 292 million pesos.

In Brazil the global balance of trade has this year swung from surplus to deficit. Brazilian imports from the United States have actually exceeded Argentina's heavy purchases there; but, thanks to the high prices realised for Brazilian coffee in the US market, the adverse balance with the United States has not deteriorated commensurately. Imports are now subject to stringent control; moreover, legislation is reported to have been drafted to introduce a general system of advance licences for nearly all imports and exports.

* * *

The Jute Riddle

More than a month has passed since Pakistan imposed an export duty equivalent to £6 5s. a ton on raw jute crossing its land frontiers—a move discussed in *The Economist* of November 22nd. But the jute trade is still uncertain about the full implications of Pakistan's action. Britain and other European countries have a large number of outstanding contracts, and at the moment it appears that the new tax will be levied on supplies already bought. Similarly, the joint allocation system is apparently still in force—at least neither of the two new Dominions has rescinded it. Nevertheless, if exports are re-directed through Chittagong in Pakistan, these quantities would presumably be "extra-allocation." The Government of India has protested to Pakistan about this "unilateral action" of imposing the new export duty, and has stated that it is "examining what parallel measures it should take to protect the interests of the Dominion of India." There for the present the matter rests.

The question is clearly one of relative bargaining power, although Pakistan's action was undoubtedly motivated in part by revenue needs. The Calcutta mills require the better types of jute grown in Pakistan, but must now pay an extra £6 a ton for them. If foreign buyers are able to use Chittagong as a port of shipment, they will presumably pay only the seaborne export duty, which is of the same amount; Pakistan may be deliberately encouraging the development of this port. But the facilities at Chittagong are limited, and even if it handled the maximum quantities, Pakistan would be unable to dispose of all its jute crop without using Calcutta. As neither side can hope to force the other into agreement without hurting its own interests, there would appear to be adequate grounds for an amicable settlement.

The world demand for jute cloths and bags is greatly in excess of supply, and the effect of the new tax on jute consumption will not be fully felt immediately. But the increase in price caused by the new tax will undoubtedly encourage the development of substitutes, such as Congo jute, rosella and some of the hemps. If the price is too high, it may even be cheaper to use coarse cotton cloth for sacking. Recently, raw jute prices have been high, in spite of an increased acreage and a heavier crop, because of the dislocation of up-country transport and the anxiety of Indian mills and shippers to cover their requirements. The transport situation has now improved, and as increased supplies come forward it is generally considered that prices will decline and at least partially offset the sharp increase caused by the new tax. The price of raw jute in the week ending November 15th was £88 ton (Daisee 2/3—good marks) for shipment c. and f. Dundee, having declined by £2 on the previous week, but in the first week of December it has risen to £93, allowance having been made for the new tax.

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Is Copper Too High?

British manufacturers have maintained for some months past that the Ministry of Supply's home issue price for copper—£132 a ton delivered—is unduly high compared with the world level. The Government's selling price averages out the cost of purchases made at varying prices—though this is a principle about which argument is possible. But copper consumers should at least be

able to pass judgment on the buying operations of the Ministry of Supply, and this cannot be done unless reasonably full information is available. The statistics which are forthcoming are always inadequate and sometimes misleading. Recently Mr John Freeman, answering in Parliament for the Minister of Supply, stated that during the first ten months of 1947 some 230,000 tons of copper had been purchased by the Ministry at prices closely related to the New York export price of electrolytic copper, which during that period varied between £109 7s. and £132 a ton f.a.s.—purchases in a given period are not, of course, necessarily identical with imports. With copper there is considerable variation in quality and specification, and for that reason an average price is not very dependable—though surely it has more than "little significance," the phrase used by Mr Freeman. Had Mr Freeman quoted the average price at which purchases were made, the Ministry of Supply's case might not have appeared so unassailable.

Mr A. Chester Beatty in the annual report of Roan Antelope Copper Mines states that in the year ended June 30, 1947, the average selling price of blister copper rose from £57 19s. 9d. a ton to £80 10s. 8d. He added that as the company sells its entire output forward to the Ministry of Supply, the average price a ton receivable by the company in the first half of 1947-48 would be considerably higher than that for 1946-47, notwithstanding the fall in the world copper price. Mr Chester Beatty's disclosures may go some way towards justifying the Ministry of Supply's case. But the average imported c.i.f. value for electrolytic copper for the first 10 months of 1947 was £117. Moreover, since June the New York export price for electrolytic copper has been hovering around £120 a ton f.a.s. and even the more recent fluctuations have not materially altered this level. Does not this evidence point to the possibility that the British home issue price is too high?

Virgin copper stocks in Britain in 1947 have been equivalent, on the average, to between 2½ to 3½ months' supply, and stocks have been steadily built up from 82,000 tons at the end of January to 102,000 tons at the end of August, though they declined to 96,000 tons at the end of September. Consumption of virgin copper over the past 10 months has averaged 29,000 tons a month, while monthly imports have averaged slightly more than 31,000 tons; these figures would produce a net monthly increase in stocks of, say, 2,000 tons. The figures do not balance out exactly, but at least they suggest that supplies to British consumers are coming from fairly recent imports of copper and that stocks are being turned over at a sufficient rate to justify the trade's misgivings about the Ministry of Supply's price policy. Surely if the British copper price is not too high it must mean that the Ministry bought forward large supplies at the peak of the market and that next year at any rate a price reduction should take place.

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Textile Shortage and Labour

The last two weeks have seen little progress in the negotiations on overtime working in the Lancashire cotton mills. Last week's meeting brought a reaffirmation from both employers' and operatives' representatives that overtime working must be introduced to step up production and ensure at least a modicum of supplies for the home market after export markets have had the lion's share. But this took matters no further than they were a fortnight ago when some spinning operatives in the Rochdale area refused to work overtime, against the advice of their unions, on the grounds that the small increase in output which overtime would bring could be achieved by other (unspecified) means. Up to the time of going to press, there was no indication that these workers had changed their mind.

This reluctance on the part of a section of the workers to put the need for maximum production well behind the advantages they are enjoying from the 45 hour week (which has now been in operation twelve months), points to a complete failure to appreciate the urgency of higher textile production and exports. This attitude, however, is not unique. It has a counterpart on the employers' side in the slow progress which has been made so far with the re-grouping of mills under the Cripps' re-equipment scheme.

The key role which textiles, especially cotton, can play in the export drive was emphasised last week by the Chancellor. If the volume of textile exports in 1947 was as high as in 1937, the export values of textiles could, as Sir Stafford recently observed, be increased by £300 million a year—sufficient to close half the gap in the balance of payments. Unfortunately, the volume of textile exports as a whole is only about 45 per cent of the prewar level—cotton and wool are running at 42 and 84 per cent of the 1938 volume respectively.

Last week, however, Sir Stafford was able to report an increase in cotton yarn production for the week ended November 8th to 16.61 million lb. compared with 16.5 million lb. needed in the average week to meet export allocations and to get the 10 per cent addition to home supplies to meet the clothing ration.

Output in the doubling and weaving section also showed an encouraging improvement in October. But the margin between the best levels of production in October and early November and what is needed was desperately small—and perhaps even non-existent if allowance is made for seasonal factors. The brunt of the cut in supplies for the home market can be expected to fall on fabrics for clothing and household purposes. In the wool industry, production will have to be increased by about 12 per cent if the present coupon ration is to be honoured. Production is expanding, and is now running about 5 per cent above the 1946 level; but a shortage of worsted goods is probable, since they are urgently wanted for export to hard currency areas.

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Report on Weaving Machinery

The committee set up last year under the chairmanship of Sir Raymond Evershed to investigate the cotton textile machinery industry have now published their final report.* An interim report, which dealt exclusively with cotton spinning machinery, was discussed in a Business Note on May 31st. The final report deals with weaving, winding and warping machinery. In cotton textile manufacture, the warping and winding processes take place between the spinning and weaving stages and the committee are comparatively optimistic about the machinery makers' ability to meet any foreseeable demand for this type of equipment. Their main preoccupation has been the supply of weaving machinery, especially of automatic looms.

The committee have taken as their starting axiom that there is scope in the Lancashire weaving industry for a much wider use of the automatic loom. So great is the disparity at present between the supply of this equipment and the orders already placed by both the home and overseas markets, that they have been able to avoid the more debatable issue of exactly how many looms are required. As the Report points out, it matters little whether the high notional figure of 120,000 automatic looms to be installed over a five year period is taken or half that figure over a ten year period; in any event there is little prospect of producing the machines, given the present and prospective capacity of the machine making industry.

The committee have made one obvious and one ingenious recommendation. They have been attracted to the short term expedient of fitting automatic devices to semi-automatic looms. There are, of course, serious drawbacks to fitting precision attachments to old machines which were built for robustness rather than smooth running. But if Lancashire is to hit its export targets and if only a few new machines can be built for the next year or so owing to a shortage of labour and foundry castings, it may be advisable to mobilise scarce fabricating resources for adapting old machines. Their more revolutionary recommendation is to manufacture a few standard lines of automatic looms by mass-production methods in factory space specially allocated by the Government, with a high priority for labour and materials. The more progressive machine making firms should be brought in to manage the plant on agreed terms. On the quality of automatic looms, the committee are satisfied that those produced or capable of being produced by the British Northrop Loom Company in particular are at least as good as any being manufactured abroad.

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Barclays (D. C. & O.)

Events this year, and especially of the past few months, have fully vindicated the judgment of Barclays Bank (Dominion, Colonial and Overseas), two years ago, that the time was ripe for a more vigorous development of the resources of the Colonies. But when it then backed this judgment by forming Barclays Overseas Development Corporation for this purpose, the bank presumably did not foresee that within so short a period a mammoth new Governmental corporation, with resources of £110 million, would be entering the same field. The proposed Governmental body, the Colonial Development Corporation, will have, moreover, as its first chairman, Lord Trefgarne, one of the original directors of the Barclays Company. In his statement for this year's meeting of Barclays (D. C. and O.), the new chairman of the

* Second and Final Report of the Committee of Investigation into the Cotton Textile Machinery Industry. HMSO, 4d.

bank, Mr J. S. Crossley, declares that the work of the Barclays Corporation will be complementary to rather than competitive with that of the new body.

It seems evident, however, that the bank remains in some doubt about the manner in which this relationship is likely to develop. It is in Africa—which will be a major sphere for the Governmental body—that the bank corporation expects to find its greatest scope and it is there, too, that Barclays (D. C. and O.) derives the major part of its business. Geographically, there is bound to be a large overlap, but Mr Crossley expects the official body to concern itself mainly with "a somewhat different type of business" from that of the bank undertaking. It is a pity that the nature of this probable difference could not have been more clearly indicated. Conceivably, what the bank has in mind is the possibility that the Government body will be predominantly interested in agricultural development; and in social and public works which may be necessary to ensure it, whereas the private body may find particular scope in the industrial field. As for the mode of operation of the two bodies, it is clear that the official Corporation will in many cases act as a principal in planning and carrying through development schemes, whereas the private body is intended merely to supply financial assistance for development projects.

Barclays Bank (D. C. and O.), as distinct from its Development Corporation (about whose recent activities no details are given), has just completed a year of marked expansion of its business, especially in South Africa. The total of its advances rose in the twelve months to end-September last by more than 50 per cent, to £77 million (which may be contrasted with the figure of £32.4 million in September, 1939). Even when viewed in the light of the boom conditions which have ruled in South Africa during the year, this is a surprising rate of growth; yet Mr Crossley stated that the bank's figures do not reflect the full increase in its activity during the period.

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Australia's Bank Nationalisation Powers

The Bill for the nationalisation of the Australian banks had, as expected, a speedy passage through the Senate, and the Royal Assent was given with the minimum of delay on November 27th. Now, therefore, the struggle between the Government and the banks has shifted to the purely legal sphere. Even before the Bill became law, the banks were planning to seek an injunction to restrain the Government from implementing its powers, when conferred, before they had had an opportunity to challenge the validity of the legislation in the courts. But the need for any such precautionary measures was removed by a pledge from the Commonwealth Treasurer to refrain from taking any steps towards nationalisation until four clear days had elapsed after the passage of the Act. The banks' challenge to the constitutionality of the legislation is due to come before the High Court on December 15th, but, as the Court adjourns for the long vacation only four days later, the full hearing is not expected to take place until the New Year. Normally the Court re-assembles about the middle of February, but the Government is apparently taking steps to arrange for it to resume at the end of January.

Even at best, therefore, it will be some time before the issue can be decided, and there is of course the possibility that the matter may later be carried from the High Court to the Privy Council. To protect their position in the meantime, so as to ensure that they are not confronted by a *fait accompli*, the banks—acting in two groups, one comprising the purely Australian banks and one the Anglo-Australian banks—recently made a further attempt to secure an injunction. These applications, which came before a single judge sitting in the High Court, were, however, rejected on the ground that the Commonwealth Treasurer had expressed his willingness to give fourteen days' notice before taking any steps under the Act. There, for the present, the matter rests—with the banks still wondering whether the Government might not, even now, give such notice during the long vacation.

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Rand Mining Costs

The rise in gold mining costs in South Africa since 1939 was the main theme of Mr Robert Annan's speech at the recent meeting of Consolidated Goldfields of South Africa. Costs per ton milled increased by more than 33 per cent between 1939 and 1946, while revenue per ton rose by only 10 per cent; the proportion of operating costs to total revenue has risen from 61 to 73 per cent over the same period. European labour costs have risen by 38 per cent, native labour by 24 per cent and materials by 27 per cent. Taking the Rand mining industry as a whole,

gross revenues have increased by slightly more than £7,000,000 a year, but wages for a reduced labour force have risen by £8,250,000 and supplies by £5,000,000. In contrast to these increases, the total amount absorbed by taxation and paid in dividends has been reduced by about £9,250,000.

These, of course, are average figures. Over the Rand as a whole, some mines are far from the average; many low grade mines, especially the older and deeper ones, are now working on very narrow margins, while a few fortunate ones, like "Blyvoor," which are working high grade ore, have a handsome margin of working profit. Some relief has been afforded to the industry by the 10 per cent reduction in taxation on gold mining profits as from the beginning of this year, and by the change in the method of calculating allowances for capital expenditure.

Mr Annan noted that the rise in costs has been slowing down in recent months. The link between high costs and lower dividends has been only too obvious over the last twelve months. In June, dividends were affected by the added factor of the March strike, and it was to be expected that the December declarations would show some improvement. The first batch of dividends, from the Consolidated Goldfields group, largely confirm this expectation. Robinson Deep and Simmer and Jack, two marginal mines with deep workings, have resumed payments, after going out of the dividend list last June, while Venterspost (one of the latest mines to begin production) has raised its payment from 3d. to 8d. for the current half year.

Small progress has so far been registered towards redressing the lack of balance between costs and revenue. Some look to a higher gold price for the solution of the Rand's problem, others to the slower process of deflation of costs, of which there are, as yet, few visible signs. Last August gold share prices fell to their lowest levels since 1939; yet more than £35,000,000 of new capital has been raised for South African gold mines in the last two years. Hope springs eternal on the Rand.

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United Kingdom and Argentine Trust

The announcement by the United Kingdom and Argentine 1933 Convention Trust, that the liquidation of the Trust is to commence on May 1, 1948, is a reminder of the days when the balance of advantage in the Anglo-Argentine exchange was on the other foot. The Trust was formed in 1933 as part of a scheme to enable holders of blocked pesos—of which this country was then richly endowed—to exchange them into sterling and negotiable sterling securities. The original holdings of the Trust were £7,156,100 Argentine Government 4 per cent Sterling Bonds 1933 which had been issued under the 1933 Anglo-Argentine Trade Convention to holders of blocked pesos, and £5,367,075 British Government 3 per cent Conversion Loan 1948-53 the repayment of which was announced last week.

The Argentine bonds had been deposited in the Trust in exchange for £20 cash and £60 of "C" certificates of the Trust for each £100 bonds deposited, and the Conversion Loan had been purchased out of the funds realised from the sale of the three classes of certificates of the Trust. The "A" and "B" certificates of the Trust which were issued at the same time as the 3 per cent (maximum) "C" certificates have all been repaid, apart from £2,268,685 "B" certificates which are to be redeemed out of the repayment due from the 3 per cent Conversion Loan redemption next March. Thus there remain the 3 per cent "C" certificates, of which £5,367,075 are outstanding. The realisable assets of the Trust consist of £3,098,390 Conversion Loan, £3,410,300 Argentine 4 per cent sterling bonds (registered), £125,612 "C" certificates of the Trust and £78,968 cash in the income distribution account. It has been estimated by the Trust that these bonds should be sufficient to make a payment to "C" certificate holders as soon as possible after May 1, 1948, of approximately £66 in cash and £59 nominal in Argentine bonds for each £100 "C" certificates held after allowing for the expenses of liquidation, stamp duty and miscellaneous expenses.

A tangible measure of the success of this scheme, which was devised by Mr J. H. Clifford Johnston, is that the price of the "C" certificates this week has been around 125 compared with 55½ in 1933.

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New Shell Dealings

Dealings in the new shares of Shell Transport and Trading opened on Wednesday. Until after January 15, 1948 (when the first call on the shares is due), the volume of subscriptions for the issue of 9,648,544 £1 shares will not be known, and the quota to be taken up by the underwriters, if any, must remain equally uncertain. Market estimates of the number of shares which may be left with underwriters have fluctuated widely, but most observers now seem to be thinking in terms of about 1,000,000 shares. But until January 15th no shares can be forthcoming from the underwriters, and hence none will be delivered until after that date. Under these unusual conditions it was logical to expect a plethora of buyers when dealings opened on Wednesday, and in fact the shares, quoted nil paid, rose in early dealings to 19s. 7½d. premium before settling down around 16s. 3d. premium. This is a firm level as it is known that many buying limits have been placed slightly below it.

At the official price of 16s. 3d. at which the issue attracts the new bonus duty, the company has incurred a liability of £784,000 which is quite a sizeable catch for the Treasury from its first excursion into these profitable bonus issue waters. The company may well have been relieved that the price in earlier dealings came under later pressure; immediately before the opening of dealings the price of the old shares cum rights rose to above £4 for the first time for many months.

SECURITY PRICES AND YIELDS

A fuller list containing 370 securities appears weekly in the *Records and Statistics Supplement*. Notes on the following company reports also appear in the Supplement: Tube Investments; Peninsular and Oriental Steam Navigation; Turner and Newall; Amalgamated Anthracite Collieries; Ind Coope and Allsopp.

Prices, Jan. 1-Dec. 10, 1947		Name of Security	Price, Dec. 3, 1947	Price, Dec. 10, 1947	Net Yield, Dec. 10, 1947 (%)	Gross Yield, Dec. 10, 1947 (%)	Prices, Jan. 1-Dec. 10, 1947			Name of Security	Price, Dec. 3, 1947	Price, Dec. 10, 1947	Yield, Dec. 10, 1947 (%)
High	Low						High	Low	Last Two Dividends (a) (b) (c)				
British Funds													
103½	100½	Conversion 3% March 1, 1948-53	101½	101½	10 16 11	113½	99½	(d)	(d)	Australia 3½% 1965-69	104	104	12 19 11
103½	100½	War Bonds 2½% August 1, 1949-51	101½	101½	0 10 10	105½	89½	(d)	(d)	Birmingham 2½% 1966-71	96	96	2 16 0½
102½	98½	Exchequer Bonds 1½% Feb. 15, 1950	100½	100½	0 10 6	102½	100½	(d)	(d)	Anglo-American Corp. 10s.	101	101	3 10 4
105½	98½	War Bonds 2½% March 1, 1951-53	101½	101½	0 19 8	102½	113½	40 c	50 c	Anglo-Argentine 3½% 1966-71	140/-	143/9	3 9 7
105½	97½	War Bonds 2½% March 1, 1952-54	100½	100½	1 5 9	2 9 9	150/-	113/9	40 c	Assoc. Port. Cem. Ord. Stk. £1	160/-	158/9	3 15 7
108½	101½	War Loan 3½% (after Dec. 1, 1952)	102½	103½	1 5 5	2 16 7	80/9	56/10	10 c	Austin Motor 'A' Ord. Stk. £1	70/-	70/-	4 5 9
106	97½	War Bonds 2½% Aug. 15, 1954-56	100½	100½	1 7 6	2 10 11	42/6	25/3	40 c	Barclays Bank Ord. 'B' £1	80/6	79/6	3 10 5
106	99½	Funding 2½% June 15, 1952-57	100½	100½	1 8 6	2 15 2	95/4½	73/6	7 b	Imp. Chem. Ind. Ord. Stk. £1	37/6	36/6	4 5 9
108½	99½	National Def. 3% July 15, 1954-58	102½	101½	1 9 1	2 15 1	245/-	76/6	15 a	Lat. Rattell Ord. £1	187/6	187/6	3 10 5
109½	99½	War Loan 3½% Oct. 15, 1955-59	102½	102½	1 9 4	2 18 8	58/7	40/6	12 b	British Oxygen Ord. £1	102/6	102/6	4 13 0
108½	97½	Savings Bonds 3% Aug. 15, 1955-61	101½	101½	1 11 3	2 18 8	58/7	40/6	9½ a	Courtaulds Ord. £1	44/6	45/3	7 7 7
105½	95	Funding 2½% April 15, 1956-61	97½	97½	1 11 5	2 14 6	29/1½	22/9	8 c	Dorman Long Ord. £1	27/12½	28/3	5 13 2
109½	98½	Funding 3% April 15, 1959-69	101½	101½	1 11 9	2 18 10	51/-	57/3	12 c	Imp. Chem. Rubber Ord. £1	76/9	78/5	3 16 11
122½	109½	Funding 4% May 1, 1960-90	112½	112½	1 13 2	2 17 3	53/-	40/9	7 b	Lancs. Cotton Ord. Stk. £1	50/3	51/3	3 18 1
110½	97½	Savings Bonds 3% Sept. 1, 1960-70	100½	100½	1 12 7	2 17 0	49/6	39/6	7½ c	Lever & Unilever Ord. £1	56/3	47/6	4 4 3
104½	92	Savings Bonds 3% May 1, 1964-67	95	95½	1 13 7	2 17 0	57/4½	48/6	10 c	London Brick Ord. Stk. £1	53/9	53/9	3 15 3
123½	109½	Victory Bonds 4% Sept. 1, 1920-76	114½	114	1 5 9	2 19 5	77/6	46/6	5 c	Prudential 'A' £1	80	82½d	4 17 0
111½	96½	Savings Bonds 3% Aug. 15, 1965-75	100½	100½	1 12 8	3 0 1	84½	48/6	10 c	N. Eastn. Elec. Ord. Stk. £1	34/-	34/-	4 2 4
117½	106	Consols 4% (after Feb. 1, 1957)	109½	109½	1 3 0	2 18 10	36/9	32/-	4½ b	Phin 'Inn. Ord. Stk. £1	61/-	61/3	4 9 10
115½	102½	Conversion 3½% (after Apr. 1, 1961)	105½	105½	1 10 2	3 4 6	68/3	47/-	20 b	Stewarts & Lloyds Def. £1	34½	34½	2 3 0
100½	80½	Treas. Stk. 3½% (after Apr. 1, 1975)	83½	83½	1 12 11	3 0 0	39	29½	169-58c	'Shell' Transp. Ord. Stk. £1	56/6	57/-	4 7 9
110½	95½	Treas. Stk. 3% (after Apr. 1, 1966)	99½	100	1 13 5	3 0 0	39	29½	169-58c				
117½	97½	Redemp. Stk. 3% Oct. 1, 1986-96	100½	100½	1 12 11	3 0 0	63/4½	44/-	12½ c				
99	80	Consols 2½%	82½d	83½d	1 12 11	2 9 9½	108/9	74/4½	12½ a				

Redemption yields on stocks optionally or finally redeemable within the next five years are worked out on the assumption that they will be repaid at the earliest date. Redemption yields on other dated stocks assume that stocks paying over 3 per cent. will be redeemed at the earliest date (these are marked 'e'), and those paying 3 per cent or less will be repaid at the latest date (marked 'f'). (n) Net yields are calculated after allowing for tax at 2s. in the £. (f) Flat yield. * Assumed average life 17 years 6 months. † Notice given for repayment on March 1, 1948.

(a) Interim. (b) Final. (c) Whole year. (d) Int. paid half-yearly. (e) To earliest redemption date. (f) Also a capital bonus of 2½ per cent free of income tax. Yield worked on 15 per cent basis. (h) Fifteen months to March 31, 1947 (yield basis 7-6 per cent). (i) To latest redemption date. † Free of tax.



Investing money WITHOUT ANXIETY

WITHOUT trouble to you, and without charge, your Bank is now able to make it easy for you to invest money towards your own future security—and your country's prosperity. Your signature on a Banker's Order form will ensure for you either a single purchase of a number of National Savings Certificates, or the regular monthly inflow of as many Certificates as you like—up to the total of 1,000 which you may hold. In ten years' time each 10s. Certificate will be worth 13s.—your £500 will have grown to £650 tax free—a very worthwhile investment indeed. To the surtax payer the Savings Certificate is even more profitable. See your Bank Manager about it today.

SAVE—The Bank Way

Issued by The National Savings Committee



This Christmastide please think of the patients in The Royal Cancer Hospital, visited with a malignant disease that is among the most dreaded enemies of mankind, and send a gift, as much as you can afford, to the Secretary

The Royal Cancer Hospital (FREE)

FULHAM ROAD, LONDON, S.W.3.

116th Annual Statement

The Bank of Nova Scotia

Established 1832

GENERAL OFFICE: TORONTO, CANADA

CAPITAL
\$12,000,000



RESERVE
\$24,000,000

Condensed General Statement as at 31st October, 1947

ASSETS	
Cash, clearings and due from banks	\$125,565,290.47
Government and other public securities not exceeding market value	267,202,339.08
Other bonds and stocks, not exceeding market value	22,506,958.29
Call loans (secured)	19,325,019.07
Other loans and discounts (after full provision for bad and doubtful debts)	238,537,823.29
Liabilities of customers under acceptance and letters of credit (as per contra)	32,526,669.12
Bank premises	6,234,038.32
Shares of and loans to controlled companies	1,459,964.55
Other assets	1,006,556.07
	\$714,444,679.16
LIABILITIES	
Notes in circulation	\$1,726,765.67
Deposits	640,682,536.81
Acceptances and letters of credit outstanding	32,526,669.12
Other liabilities	884,385.88
Capital	12,000,000.00
Reserve fund	24,000,000.00
Undivided profits	2,623,321.68
	\$714,444,679.16

Branches from Coast to Coast in Canada

NEWFOUNDLAND JAMAICA CUBA
PUERTO RICO DOMINICAN REPUBLIC
LONDON, ENG.: NEW YORK:
108, Old Broad Street 49, Wall Street
(The Bank of Nova Scotia is incorporated in Canada with limited liability.)

TRANSPORT ACT, 1947

Notice to holders of Securities of Railway, Canal and Inland Navigation Undertakings.

The British Transport Commission give notice that an announcement giving information on the points set out below has been published and copies are available for inspection at Offices of Banks.

1. Payment of the final interest and dividends on Securities of the Railway, Canal and Inland Navigation Undertakings to be transferred to the Commission on the 1st January, 1948.
2. Instructions to holders not to send Certificates of the old Securities for exchange until requested to do so by the Undertaking concerned.
3. The titles of the valued Securities of the said undertakings in respect of which British Transport Stock will be issued on the 1st January, 1948.
4. The extension of dividend mandates registered in respect of the old Securities to the British Transport Stock attributable thereto.
5. The use of certificates of the old Securities as representing the appropriate amount of British Transport Stock until such time as new certificates for that Stock have been issued.
6. The procedure to be followed on and after the 1st January, 1948, by holders of British Transport Stock who may wish to dispose of their holdings before new certificates have been issued to them.
7. The publication on the 2nd January, 1948, of the rates at which the calculation of the amounts of British Transport Stock attributable to holdings of old Securities will be made.
8. The titles of those Securities of the Undertakings which have not yet been valued with particulars of the payment of interest accruing after the 1st January, 1948, and the procedure to be followed on and after the 1st January, 1948, by those who may wish to dispose of their holdings.

British Transport Commission

London, 9th December, 1947.

THE CANADIAN BANK OF COMMERCE

AID TO EUROPE

The annual meeting of The Canadian Bank of Commerce was held, on the 9th instant, in Toronto.

Mr Allan E. Arscott, C.B.E., the president, in the course of his address to the shareholders, said: A very high level of business activity had been attained during the past year with correspondingly large pay rolls and new records in volume and variety of goods. However, export trade had absorbed a substantial part of the goods produced. Extent and nature of the damage resulting from the war was becoming more evident and it was clear that European countries could not reach complete recovery without help from abroad. Temporary assistance would have to be given them in the form of loans or outright gifts until they were producing, not only to fill their own needs, but surplus for export.

Having regard to our resources and population Canada had already rendered substantial aid to help restore the shattered economies of Europe but owing to drain on our United States dollar reserve we were faced with necessity of taking some action in regard to our unfavourable balance of trade. One favourable aspect of the present proposals regarding United States aid to Europe was that some of the necessary supplies might be purchased in other countries, which should help to adjust our trade balance. We must of necessity consider carefully the degree of support we are in a position to provide. In giving every possible aid to Great Britain and Europe we must continue to cultivate and develop foreign markets, the potentialities of which are great. In so doing, however, we must endeavour to keep prices on a reasonably competitive level.

Taking a long-range view progress made at the Geneva Conference in the matter of a freer world trade had been better than expected and if the tariff changes suggested there were fully implemented world trade, and therefore Canadian trade, would benefit materially. While we have numerous unsolved problems we must agree that we are singularly fortunate in view of the general material well-being in this country.

The sympathy of the people of this continent will go out to those less favoured in Great Britain and Europe who are again facing the rigours of winter with totally inadequate food, fuel and clothing. It is disappointing that the necessity arises for reimposition of restrictive measures which affect the course of business and personal affairs, but we must remember that there is an unusual situation in the world today from which we cannot stand aloof.

The general manager, Mr S. M. Wedd, presents the bank's annual statement outlining the major changes which occurred within the past fiscal year, chief of which was an increase in the bank's loans of \$108 millions, \$90 millions being in commercial loans in Canada. Interest-bearing deposits, mostly personal savings, were also much higher, rising \$73 millions to \$770 millions. Very active foreign trade of the past year is reflected by the increase in letters of credit from \$34 millions to \$46 millions. Senior representatives of the bank who had gone abroad during the past two years in order to obtain first-hand knowledge of post-war conditions and to re-establish connections interrupted by the war had reported continued widespread interest in Canada. Contacts they had made would benefit both the bank and the country as a whole. The number of shareholders had steadily increased and now totalled 13,070, of which over 3,000 were in United Kingdom and Possessions.

The report was adopted.

BARCLAYS BANK (DOMINION, COLONIAL AND OVERSEAS)

INCREASED ACTIVITY IN ALL SECTIONS

MR JULIAN CROSSLEY'S VIEWS

The twenty-second ordinary general meeting of Barclays Bank (Dominion, Colonial and Overseas) will be held at 29, Gracechurch Street, London, E.C., on the 19th instant.

The following is an extract from the statement of the chairman, Mr Julian S. Crossley, circulated with the report and accounts for the year to September 30, 1947:—

I will not attempt to deal with conditions in the different territories served by the bank or to record their events, but I cannot turn from the subject without referring to this year's Royal visit to South Africa. I was fortunate enough to have the opportunity of making a business visit to South Africa during February and March. This gave me the special privilege of being present at the time of Their Majesties' visit and of witnessing the spontaneous enthusiasm and warmth of their reception throughout the whole country.

PAST YEAR'S FIGURES

You will recollect that in the chairman's statement last year a new issue of "A" shares was foreshadowed and also the conversion of the Preference into "A" stock. Both these operations were satisfactorily concluded, and, as you will see from the balance-sheet, the bank's capital now comprises "A" stock and "B" shares only, and the premium received on the new issue has been added to the reserve fund. While deposits have remained at substantially the same figure as last year, our advances to customers have shown further marked expansion. The year's dividends cost an additional £47,000, the final dividend being payable on the increased capital. For a full year, and at present rates of dividend and income-tax, the additional cost would be double that figure. We are proposing to make the same appropriations of the surplus as last year by writing off £250,000 from the investment in the Development Corporation and placing £50,000 to deferred repairs to premises.

Our figures do not by any means reflect the full increase in the activity of the bank's business during the past year. This has been noticeable in all sections, but has been perhaps most marked in South Africa.

All our territories seem to have many problems in common, among which that of housing seems to be one of the most intractable at the moment. This applies not only to those who work in the bank; in certain places the bank's own premises are quite inadequate to our growing needs. Heavy expenditure is likely to be needed for this purpose as soon as building restrictions are relaxed. The housing problem, in fact, is not one of those shortages which afflict our staff in this country alone.

At the same time, the large increase in the potential resources which will now be available for this type of work will add further meaning and purpose to what we ourselves have set out to do. The field to be covered, in any case, is so great that for many years to come there is likely to be room in it for all. It seems likely, too, that the new Government Corporation will concern itself in the main with a somewhat different type of business and often, no doubt, on a larger scale than anything which we ourselves might wish to undertake. Moreover, it may be expected to act in many cases as a principal, whereas our Corporation is intended merely to supply financial assistance in various forms. We look forward confidently to much fruitful co-operation with the new Corporation.

THE PROFIT MOTIVE

It is reassuring to learn that the Government Corporation is to be operated on a commercial basis and, accordingly, that considerations of profit will not be overlooked. This question of profitability is not a trivial matter to be lightly dismissed because if the great work of colonial development is to be carried through it is likely, eventually, to need capital resources on a scale far in excess of that available from a Government Corporation. The motive of profit or gain has ever been one of the mainsprings of human activity, and, if conditions are not such as to offer a fair prospective return, it may be difficult to attract new capital into this field. While high profits may attract envious and sometimes critical comment, the ventures which end in total failure are often quickly forgotten except by those whose money is irretrievably lost.

Investors are, however, obliged to accept this risk of loss, frequently a very real one in newly developing countries, and they can hardly be expected to do so unless they also have the prospect of earning a good return on such undertakings as are soundly based and proved successful. A multiplicity of development corporations, whether Government sponsored or otherwise, can never be an effective substitute for the self-reliant individual who is prepared to risk his money and devote his skill in pioneering enterprise.

MUTUAL BENEFITS

When, some two years ago, we first approached the authorities in respect of the formation of our development corporation we could hardly have foreseen that this new enterprise would so quickly find itself so much in vogue as it is today. If there were any who at that time doubted the wisdom of this move we hope they will now feel reassured. The fact is that since then many things have happened to demonstrate the need for such a departure, not only in the interests of the overseas territories, which we had primarily in mind, but also in the interests of this country; the benefits should be mutual.

In the constantly shrinking world of today, when so many countries, obsessed with the problem sometimes euphemistically described as "dollar shortage," are turning, or being forced to turn, more and more in the direction of self-sufficiency, it is refreshing to have in view a clear object for a constructive policy and one which aims at an expansion, rather than a contraction, in economic activity. Such is the cause of "colonial development." Some headway has already been made in many fields, although it is in Africa that the greatest scope appears to exist, and, as it is here that our bank carries on the major part of its business, the fact has a special significance for us, which must be my excuse for reverting to the subject in this annual statement.

It would be misleading to raise expectations of the rapid production of great wealth, but if this work can be carried through with foresight and resolution it cannot fail to confer great benefits on the peoples concerned.

Much foresight and patience will be needed if the true aims of Colonial development are to be realised. Your bank is, I believe, exceptionally fortunate in being so well placed to implement this policy. If, in the process of carrying it through, something can be done to redress the economic balance of the Old World it must, in the long run, benefit the New World also, for the Old and the New are one.

DORMAN, LONG AND COMPANY, LIMITED

RAW MATERIAL AND TRANSPORT NEEDS: IMPORTANCE OF ENGINEERING INTERESTS.

The fifty-eighth ordinary general meeting of Dorman, Long & Co., Limited, was held, on the 11th instant, at Winchester House, Old Broad Street, London, E.C.

The Right Hon. The Viscount Greenwood, who presided, said:—

You will be aware of the vital part which the steel industry is playing, and must continue to play, in efforts to restore the National economy.

Dorman Long are making their contribution to increased production, and both managements and men are setting about the task with the greatest goodwill. It would be foolish to ignore, however, the difficulties which face us.

DEVELOPMENT PROGRESS

The company is engaged on a considerable development programme. I am pleased to be able to report that this programme is proceeding satisfactorily, having regard to all the circumstances, although not so rapidly as we would wish.

A good deal of civil engineering work has been done on the Lackenby site. It has not yet been possible to begin the actual work of construction, but it is hoped to commence the first building in the near future. As you know, certain plant for the universal beam mill can be obtained more quickly from the U.S.A. than from British makers, and we are at present receiving tenders submitted by American plant manufacturers.

Another major project involves the construction of two large new blast furnaces at the Cleveland Works which, with necessary improvements and extensions to existing services, will involve a capital expenditure of approximately £4½ million. This scheme is now being considered by the iron and steel board.

HEAVY COMMITMENTS

These developments, which are urgently required to improve the technical efficiency of the company's iron and steel works, will involve heavy commitments. Capital costs are at present high, and this underlines the need to make adequate provision for depreciation and to strengthen still further our reserves. An increase in dividend in present circumstances would be a short-sighted policy. Your board prefer to take the long view, which I am sure you will agree is the correct one, of building up the technical efficiency of the company's manufacturing resources and consolidating its financial stability.

The increase of £633,565 in the trading profits of the group has not come from any expansion of our output of steel, neither is it attributable to benefits arising from recent expenditures at the iron and steel works, as these have not yet had time to influence the trading results. The increased profits are attributable to expanding outputs and improved results in other departments of the company's activities, and in our important and rapidly growing subsidiary businesses at home and abroad.

It will be seen that in addition to the book value of investments in subsidiary companies shown in the parent company's balance sheet at £952,012 there is disclosed by the consolidated balance sheet an excess of value of £2,069,665, making a total of £3,021,677. I think it right to inform you, however, that this figure is much less than a valuation based on the earning capacities of the companies concerned.

IRON AND STEEL BOARD

We have now had twelve months experience of the iron and steel board, and I am

happy to be able to tell you that our relations with this important body have been cordial and helpful. The establishment of the board was welcomed by the iron and steel industry. There has been full co-operation between us with benefit to the nation and the industry.

The Government at one time proposed to introduce a Bill in the present session to transfer to public ownership important sections of the iron and steel industry. Wiser counsels prevailed because of the urgent need to secure undivided concentration on increasing output, and carrying through the industry's development plan. The results, as I have already mentioned, have been most gratifying and the Government have publicly expressed their appreciation. The production already achieved and the steady progress made with the industry's development plan show that through the Steel Board the Government and the industry can achieve what is required.

A realistic approach to the relations of the Government with the industry is most desirable. It should be practicable to devise proposals on a permanent basis which while maintaining the benefits of private enterprise and initiative so strikingly displayed in the steel industry, would give the Government effective control of general policy, a general control warranted by the particular relationship of the industry to the national economy both in peace and war.

AFRICAN INTERESTS

During the year important developments have been put in hand by our subsidiary company Dorman Long (Africa) Ltd. I had an opportunity early this year of paying an extended visit to the Company's interests in the Union and I was greatly impressed by the high quality of work the enthusiasm of the management, and the fine reputation which Dorman Long (Africa) enjoys, and deserves, in South Africa.

Our other subsidiary companies, Redpath Brown and Co., Ltd., the Tees Side Bridge and Engineering Works Ltd., and the British Structural Steel Co., Ltd., of Buenos Aires, have been actively occupied throughout the past year. They have large programmes of structural work on hand. In addition, the Tees Side Bridge Company have built large numbers of steel mineral wagons for the home railways and pylons for the electric power grid. The same company has most successfully embarked upon the construction of all-welded Thames dumb barges for some of the largest interests in the Port of London.

Our bridge building and structural engineering activities based on our iron and steel manufacturing resources are extensive. In this country, in South Africa and in South America we have in active operation no less than 12 large engineering works with modern equipment and first class resources. A policy of progressive development is being followed at all these works and we have every confidence in their ability to hold their own in the increasingly competitive conditions likely to prevail.

Many of you will be wondering what will be the effect on our prospects of the Government's policy to foster exports, to allocate steel supplies on a new basis, and to cut down drastically capital expenditure projects. By far the greater part of our extensive bridge and structural engineering activities is concerned with projects of the highest priority. We are, for instance, engaged upon the supply, fabrication and erection of the steel-work for several new power stations, and extensions to many others.

There are other important development programmes in which we are interested whose fulfilment is essential to achieving the Government export plans. There is good reason for believing that the demand for our products will continue high for a good many years.

The report was adopted.

ANSELLS BREWERY, LIMITED

OUTPUT AT HIGHEST PERMITTED LEVEL

The forty-seventh ordinary general meeting of Ansell's Brewery, Limited, was held, on the 5th instant, at Birmingham.

Mr A. E. Wiley (chairman and joint managing director) said that, despite the manifold difficulties and problems of the times, the board were able to show results which he was sure would be considered satisfactory. The trading income of the group for the year was £1,725,761 compared with £1,628,600 for 1946. The output of their products had been maintained at the highest level permitted by the materials available, consistent with the highest quality possible in the circumstances. The directors had paid interim dividends of 5 per cent, and 17½ per cent. No additions to those dividends were proposed.

A DIFFICULT YEAR

The year had been a difficult one not only with regard to supplies, but in many other ways. Owing to the coal crisis, the output had been reduced to negligible proportions early in 1947, which, of course, had meant considerable disappointment to their customers. Fortunately, however, they had been able to use the materials conserved in that period to augment the ration later in the year, when the very hot spell had made extra supplies most acceptable. On September 1 they had had to revert to their original ration, which action had unfortunately been misunderstood by many of their customers, but he could assure them that they had used all the materials allowed to them by the Ministry of Food.

The board were fully alive to the necessity of providing suitable accommodation in their licensed houses for catering, the requirements of each house calling for special study to meet the varying needs of the public. At the present time it was exceedingly difficult to obtain the necessary permit for the provision of extra food, but unless they were given facilities to develop in that direction at an early date, they might find they were unprepared when matters became easier.

SHORTAGE OF SUPPLIES

Mr Walter Scott, J.P. (joint managing director) said that they had had to concentrate on maintaining their products in such a way that their popularity had made it possible to collect the huge artificial value they had to carry by way of the beer duty, which had been increased seven times since the outbreak of war and now stood at 226 per cent. above 1939. It would, of course, be impossible for any brewer to satisfy in every respect the public's demands for a cheaper beer, a stronger beer and a larger quantity, because the Government controlled all those factors. It was true that, within the regulations, there was a limited degree of latitude for the brewer, but he was compelled to use 15 per cent. less material than in 1946 and not to exceed the average strength allowed. If, therefore, he elected to strengthen a portion of his beer, the duty, and consequently the price, went up and the quantity produced came down. On the other hand, if he produced a cheap beer, and thereby increased the quantity to try and meet the shortage, criticisms arose as to the quality. As the result of the autumn Budget, further hardship would have to be borne by the long-suffering beer-drinker.

Shareholders would probably agree, however, that their business was on the sound foundation that they served the public by supplying them with the maximum quantity of the best possible value and, in their stride, collected over £7¼ million for the Revenue.

The report was adopted.

TUBE INVESTMENTS, LIMITED

EXPORTS UP SIX TIMES OVER PREWAR

The twenty-eighth annual general meeting of Tube Investments, Limited, was held at Birmingham on the 11th instant.

Mr I. A. R. Stedford (the chairman) said that direct exports, at over £7,600,000, were double those of 1946 and more than six times the value of those in any prewar year. In volume they were 400 per cent. of the 1938/39 figures. Indirect exports brought the total to at least £1 million a month, and nearly 25 per cent. had been sold to hard currency countries. Some T.I. companies were exporting 75 per cent. of output and technical representatives had visited 27 overseas countries to find out what customers were wanting and thinking.

He could not promise that T.I. would be able to improve exports by very much, if at all, in the current year. The situation which had been developing recently could not be appreciated without considerable disquiet, for many of the normal avenues of overseas trade were being reluctantly closed to this country. It seemed beyond the scope of industry to do anything about it. The onus of getting these markets reopened was on the Government, and, while we appreciated their difficulties, the successful outcome of the country's present export drive was in no small degree dependent on their being able to do so.

NEW PLANT

Postwar modernisation and business expansion plans, which had already cost £7 million, were well advanced, owing to the early start made, and thus would be less seriously affected by the new limits set on capital expenditure. Many tube companies were already modernised, while others were well on the way. The Electrical Division's big new plant at Blythe Bridge was operating at full production; the Cycle Division had installed new plant and layouts, the factory at Newtown, Wales, having settled down as an efficient unit.

The Government's decision to give the cycle industry a high priority for the supply of raw materials because of its export potentialities had been greeted with satisfaction. This satisfaction was not due entirely to the fact that T.I. happened to be the world's largest cycle and cycle component producing unit, with the biggest and most valuable export business, but also because the British cycle industry as a whole had firmly established its roots in most of the international markets. Allowing for difficulties of comparison, on account of the differences in the types of cycles made, he believed that we in Britain could fairly claim to be producing bicycles of the best design at the lowest cost. The T.I. cycle companies had achieved new records, both technical and commercial, during the year.

SOUTH WALES ALUMINIUM COMPANY

The merging of the T.I. and Hawker Siddeley Aircraft Company light alloy activities had been indefinitely postponed owing to the present economic conditions, but T.I. had acquired a controlling interest in the South Wales Aluminium Company, whose modern rolling mills were in construction. The amalgamation of this scheme, with the plan of modernisation for Reynolds Rolling Mills, on the South Wales site would effect a saving of upwards of £1,250,000 in capital expenditure as well as considerable economies in manufacturing costs and manpower. The output, which would have a high export potential, would be about equal to that planned for both projects had they proceeded independently.

He believed this arrangement to be a realistic response to the Government's requirement to curtail capital outlay, while, at the same time, it would ensure that the country would have its share of modern plant with which to fight effectively in the

approaching struggle for world markets. T.I.'s final share in the enterprise would be some two million pounds. The production of light alloy tubes and extrusions, now concentrated at the Redditch factories under a new company, Reynolds Light Alloys, Limited, were showing good progress.

NEW SCIENTIFIC METHODS

New scientific methods of production technique were being applied throughout the group, first applications showing that well over a 20 per cent. increase in production could be achieved with the same number of operatives, equipment, working hours and expenditure of energy. Those who applied these methods would find that they would not need to call so heavily, as was contemplated on the country's resources for industrial reconstruction. T.I. did not claim to be the pioneers in applying the skill of outside technicians to the development of production organisation, but we had heard little about the experience of others. It should be given widest publicity. Organisation of production was no longer a matter mainly of commonsense. It has become a matter of science, and companies which neglected its benefits would surely be doing themselves and the country an ill service which neither could afford.

A comprehensive works pension and life assurance scheme had been adopted at an initial cost of some £700,000, and a plan for the selection and pre-training of future foremen had been introduced. The pensions scheme was an earnest of T.I.'s intention to implement their principles of labour relations, and he believed it to be money well spent. T.I. regarded long service employees as one of their greatest capital assets, and he hoped they would come to regard T.I. in the same light. It might seem to some that times were not propitious for such schemes. T.I. did not accept this view. He could see nothing in the present position to justify delaying a scheme which—far from stimulating expenditure—encouraged thrift.

DIVIDEND DECISION

We have been mindful of all considerations in deciding to recommend to you a final dividend of 12½ per cent., making a total for the year of 25 per cent. If a distribution at that rate can be maintained, I trust that stockholders will feel that their best interests have been served.

Since it has been my privilege to address you as chairman of your company, each of my reports upon our activities has had a background of crisis. This last year we have had the fuel and power crisis, and in the present year we find ourselves already with the first consequences of the dollar crisis.

THE FUTURE

I hesitate to contemplate any of the new sequences in the unfolding drama of Britain's fight for a decent life, against which I may be called upon to address you next year. But history shows that conditions have been as critical with us before, and if it should now be that even yet we have not reached the upward turn of our fortunes—that turning point will certainly come. We British are a virile and determined people, and given a chance are well able to earn our own living, and a good one too.

But what must be kept steadfastly in mind is the simple truth that the only help upon which we can rely absolutely is self-help. Britain only can save Britain, and that makes it essentially a personal matter to every one of us.

The report and accounts were adopted, and the final dividend of 12½ per cent. on ordinary stock, making a total of 25 per cent. for the year, was approved.

THE ECONOMIST, December 13, 1947

SECOND INDUSTRIAL TRUST, LIMITED

RECORD APPRECIATION

The thirty-sixth annual general meeting of the Second Industrial Trust, Limited, was held, on the 8th instant, in London.

Mr. L. A. Stride, the chairman, in the course of his speech, said:

The valuation of investments shows a satisfactory appreciation over book figures of £628,014 or 43½ per cent., the highest recorded in the history of the Trust. In May last we increased the dividend on the ordinary shares by ½ per cent. and now recommend that the final dividend be also increased by ½ per cent., making 8 per cent. for the year against 7 per cent. The report, with this recommendation, was in print when the then Chancellor of the Exchequer announced the doubling of the profits tax. I should like you to regard the increase in the distribution as in the nature of a bonus.

It is not yet possible to gauge the full effect on our revenue of the various nationalisation schemes, while the increase in the profits tax is bound to have adverse consequences.

One feature of the Interim Budget calls for vigorous protest. Retrospective legislation is always objectionable, but is particularly to be deprecated when taxation is involved. The increase of the profits tax purports to be imposed to discourage inflationary profits distributions, but it becomes a penal imposition when applied retroactively.

The general national outlook is still very unhappy. The difficulties of the post-war period are increasingly aggravated by inept and incompetent leadership and industry continues to be hampered by many perplexities as a consequence of new directions and controls.

The report was adopted.

CONSOLIDATED GOLD FIELDS OF SOUTH AFRICA, LIMITED

FACTORS AFFECTING REVENUE

The annual general meeting of this Company was held, on the 4th instant, in London.

Mr Robert Annan (the chairman) said that the gross revenue of New Consolidated Gold Fields, Limited, the operating company, at £1,417,387 was only £30,355 less than in the previous year. A dividend on the ordinary shares of 12½ per cent., less tax, the same as last year, had been declared.

The Consolidated Gold Fields of South Africa, Limited, recommended the payment of a dividend of 12½ per cent., less tax, on the ordinary shares which would leave the carry forward unchanged at £9,673.

Turning to the activities of the New Consolidated Gold Fields, Limited, during the year covered by the accounts, working costs had again increased and there was a sharp rise in the cost of living index in the first half of the current year. One of the most significant results of those conditions was the continued decline in developed ore reserves.

It should be remembered, however, that the low grade producers had now a very slender margin of profit which might fall below 10 per cent. of the revenue in some of the older and deeper mines. It was therefore imperative that every means must be used to reduce the burden of costs. The outstanding feature of the past year had been the great activity in the development of new mines.

They felt that it would be necessary in the near future to raise some further capital. It had not been possible to finalise their plans, but they hoped to be in a position to announce them before long.

The report and accounts were unanimously adopted.

GOVERNMENT RETURNS

For the week ended December 6, 1947, total ordinary revenue was £42,329,000, against ordinary expenditure of £72,305,000 and issues to sinking funds £470,000. Thus, including sinking fund allocations of £10,709,891 the surplus accrued since April 1st is £196,266,748 against a deficit of £554,362,020 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1947-48	Receipts into the Exchequer (£ thousand)			
		April 1 to Dec. 7, 1946	April 1 to Dec. 6, 1947	Week ended Dec. 6, 1946	Week ended Dec. 6, 1947
ORDINARY REVENUE					
Income Tax	108,600	499,318	473,911	6,280	7,651
Sur-tax	80,000	20,722	24,305	800	850
Estate, etc., Duties	155,000	98,549	112,579	2,500	2,800
Stamps	57,000	23,244	35,280	574	1,100
N.D.C.	206,000	24,517	24,020	520	450
E.P.T.	206,000	247,829	178,085	8,500	5,872
Other Inland Rev.	1,000	168	120	...	...
Total Inland Rev.	158,500	914,347	848,300	18,874	18,723
Customs	742,450	417,284	545,358	12,561	16,764
Excise	668,540	397,000	414,400	4,100	3,100
Total Customs & Excise	1,411,000	814,284	959,758	16,661	19,864
Motor Duties	50,000	12,829	13,229	184	176
Surplus War Stores	95,000	87,201	131,340	...	281
Surplus Receipts from Trading	55,000	30,000	30,175	...	...
Post Office (Net Receipts)	...	5,800	4,730	350	650
Wireless Licences	11,000	5,270	6,370	...	...
Crown Lands	1,000	650	670	...	...
Receipts from Sundry Loans	21,000	21,250	19,172	168	309
Miscell. Receipts	270,000	28,878	193,847	3,671	2,325
Total Ord. Rev.	344,900	1,920,508	2,207,592	39,998	42,329
SELF-BALANCING					
Post Office	144,230	83,100	92,350	1,900	1,850
Income Tax on E.P.T. Refunds	49,000	130,800	15,945	1,187	409
Total	369,220	2,134,408	2,315,887	42,995	44,588

Expenditure	Estimate, 1947-48	Issues out of the Exchequer to meet payments (£ thousand)			
		April 1 to Dec. 7, 1946	April 1 to Dec. 6, 1947	Week ended Dec. 6, 1946	Week ended Dec. 6, 1947
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	525,000	344,581	355,401	32,747	32,935
Payments to N. Ireland	23,000	11,986	14,540	696	764
Issue to Nat. Land Fund	...	50,000	...	...	...
Other Cons. Fund Services	8,000	4,004	3,878	...	5
Total	556,000	410,571	373,820	33,443	33,705
Supply Services	263,514	205,407	162,795	44,500	38,600
Total Ord. Exp.	319,114	246,458	200,615	77,943	72,305
SELF-BALANCING					
Post Office	144,230	83,100	92,350	1,900	1,850
Income Tax on E.P.T. Refunds	49,000	130,800	15,945	1,187	409
Total	338,334	267,848	210,891	41,030	34,564

After increasing Exchequer balances by £84,742 to £2,097,892 the other operations for the week increased the gross National Debt by £62,996,102 to £25,972 million.

NET RECEIPTS (£ thousand)		131
Overseas Trade Guarantees Act, 1939, sec. 4	280	
Atte Act, 1936, sec. 26	411	
NET ISSUES (£ thousand)		550
P.O. and Telegraph	498	
E.P.T. Refunds	4,400	
Local Authorities Loans Act, 1945, sec. 3 (1)	15,000	
War Damage & War Damage Commission	1,818	
Finance Acts, 1946 and 1947, Post-war Credits	15	
Overseas Trade Guarantees Act, 1939, sec. 4 (1)	595	
Housing (Scotland) Act, 1944, sec. 4 (2) & Housing (Financial Provs.) Scotland Act, 1946, sec. 13 (2)	10,000	
Civil Contingencies Fund	32,876	

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Civil Contingencies Fund	32,876	

Statistical Summary

CHANGES IN DEBT (£ thousand)	
NET RECEIPTS	NET REPAYMENTS
Nat. Savings Certs 3,000	3% Def. Bonds... 3,735
2½% Def. Bonds... 1,511	3% Term. Annuities 1,084
Tax Reserve Certs. 2,803	Other Debt :-
Treasury Deposits. 35,000	Internal 36
Other Debt :-	
External 2,479	
Treasury Bills 21,363	
Ways & Means Advances 1,695	
67,851	4,855

* Including £3,145,000 paid off on maturity.

FLOATING DEBT (£ million)	
Date	Tender
Tender	Tap
Public Depts.	Bank of England
Treasury Bills	Ways and Means Advances
Treasury Deposits by Banks	Total Floating Debt
1946	2080-0
Dec. 7	2487-3
1947	376-1
Aug. 30	2190-0
Sept. 6	2428-5
13	2466-4
20	2499-9
26	2533-0
Oct. 4	2557-1
11	2534-8
18	2561-7
25	2584-7
Nov. 1	2561-5
8	2543-4
15	2539-3
22	2529-0
29	2561-0
Dec. 6	2582-2

TREASURY BILLS (£ million)	
Date of Tender	Amount
Offered	Applied for
Alotted	Average Rate of Allotment %
Per Cent. Allotted at Min. Rate	
1946	170-0
Dec. 6	313-7
1947	170-0
Sept. 5	276-8
12	269-7
19	253-5
26	277-4
Oct. 3	190-0
10	180-0
17	170-0
24	170-0
31	170-0
Nov. 7	170-0
14	170-0
21	170-0
28	170-0
Dec. 5	170-0

On December 5th applications for bills to be paid on Monday, Tuesday, Wednesday, Thursday, Friday and Saturday were accepted as to about 38 per cent. of the amount applied for at 99 17s. 5d. and applications at higher prices were accepted in full. (£170 million (maximum) of Treasury Bills are being offered for December 12th. For the week ended December 13th the Banks will be asked for Treasury deposits to an amount of £50 million (maximum).

NATIONAL SAVINGS (£ thousand)	
Week Ended	Totals
Nov. 30, 1946	Nov. 29, 1947
Savings Certificates :-	
Receipts	2,900
Repayments	3,050
Net Savings	1,150
Defence Bonds :-	
Receipts	4,230
Repayments	1,007
Net Savings	3,223
P.O. and Trustee Savings Banks :-	
Receipts	13,961
Repayments	11,790
Net Savings	2,171
Total Net Savings	5,244
Interest on certificates repaid	534
Interest accrued on savings remaining invested	2,228

BANK OF ENGLAND RETURNS

DECEMBER 10, 1947

ISSUE DEPARTMENT

Notes Issued :-	Govt. Debt...
In Circulation... 1353,417,539	Other Govt. Securities... 1438,289,784
In Bank, Department... 96,830,294	Other Secs... 685,761
	Coin other than Gold... 9,355
	Issue of Fid. Gold Coin and Bullion (at 172s. 3d. per oz. fine)... 247,833
1450,247,833	1450,247,833

BANKING DEPARTMENT

Capital... 14,553,000	Govt. Secs... 290,720,851
Reserves... 3,445,806	Other Secs... 16,215,915
Public Depts... 18,897,999	Advances... 35,544,233
Other Depts :-	Securities... 96,830,294
Bankers... 294,235,494	Coin... 980,510
Other Accts... 82,943,680	
387,179,183	Notes... 424,075,888
	Commissioners of National Debt and Dividend Accounts

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

COMPARATIVE ANALYSIS (£ millions)

	1946	1947
	Dec. 9	Dec. 10
Issue Dept. :-		
Notes in circulation	1398-2	1340-6
Notes in banking department	52-0	109-8
Government debt and securities	1449-1	1449-4
Other securities	0-9	0-6
Gold	0-2	0-2
Banking Dept. :-		
Deposits	14-9	14-0
Public	265-6	292-5
Bankers	56-4	93-3
Others	336-9	399-8
Total	336-9	405-0
Securities	258-0	278-5
Government	27-2	4-4
Discounts, etc.	16-4	23-6
Other	301-6	306-5
Total	53-2	111-2
Banking dept. res.	15-8	27-8
"Proportion"	27-8	26-8

* Government debt is £11,015,100, capital £14,553,000

Fiduciary issue raised from £1,400 million to £1,450 million on December 10, 1946.

"THE ECONOMIST" INDEX TO WHOLESALE PRICES (1927=100)

	Dec. 3, 1946	Nov. 18, 1947	Dec. 2, 1947
Cereals	109-0	113-5	113-9
Other foods	109-2	138-7	138-7
Textiles	132-6	156-3	157-0
Minerals	199-3	233-9	233-9
Miscellaneous	138-5	154-3	154-3
1913=100	184-7	211-4	211-5

GOLD AND SILVER

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Head Office: 26 BISHOPSGATE, LONDON, E.C.2.

BRANCHES:			
Aden and Aden Point	Colchin (S. India)	Madras	Kisumu
Amritsar	Colombo	Mandalay	Mombasa
Bombay	Delhi	Nuwara	Nairobi
Calcutta	Kandy	Eliya	Nakuru
Cawnpore	Karachi	Rangoon	Entebbe
Chittagong	Lahore	Tuticorin	Jinja
Dar-es-Salaam	Mwanza	Zanzibar	Kampala
	Tanga		Mbale
			Tanganyika Territory
SUBSCRIBED CAPITAL ... £4,000,000			
PAID-UP CAPITAL ... £2,000,000			
RESERVE FUND ... £2,300,000			

The Bank conducts every description of Eastern Banking business. Trusteeships and Executorships also undertaken.

UNIVERSITY OF DUBLIN
TRINITY COLLEGE

The Board will proceed at an early date to appoint a LECTURER IN STATISTICS. Salary: £550/£25/£650 p.a. Candidate selected to take up duties if possible on May 1, 1948, but not later than October 1, 1948. Further particulars may be obtained from the Registrar, Trinity College, Dublin, and applications must reach him not later than March 1, 1948.

CANADIAN PACIFIC RAILWAY COMPANY (Incorporated in Canada with Limited Liability).—DIVIDEND NOTICE.—PREFERENCE STOCK.—At a meeting of the Board of Directors held today a final dividend of Two per cent on the Preference Stock in respect of the year 1947 was declared payable on February 2, 1948, to stockholders of record at 3 p.m. on December 31, 1947.—By order of the Board, **FREDERICK BRAMLEY**, Secretary. Montreal, December 8, 1947.

AVELING-BARFORD, LIMITED
INVICTA WORKS, GRANTHAM, Lincs.

NOTICE IS HEREBY GIVEN that the Fifty-second Annual Ordinary General Meeting of the Company will be held at the Registered Office, Invicta Works, Granttham, Lincs., on Monday, the 15th December, 1947, at 3 o'clock in the afternoon to transact the following business:—

1. Read the Notice convening the Meeting.
2. Report the Board of Trade's consent to the accounts for the year ending 31st March, 1946, being presented to the Meeting.
3. Election of Director.
4. Election of Auditors.
5. Any other competent business.

By order of the Board,
5th December, 1947. **H. C. RYAN**, Secretary.

STATISTICIANS

THE ECONOMIST proposes to make two appointments to its statistical staff.

1. A general Statistician. The work will include preparation of material for the *Records and Statistics Supplement to The Economist*, compilation of reference material, organisation of information services and statistical research. An honours degree in statistics or subjects combined with statistics is desirable, and a wide knowledge of statistical sources is essential. Preference will be given to those who have had practical experience of the type of work.

2. An Investment Statistician. The work will consist of preparing statistics for publication relating to company profits and Stock Exchange investments. Applicants should have a good knowledge of accounting practice, but need not be qualified accountants. They should be able to analyse a company profit-and-loss account and balance sheet, and should have some knowledge of company law (including the new Companies Act) and taxation. Some knowledge of Stock Exchange practice is desirable.

The salary for both posts will depend on qualifications and experience. It will not be less than £450 and may be considerably higher if circumstances warrant.—Applications should be addressed to "Statisticians," 22 Ryder Street, London, S.W.1.

APPLICATIONS are invited from those qualified to take charge of the development programme of the International Wool Secretariat in India and Pakistan. The qualifications which are regarded as essential for this appointment are: some years' previous experience in a senior executive capacity in those Dominions and the ability further to establish and maintain business and social contacts in high governmental and industrial circles. A knowledge of the wool industry would be an additional recommendation. The salary and personal allowances will not be less than £2,000 per annum.

Further information on the Secretariat and on the nature of this appointment may be obtained on application to the Secretary, International Wool Secretariat, Dorland House, 18-20 Regent Street, London, S.W.1.

ACCOUNTANTS.—Robson, Morrow & Co., have vacancies on their staff for outstanding Chartered or Incorporated Accountants, not over 37, who have held appointments in industry, and who are interested in being trained in the installation of modern Industrial Accounting methods.—Send full particulars of age, education, qualifications, experience and present salary to 59, New Cavendish Street, London, W.1, marking envelope "Application."

BUYER required by large Birmingham manufacturers. Position calls for man age 30-40 with sound experience in normal and present markets.—Only applicants having held a similar position need apply, stating age, experience and salary required, to Box 625.

PERSONNEL AND WELFARE MANAGER required by well-known and old-established manufacturers in Birmingham employing approx. 1,000 people. Duties of the post are in the main those recommended by Industrial Welfare Society.—Write, giving age, salary required and full particulars of previous experience, to Box 627.

VACANCIES for Building Surveyors in West Riding and Newcastle areas. Salary according to age and experience. Apply—William Townson & Sons, Ltd., Park Hill Street, Bolton, Lancs.

TRANSLATIONS: Efficient and prompt service undertaken by specialists in technical literary and commercial work. Moderate terms.—Apply to P.W.E.A. (E) Translation Service, 11, Gillingham Street, S.W.1. Tel.: Victoria 9557.

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ANNUAL INCOME EXCEEDS £16,300,000
ASSETS EXCEED £97,000,000
CLAIMS PAID EXCEED £181,000,000
(1946 Accounts)

CIVIL SERVICE COMMISSION

Applications are invited for the post of Assistant Keeper Grade II at the Tate Gallery.

Candidates must be at least 21 and under 33 years of age on 1st January, 1948. The salary is on the scale £330 rising by annual increments of £25 to £600; allowance will be made for age in fixing the initial salary, one increment being added for each completed year of age over 23.

Candidates should be familiar with the history and practice of the Fine Arts and should preferably have a University degree with Honours, or a Diploma in Art subjects awarded by a University or by the Ministry of Education. Candidates must be British subjects. The appointment is permanent and subject to the usual Civil Service conditions. Application is open to both men and women. In accordance with normal Civil Service practice the salary scale for women will be somewhat lower.

Forms of application, together with full particulars of the appointment, may be obtained from the Secretary, Civil Service Commission, Burlington Gardens, London, W.1, quoting No. 2072 to whom completed application forms should be returned not later than 15th January, 1948, for candidates in the United Kingdom, and 31st January, 1948, for candidates overseas. Candidates overseas, whose application forms may arrive later than 31st January, 1948, for reasons beyond their control, should write direct to the Secretary, Civil Service Commission, 6, Burlington Gardens, London, W.1 (giving full details of age, nationality, education, qualifications, experience and war service and quoting No. 2072) before that date, as well as completing and forwarding the application form.

THE NATIONAL COAL BOARD

Applications invited for two vacancies for Cost Accountants at Headquarters in London. Applicants should preferably hold a recognised accountancy qualification and have had experience of Costing in Industrial Undertakings. Knowledge of the Coal Industry or its ancillaries would be an advantage.

The appointment carries a salary scale commencing £675 p.a. plus location allowance and participation in a contributory Superannuation Scheme.

Applications, giving date of birth, full particulars of professional qualifications and experience, etc. (with dates), should be made within seven days of appearance of this advertisement to National Coal Board, Establishments (General) Branch, Hobart House, Grosvenor Place, S.W.1, marking envelope TT/36 in left-hand corner. Original testimonials should NOT be forwarded. Only candidates selected for interview will be advised.

STORE MANAGER with several years' experience in a modern retail Store and ability for Staff Management required by Managers of Holborn. A well-paid and progressive position. Apply Managing Director, A. W. Gamage, Ltd., Holborn, E.C.1, and mark envelope H.W.H.

STATISTICIAN, 27, Hons. degree Econ./Stats. (Cambridge), having gained extensive experience and responsible position in Government Department with large trading interests, seeks wider scope for enthusiasm and specialist talents in industry. Expert in large-scale survey technique; studied overseas industrialisation, travelled, languages; good knowledge home market.—Box 624.

STATISTICIAN and economist experienced in finance and investment seeks appointment: especially interested in research on price changes and market trends; possessing large collection of relevant information and data, and a general index of statistical matter collected from the press over last two years.—Box 628.

CHRISTMAS HOUSE PARTY in Surrey. Professional and University people. Vacancies for others wanting pleasant company, interesting conversation, good food.—Box 606.

ECONOMIST, 1943-46, for sale.—Offers Box 622.

Postal Tuition for B.Sc.ECON.

The London University B.Sc. Econ. Degree is a valuable qualification for statistical, research and welfare work in commerce and industry, and for teaching or administrative posts under Education authorities, etc. The degree is open to all, without University residence. You may prepare for the three examinations at home under the experienced guidance of Wolsey Hall (est. 1894): moderate fees, payable by instalments, if desired.

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December 20, 1947

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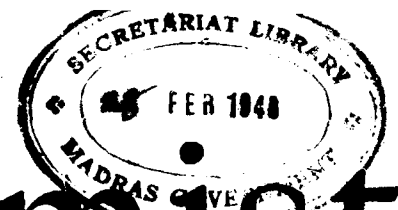
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**Money's Revenge**

IT is said that President Truman, by appealing to Congress for the reinstatement of some of the wartime controls, helped the Labour Party to win the by-election at Gravesend. Now Mr Stalin has come along to help the Tories at Paisley by decreeing as thorough a piece of deflation as the world has ever seen. It is indeed a topsy-turvy world when state controls can be put on to save the free enterprise system and when the high priest of Communism can pay homage to the efficacy of market prices.

An article on a later page analyses what Mr Stalin's deflation means in the Russian context. It sheds a ray of light on the present state of the Soviet economy. But perhaps it is equally useful in illuminating the present state of the economy of the whole world. Russia is suffering from exactly the same disease as the rest of the world, the inflationary aftermath of a major war. Whether the Russian inflation is more or less severe than those of the Western countries it is impossible to say. But what is quite clear is that Mr Stalin has been much keener in his analysis of the trouble and much more forthright in the steps that he has taken than any economic statesman of the Western victors. Indeed, the only other Government that is conducting an equally purposeful campaign against inflation is that of Italy, under the leadership of Signor Einaudi, on whose experiment our Rome correspondent reported last week. The Russian measures certainly have plenty of brutal logic, and the logic at least is to be admired. Is there too much money chasing too few goods? Very well, let all money lose nine-tenths of its value. Once again Mr Stalin shows how little he cares for the doctrines of Marx when he sees the necessity for a definite economic policy. Nothing could well be less Marxian than the economics of the Five-Year Plan, which is a deliberate attempt to deprive the labouring masses of a far higher proportion of the fruits of their labour, for the sake of capital, than any private employer ever tried to do. And deflation equally, according to the Marxists, is a capitalist trick to cheat the workers. Indeed, Mr Stalin is much more of a capitalist than a socialist. His system is entirely devoid of any humanity; but it is equally free from muddled thinking. Unfortunately what Social Democracy is offering as a counter-attraction is a system that appears to eschew facts and logic as much as it dislikes brutality.

All over the world inflation is now the enemy of progress and balance and sanity. There is no secret (though there is much muddle) about the nature of inflation: it is an excess of demand for everything over the supply of everything. Nor is there any secret about where it came from. Wars always breed inflation, and big wars breed big inflations. Inflation springs from the wartime habit of disregarding money. For waging war it is an excellent habit, like other wartime habits such as the disregard of pain and destruction and carelessness about human life. In the early months of the late war much impatient vehemence was expressed, in these columns and elsewhere, at the slowness with which Mr Chamberlain and his colleagues were converted to the idea that money did not matter. Later the conversion was complete—so complete that Mr Greenwood could refer to pounds, shillings and pence as "meaningless symbols"

and even Lord Keynes could talk about the "humbug of finance."

But like so many of the habits of wartime, disregarded money eventually takes its revenge. For money cannot be wholly disregarded. It is so valuable a social invention that men go on using it. Nor can it be wholly deprived of its functions. Where it exists, it persists in attracting goods, and where it exists in excessive volume it persists in attracting too many goods. Industrious bureaucrats build walls to contain it, they dig ditches to drain it off. But the National Savings ditches get silted up, and the walls have to be built ever higher and wider. Whatever the efforts that are made to control it, a flood of money is never effectively contained. There is always something that it can be spent on, and every expenditure uses up some scarce resources. If the flood of money is held back from the essentials of life by price control and rationing, and diverted to inessentials the distortion of the economy is only the greater. The attraction of surplus money is so great that industry is sucked dry of its working capital and the flow of production suffers as a result. All this has happened many times before, and if they had been less confident in their ability to control economic forces the postwar governors of the world might have learned something from the lessons of the past. One of these lessons is that the public has never been prepared to admit, in the middle of an inflation, that anything was wrong with their incomes or their expenditures: "world-wide shortages" have always borne the blame, just as slumps are regularly blamed on "over-production." Both explanations, of course, are fallacious: what is wrong in an inflation is that demand is too large and in a deflation that it is too small.

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The only people who have shown themselves clear in their heads about this problem are the extremists, the Soviets on the one hand and such "old-fashioned" Liberals as M. Gutt of Belgium or Signor Einaudi on the other. Those in between, including virtually the whole of the Conservative and Labour parties in England, and of "men of goodwill" everywhere, have been and still are very puzzled and confused.

The muddle-mindedness can be seen at its best on the subject of prices. It is very widely believed that rising prices and inflation are one and the same thing. But they are not. It is true that they are associated together, like scarlet fever and rising temperatures. But so far from being the same thing, the one is nature's cure for the other. Inflation is an excess of demand over supply, and one way in which the two can be brought into balance is by such a rise of prices that the available supply absorbs the demand. It is true that something of a vicious spiral is set up, the increased prices creating some new demand. But even with strong trade unions, it is a spiral that eventually slows down to a stop. Nobody in his senses would advocate an indefinite rise in prices as an end in itself. But it does at least bring the inflation to an end, whereas holding all prices down merely guarantees that it, and its harmful distortions, shall go on for ever.

There is another muddle about the effect that any attempt to get rid of inflation would have on the standard of living of the people. Sir Stafford Cripps, who can usually think straight, lent himself to this muddle when he said he would prefer to protect stomachs rather than purses. The object of any disinflationary policy—let it be admitted with all candour—is to reduce the money incomes, or at least the money expenditures, of the people. "The people" means all the people, and if the emphasis in this country is on the money incomes and expenditures of the wage-earners, it is only because they now engross so very large a proportion of the whole (after tax), and because their incomes are, by and large, the only ones which have risen in real value. But to say that the object is to reduce money incomes is not to say that it is to reduce the standard of living.

What is consumed at present depends on how much stuff there is to consume, and an effective disinflationary policy, by getting rid of some of the present choking distortions, would actually increase the amount of stuff to be consumed. There might indeed be less tobacco and beer consumed, there might be fewer gigantic crowds at football matches, carried there by motor coaches using imported petrol, there might be less squandering of money on trash. But would these reductions really be against the interest either of the country at large or of the working class? A disinflationary policy, sufficient to bring demand into relation with supply, would not deprive the wage-earners of anything that does them any good. It is really the purse after all, and not the stomach, that Sir Stafford is protecting.

A third muddle overhangs the rate of interest. What prices are to the flow of expenditure on consumption, the rate of interest is to the flow of expenditure on capital. The recent White Paper on the capital cuts showed that it is just as difficult to reduce the volume of capital outlay by measures of control and allocation as it is to reduce the total volume of consumption expenditure by rationing and controls. Yet a rise in the rate of interest is another of the sacred taboos, which only black-hearted reactionaries dare mention. It is the fashion to say that it would have little effect in cutting capital expenditures—but past experience is to the contrary.

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Mr Stalin, when he sees what harm inflation is doing to his country, can take effective action against it. So can Signor Einaudi. The Americans, in their different way, can take what may perhaps be called effective inaction, for the sequel will certainly show that, by letting things rip, they will bring demand down into equilibrium with supply—indeed, probably far below it. But we poor British seem to be stretched so tight between a number of contradictory rigidities that we cannot move. Incomes must not be touched—there must be no "mucking about with the workers' pennies," irrespective (apparently) of what they buy. Prices must not go up. And the rate of interest must be kept down. Any one by itself would be possible; the three in combination simply do not make sense. The economy is being pulled to pieces, and the Government's various programmes, as they follow in rapid succession, are merely pasting white papers over the cracks.

Not for the first time, the Left of the western democracies—and the Right too, for that matter—may well be exhorted to pay less attention to the theory of Communism and more to the practice of Stalinism. Only in Russia and in America have there been really effective economic policies in recent years. And underneath all the ideological nonsense, underneath all the very real political and social differences, the two economies are strikingly similar. Stakhanovism, industrial purges, the Five-Year Plan and the devaluation of the rouble—what are those but somewhat stiff and over-formalised versions of the great capitalist virtues—a system of incentives to enterprise, of rewards for success and of sanctions for inefficiency, a first lien on the national income for productive capital investment, and the maintenance of sound money. These principles work, both in America and (apparently) in Russia, and the fact suggests that what makes an economic system effective is not whether it is planned or free, or half and half, but whether it is based on a realistic appreciation of the basic truths about the springs of human action and the origins of material wealth. The British people may wish to erect a superstructure different from either the Russian or the American. There is no reason why they should not do so. But they will not make much progress if they try to disregard these basic principles, if they build on humbug and substitute sentimentalities for realities. And their system will not work if they allow the place of economic policy to be usurped by the mere recital of mutually contradictory taboos.

What Next for Germany?

THE issue on which the Foreign Ministers' Conference finally broke down happened to be reparations; the Western Powers could not abandon their demand that the repayment of their credits and subsidies should be the first claim on any surplus German production, while the Russians were equally insistent that reparations should have the highest priority. But it is obvious from the course of the negotiations that the actual breaking point was less important than the fact that on neither side did the pre-conditions of agreement exist. It is quite clear that neither believed a word the other said. It is also clear that both sides were relating their claims and counterclaims to a wider issue than that of Germany alone. The struggle for established "spheres of influence" in Europe is in full swing and the boundary drawn through Germany and Austria is a front line which neither side regards as final. Until the balance between East and West has become far more clear than it is today, both sides will remain reluctant to alter the frontier by any voluntary withdrawal. Yet that is precisely what a genuine concession would mean. Settlements, after all, tend to reflect an already established balance of forces. They do not create one. Today, the pre-conditions of a settlement—an agreed and established balance of forces and general confidence that nobody is trying to upset it—do not exist.

This does not mean that they may not one day do so, perhaps sooner than the weary and disgruntled Foreign Ministers imagine. If some years pass without either Russia or America making any actual move that the other construes as aggression, the mood of total distrust may wane. In its place can grow a real desire for a *modus vivendi*. Equally, the success or failure of the Marshall Plan will determine in the next few years whether it will be Russia or the Western Powers that will retreat from the exposed positions they now occupy in Europe. When that basic uncertainty has been clarified, a German settlement will become practical politics. The Foreign Ministers are, therefore, right to adjourn the Conference and not to break off negotiations irrevocably. In this way they can maintain the principle that agreement is necessary, while admitting that for the moment it is beyond their grasp.

Yet even if the present breakdown in negotiations need not be taken too tragically, it presents the Western Powers with certain awkward and immediate problems in Germany. For instance, will they be able to maintain their isolated outpost in Berlin? The non-Russian sectors of the capital, completely surrounded by Russian-controlled territory, would prove excessively difficult to police, protect and provision if Russian hostility showed itself in direct pressure to dislodge

the British, the Americans and the French. Another problem which Russian action could render acute is the drift of population from East to West. Thousands of Germans have moved themselves out of the Russian zone in recent months. If the thousands were, under Russian pressure, to become hundreds of thousands, the Western zones would face insoluble problems in housing and feeding the multitudes. M. Bidault tried to raise the issue of Western Germany's over-population at the Conference, but without success. So far the situation is manageable. It would hardly remain so if the trickle of refugees were to become a flood.

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But the most urgent problem raised by the breakdown of the Foreign Ministers' Conference is the question of a Central Government for Germany. It seems certain that the Russians will now establish in their zone a Government dominated by the Socialist Unity Party and claiming to be the Government not of the Eastern zone but of all Germany. The Western Powers will be denounced—as Mr Molotov has already denounced them—as the saboteurs of German unity, and the new Government, with its seat of authority in Berlin, the old capital of the Reich, will claim the loyalty of all Germans in every zone. If this challenge is presented—and everything suggests that it will be—should the Western Powers make any reply to it? Should they simply continue to run their zones without a genuine central authority in the hope that someday, somehow, unity will be reached and a genuine central Government established? Or should they organise an effective instrument of administration in the West and claim for it also the status at least of a provisional Government?

The arguments for making no change in the *status quo* in the Western zones are likely to be heard most strongly in France. The French dislike in principle the idea of a central administration for Germany and they cannot see why the present dismemberment of the German state should not continue. Outside France, many people who do not share the French repugnance for any German central authority nevertheless feel that the time for such an authority in the West has not yet come. They argue that to play the Russians at their own game will simply widen the breach between East and West and lead in Germany to a renaissance of the worst forms of competitive nationalism, the rival German "Governments" outbidding each other in the effort to secure the support of the other's subjects. They believe that, in the long run, the Germans will be more drawn to a policy which refuses to regard the partition of Germany

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as anything but temporary, which does not perpetuate dismemberment by using it as the foundation for pretentious structures of government.

These are serious arguments. The peace of Europe is, heaven knows, so frail a fabric that no one would lightly add to the wear and tear it must sustain. The prospect of an auction of nationalism between rival German Governments, backed by rival groups of Powers, is the spectre that has haunted Europe since the meeting at Potsdam, and it looks no less baleful or grim now that it appears to be on the point of materialising. But have the Western Powers really any choice? The French preference for dismemberment overlooks what is likely to become the strongest factor in the whole case—the attitude of the Germans themselves. They can remain divided into zones only so long as they are in fact run on a "colonial" basis, by direct administration. No Western Power is prepared to sustain such a policy in the long run, and already the moves inside Germany, among the German parties themselves, are tending towards the creation of a genuine centre of authority in Frankfurt.

This tendency is not only politically inevitable. It is economically essential. Only if a single administration with sufficient economic powers comes into existence can anything like reasonable economic order be established in the West. The desperately narrow economic resources of Western Germany cannot be effectively and economically deployed, so long as effective power is split among a number of state governments. The crucial shortage of food, in particular, cannot be remedied so long as a more or less sovereign Bavaria refuses its produce to an equally sovereign, but unfortunately starving Ruhr. The internal necessities of the Western zones all press in the direction of effective central Government. Indeed, it can be argued that Germany is as short of government as it is of food.

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The real issue, however, is not so much the technical need for unity in the Western zones as the problem of German sovereignty as a whole. Is there to be no reply to the Russian claim that a puppet government in their zone, ready to swallow reparations, ready to swallow the Oder frontier, representing at the best only one-third of the German population (and then only by a fiction)—that this Government is the sovereign and legitimate authority for all Germany? However weak the desire for effective unity may be today in some parts of Germany—particularly in such traditionally separatist states as Bavaria—no nation so far in history has abandoned the idea of national unity once it has realised it. Germany's late arrival at national unity has in many ways made the national spirit stronger among Germans than it is with other peoples who can take it for granted. Inevitably, national unity will be a rallying cry strong enough to outweigh most, if not all, of the temporary inconveniences of achieving it. If the claim of a Russian-controlled Government in Berlin to represent that unity were left unanswered, in time a majority of Germans might rally to it, whatever their reservations about its true nature might be—just as, in Italian eyes, the sins of the House of Savoy were washed clean when Victor Emmanuel became the only champion of Italian unity, or (to take a more ominously parallel case) just as South and Central Germany accepted the dominance of Prussia when Bismarck made it clear that that was the only road to German unity. To have two rival governments, both claiming to be the government of Germany, may be absurd and dangerous—but it is less absurd and less dangerous than to have only one, and that one under Communist control.

Does it therefore follow that the Western Powers should now do what Mr. Molotov accuses them of having plotted from the start—that they should set up a West German Government to rule a unified state of Western Germany? It is to be hoped that they will not do anything so foolish. The Western Powers

are not interested in creating a West German State. They are interested in restoring a united Germany, and any authority they set up to rule in whatever part of Germany they can control must be not a West German Government but the provisional Government of Germany. With two-thirds of the population, the richest industrial regions, the greatest ports, the greatest river and the most highly developed and industrious population, a provisional Government covering the Western zones would have far more genuine grounds for claiming authority over the whole nation than the rulers of the Soviet-controlled rump. And it should at all costs claim no less. If the Soviet claimant has the trump card of Berlin, the Frankfurt government will have at least three trumps—it will not have to pay reparations; it will not have to accept the Eastern frontier; and it will be allowed to talk back to its patrons. As the years go by, it can also hope to have the ace of trumps, a higher standard of living.

The recognition that a central authority established in Frankfurt was the provisional Government of Germany would clarify many problems of policy which might remain obscure if the error were made of thinking only in terms of a West German State. The policies to be pursued by the Western Allies should be quite simply those which they would pursue if the unity of Germany had in fact been secured. They should reform the currency; they should revive industry; they should put a stop—or at least a final limit—to the dismantling of plant; they should put as much responsibility as possible on the Germans for the control of their imports and exports; they should accept Germany as an integral part of the new Western Europe that is the aim of the Marshall Plan; they should progressively transfer to the Germans both the substance and the forms of sovereignty, reserving only safeguards against re-armament and possibly some permanent supervision of the Ruhr. These policies should be worked out in such a way that they could easily be extended to the whole nation and the intention to do so as soon as circumstances permit should be stressed at every point.

Yet having laid down with the utmost emphasis the need for a provisional German Government in the West, one is compelled to admit that the main obstacles to such a policy have not been removed, since they lie not in any Russian opposition but among the Western Allies themselves. Those who believe that the Western Powers came to the London Conference determined to set up a separate German Government, whatever concessions Mr. Molotov might offer, should perhaps consider how totally unready the Western Powers are to pursue such a policy. There is no agreement between the French and their Allies on such vital points as the status of the Ruhr or the safeguards to be imposed in return for greater economic centralisation. There is barely an agreement in principle that the French Zone should enter a unified Western region. Practical means of incorporation have not even been discussed. It has taken the British and the Americans ten weeks of sustained haggling in Washington to work out the financial details of their bizonal settlement—a delay which promises little for speedy decisions in the future. And none of the three Allies is very impressed with the ability and drive of the Germans to whom a little responsibility has been given and to whom more power must now be transferred. The truth is that however desirable a provisional German Government in the West may be, the Western Powers have thought out neither the principles nor the tactics of bringing such an authority into existence. So little did they prejudice the issue of the London Conference that they are now unable to deal speedily and effectively with its outcome. If there is a functioning provisional Government in Germany by Easter it will be in Berlin, not in Frankfurt; and for once the Western Allies, having shed their Russian colleague, will have only themselves to blame.

Will Graduates be Unemployed?

WILL there be a sudden slump in the prestige of university education next summer, because of a steep increase in unemployment among young graduates? Are too many arts students passing through the universities? Does a university education stimulate excessive hopes in the hearts of its beneficiaries? What can be done to persuade young men and women from the universities to go willingly into business, and business to take more arts graduates? After all that has been said over the past eighteen months about the importance of increasing the output of the universities it may come as something of a shock to find such questions necessary. What has happened?

It is, in part at least, a temporary problem. For something like six years the universities were very largely on a care-and-maintenance basis; two whole university generations have been almost completely lost to the country. It follows that there must be a shortage of university graduates even on the basis to which the country had accustomed itself before the war. And, indeed, it is a matter of common observation that there is a crying demand for young men and women who, after graduating, have had three or four years' practical experience—that is, for the men and women who would now have been available if there had been no interruption. But to say this is not to say that it will be easy for the professions or for business to cope with an unusually large wave of immediate graduates, of beginners. The universities are making an effort, as they are in duty bound, to make up for lost time, and the result is that several university generations are presenting themselves for jobs almost at once.

Whatever the cause, and however valid the reasons for hoping that the difficulty is temporary, the result is to illuminate one of the more permanent difficulties in university expansion. The impulsion to a growth in the size of the British universities came originally from the side of the scientists. There is no doubt about the increased demand for scientists and technicians and—subject to one or two qualifications made below—no difficulty is to be anticipated in placing the increased flow of graduates. But it was wisely held, by the Barlow Committee and by others, that if the universities are to expand they should expand all round. Moreover, the entrants have the same view; there has been no tendency to desert the arts for the sciences. The present difficulty concerns the increased numbers of arts graduates who may next year find themselves milling around on one side of the river looking for jobs while across it are a number of openings of which neither employers nor their potential applicants are yet aware.

The most recent statement of university numbers was given in answer to a Parliamentary question on December 1st:—

FULL-TIME UNIVERSITY STUDENTS, GREAT BRITAIN

	Academic Year 1938/39			Autumn Term 1947		
	Men	Women	Total	Men	Women	Total
Arts, including theology, fine art, law, music, commerce, economics and education	14,936	7,776	22,512	22,094	12,106	34,200
Pure science	5,909	1,858	7,767	11,193	3,327	14,520
Medicine and dentistry	11,623	2,013	13,636	12,389	3,175	15,564
Technology, including engineering, applied chemistry, mining, metallurgy, architecture, etc.	5,199	89	5,288	9,850	293	10,143
Agriculture, including forestry, horticulture and dairy-work	890	153	1,043	1,994	343	2,337
Grand Totals	38,557	11,689	50,246	57,520	19,244	76,764

There has thus been an overall increase in numbers of 53 per cent since 1938, which is an admirable achievement. The break-up of these global figures reveals some very sharp differences between faculties; the number of arts students has now

increased by some 50 per cent, whereas the numbers studying pure science and applied science have both doubled. Only in medicine has the increase been slight—a mere 14 per cent—partly because there was a much smaller wartime interruption. The proportion of arts students to the total has remained almost constant—it was 44 per cent in 1938/9 and has been 45 per cent this last term. But proportions matter less than absolute numbers. With 12,000 more arts students in the universities than in 1939, it is doubtful what immediate jobs they will be able to find in 1948, 1949 or 1950, when the ex-service bulge will be working its way out of the universities. For the present there is no anxiety about the scientists and technologists, for whom some universities report three jobs for every applicant. The chances for most arts graduates, however, show no such wide range of choice.

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What are the main openings for arts graduates and what is the competition for them? University Appointments Departments report that the popularity of the civil service as a career is overwhelming, the international organisations are good seconds, and the various public corporations and bodies of a like kind can claim third place. Teaching, except for those who have committed themselves at an early stage for teachers' training grants, is unpopular; business comes a very long way down the list.

There are four reasons for the unpopularity of business. First, its unfamiliarity; many families have some direct or indirect contacts with business and industry, but the contacts are usually very local and their manifestations may be not at all glamorous, while "big business" is remote and unknown. Secondly, there are no regular entrance roads into the business circle, as there are into the civil service or teaching; instead of taking a public examination or doing a regular training, the new recruit must grope and feel his way by introduction, recommendation or wire pulling. Thirdly, the work that most business firms can give the new entrant in his first few years is less attractive than he can get in the public services; and though the further prospect may in fact be more attractive—both in pay and in character of work—it is uncertain and seems remote to the young man who is in a hurry, as ex-servicemen are apt to be. And fourthly, the lure of high finance and business enterprise, while it has long since lost the nineteenth century taint of "trade," has acquired another unwelcome flavour. To a generation bred in socialist doctrines to enter the palaces of capitalism is rank betrayal. The Appointments Departments also report a very strong bias against entering business, a bias persuasively supported by parents, who remember the depressions of the twenties and thirties, and think a job in the public services much safer.

Yet it is in business that the graduate is needed, and it is only in business that he can be placed in large numbers. While it is perfectly true that the civil service could do with a certain increase in the administrative grade, and that more future administrators are wanted in local government and in the new public boards, these demands are quantitatively small. It is no use relying on them to absorb a large increase in numbers. There are rather more openings in teaching, and the schools are anxious to recruit more graduates with good degrees. But the large area of new employment must be commerce and industry. Industry needs such recruits, even if it does not yet recognise the need; and from the point of view of the country it is urgently necessary not only that more men of

vision and broad ideas should swell the ranks of industry's High Command, but that more NCOs should be drawn from the universities. The industry of the country needs all the fresh blood and the challenge of new ideas that it can get in all its parts.

But to achieve this new infiltration, both undergraduates and industrialists will have to undergo a considerable conversion. Short of revelation through the dole, the conversion of the students is likely to be slow. Unemployment among students in Germany and Austria between the wars shows how difficult the adjustment of prejudices and standards can be—and, incidentally, how dangerous. The prospect for a changed attitude among employers is more hopeful, for they are likely to find a shortage of good recruits from the schools. Indeed, some employers are already beginning to feel anxious. As university education becomes more popular, and state scholarships make it less expensive, a higher and higher proportion of bright boys will go right through the educational system with a free secondary and university education. Employers who have, in the past, recruited at sixteen and eighteen will increasingly find that only the less bright are available and that the cream have passed out of their ordinary reach.

The need for a change of outlook is urgent. At the end of the academic year last July, employers had still a number of vacancies. Nevertheless, there was a hard core of about a thousand graduates who had difficulty in finding suitable work. Most of these are now absorbed. Next year there may well be fewer openings and there will certainly be a larger efflux from the universities. These difficulties are likely to be intensified in 1950. The Appointments Departments of the universities are already very concerned about the position, and the Federation of British Industries is convening a conference in the early spring to discuss this question between industrialists and the universities, and there are signs, although still far too few, that individual business concerns, for instance some of the banks, are revising their attitude. Even

so, any change which necessitates the admission of non-technical graduates to industry is bound to be slow. And it involves accepting not only more future directors, but the much more ordinary recruit who may never rise high, but yet has his contribution to make as a works or bank manager, or as a labour or welfare officer.

Some brief mention should be made of the prospects of science graduates. So far, all the expectations aroused by the Barlow Report on scientific manpower have been justified, and industry is clamouring for scientists. Nevertheless, even at this stage one word of warning is necessary. The Barlow Report dealt mainly in global figures, and the detailed inquiries into the demand for scientists in particular scientific fields which have followed have revealed large variations. Until the universities are told the detailed requirements, there is a real danger that some departments will over-expand and that employment difficulties will follow.

For the moment, however, it is the arts and not the science graduates who are causing anxiety. It would be a tragedy if the drive and enthusiasm which has gone into building up the universities after the war were to be cut short and spoiled because of a short-term lack of balance between supply and demand. There can be no doubt that the nation needs to provide higher education for about twice as many young men and women as before the war, if it is to maintain its status, both culturally and industrially. But it is equally necessary to face the prospect that the process of adjustment may be extremely uncomfortable, and all the more so if economic difficulties encourage industry to adopt a cautious attitude. If however parents, schools and universities are prepared to regard industry as the nation's bread winner and not as a slightly disreputable underworld, the pangs of the transition can be greatly reduced. It is up to those who both give and receive a university education to appreciate that flexibility of mind is as essential as the acquisition of a special skill, and for industry to appreciate that new men are needed for changed times.

China's Tepid War

IN London the Foreign Ministers have fought only with words and the war has remained cold. In China, with between four and five million men under arms on one side or the other, the argument is carried on with bullets. Yet the war can hardly be called "hot"—at least by the standards of the recent controversy with Hitler. The Chinese civil war, though not without bloodshed, is a strangely shapeless, non-committal and inconclusive affair, as indeed is indicated by the rarity of any event in it which can qualify as "news" at the level imposed on the British press by the present newsprint shortage. This does not mean, however, that China is not suffering grave devastation or that there is no risk of the struggle leading to international complications. The issue of aid for China is, in contemporary American politics, complementary with—and can also be competitive with—that of aid for Europe, while from the Communist side it is clear that the effort to obstruct such aid will be as determined in Asia as in Europe.

The war in China may be compared to a game of chess in which white has neither king nor queen, but has the possibility of winning the game in the ordinary way by checkmate, whereas black can only win—in the absence of a white king to be checked—by taking all white's pieces. The "Nanking" Government would lose the game if it lost its capital (or Shanghai), but the Communists cannot be decisively defeated by the loss of any place which they hold; the capture of their former headquarters at Yen-an by Government forces did not make any difference to them. Outside North Manchuria the Communist

power has an essentially guerilla character. As General Fu Tso-yi, Commander-in-Chief of the Government armies in North China, complains, the greatest asset of the Communists is their "ability to run away." Only by destroying their bands in detail can their power be broken and their interruption of roads and railways brought to an end. The Government troops, in spite of their superior numbers and equipment, have so far had little success in their campaigns of "mopping up" a highly mobile enemy, well-co-ordinated by a central directing authority, but dispersed over an area several times the size of the British Isles. On the other hand, the Communists lack strength for pitched battles and—again with the exception of North Manchuria—have not been able to capture any large city or to hold any important position against really determined Government attack. The result of warfare on these terms is a lack of clear-cut military decision on a national scale, though it would be misleading to speak of a stalemate because the situation is too fluid and the "fronts" are continually changing.

It is doubtful whether a mere increase of armaments on either side would have a decisive effect. Both sides have enough small arms for such fighting as they indulge in. The Government has the advantage in heavier weapons whenever the Communists give battle under conditions which allow scope to them. But for the pursuits in the countryside the Nanking troops can make little use of heavy armaments, even when they are competent to maintain and operate them. The Communist bands sleep in villages by day and march by night, giving few targets to superior

air power, or they lie concealed in loess caves or in the fields of *kaoliang*, a kind of sorghum which is a staple crop in North China and Manchuria and grows as high as a man. In this kind of warfare, bombers and tanks do not yield results comparable to the cost of their maintenance and supply services. For the Communists the provision of a quantity of heavy equipment and munitions, with suitable training of formations to use them, would mean a greater addition of fighting power, and in Nanking it is feared that such a striking force is indeed being prepared with Russian assistance in North Manchuria. But the Communists would be giving hostages to fortune if they turned over in any considerable degree from guerilla to positional warfare, nor would it be easy for the existing Communist military leadership, which has for so long been schooled in guerilla tactics. From a Russian point of view large-scale material aid to the Communists would destroy the semblance of non-intervention which the Russians have been able to keep up since their evacuation of Manchuria, and would provoke a renewal of American arms supplies to Nanking on a much more formidable scale than hitherto.

The question is not, however, merely—or perhaps even mainly—a military one. The Chinese Communists undoubtedly have a strong popular following, and in North China they have a record of local political power and administration independent of any Russian support. In Manchuria the situation is rather different, for there the Communists were not only helped into power by the friendly Russian occupation, but continue to stand in a special relation to the Russian authorities in Port Arthur and Dairen and in the management of the Manchurian trunk railways. But, in general, the Chinese Communists are not so obviously tied to the Soviet Union as their brothers in the Eastern European countries of the Russian bloc, and it has been possible for them to a certain extent to steal the old nationalist, anti-imperialist thunder of the Kuomintang. The Chinese man in the street has long been told, and is only too ready to believe, that all the troubles of his country are due to foreigners, and the sentiment engendered by this belief tends to be concentrated against the most conspicuous foreign nationality. Britain held this undesirable eminence only twenty years ago; after that, it was the Japanese, and since their unlamented exodus, the Americans have been in danger of qualifying—at any rate south of the Great Wall. A Chinese, when asked in 1945 whether British or American troops were the more popular in China, replied: "The British—there aren't any."

Certainly, it was impossible not to notice the presence of the Americans or the luxurious accessories of their military establishment, which evoked the resentful envy of the Chinese armed forces, and the well-meant American efforts to make the Chinese more efficient only aggravated the ill feeling. Most of the wartime and immediate postwar American immigrants have now gone home, but the charges of American imperialism and of Chiang Kai-shek's subservience to it are still good propaganda cards in the hands of the Chinese Communists. In a recent broadcast on the Shantung campaign the Communists explained that the Nanking Government's aim was to take the province and "sell it to the US imperialists as a base for aggression against China."

The reproaches against Chiang Kai-shek for his alleged "selling" of China to "US Imperialism" make it politically very difficult for him to accept American aid with any strings attached. On the other hand, without numerous and plainly visible strings, it will be difficult for the American Government, however convinced it may be of the need for bolstering up the Chinese Government, to justify to Congress large expenditure for China. It is above all the corruption and the maladministration of funds which make it so difficult to ensure that any assistance to

China achieves the ends for which it is intended, and there will inevitably be a strong American demand for strict supervision of the use of further money and supplies which may be provided. But how can there be such supervision without infringing China's jealously preserved sovereignty and exposing the Kuomintang leaders to the one accusation that is most dangerous to them—that of being the "running dogs" of a foreign Power?

That it will not be easy to solve this dilemma is indicated by the recent obstinacy of the Nanking Government on the question of foreign shipping on the Yangtse. The privilege of navigation on Chinese inland waters formerly enjoyed by the "Treaty Powers" was indeed an abnormality in international commercial relations, and it can well be understood that the Chinese have wished to abolish it along with extra-territoriality and other marks of an inferior status among nations. But for the time being China has not sufficient shipping to handle the Yangtse traffic, and the exclusion of foreign shipping since the end of the war with Japan has meant that goods which might relieve both world shortages and China's desperate needs for foreign exchange either cannot be transported at all, or are too costly by the time they reach Shanghai to be exported at commercial prices. Yet China would rather forgo the advantage to itself in a time of acute economic distress than make a temporary retrocession of "recovered" national rights. It is this spirit which makes it so peculiarly difficult for the Americans or anyone else to join in a "Marshall Plan" for China.

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Meanwhile the currency inflation continues. The Chinese dollar, which was worth 130,000 to the American dollar on the Shanghai black market on December 3rd, was worth 132,000 three days later. The civil war aggravates the inflation in two ways: first, by the burden of military expenditure, which can only be financed by printing notes, and, secondly, by the disruption of internal communications and trade, which produces acute shortages of all kinds of raw materials and commodities, whether for the home market or for export. Regionally, the general economic effect of the civil war has been to depress North China and Manchuria, the zones of actual warfare, while China south of the Yangtse has remained more or less unaffected. The Communists have been able to prevent the revival of industry in Government-controlled areas in the North and North-east by cutting off supplies of coal and electric power and by blocking the movement of raw materials, but as long as the Government holds key points from Changchun southward, the Communists cannot do much themselves to organise the resources of the territory they control. If the Communists could drive the Government troops out of Manchuria altogether, they would be able to set up there a state with a viable economy, but Chiang Kai-shek has given first priority in his strategy to holding on to his advanced positions in Manchuria, contrary to advice given him from some quarters to cut his losses in Manchuria and concentrate his forces on North China. Chiang evidently believes that, if he cannot at present knock out the Communists, the next best course is to deny them territory adequate for a full separate state organisation—which would be the equivalent of a partition of China.

Chiang's base remains in the South, as it was twenty years ago, and he has recently taken steps to strengthen his position in Canton by removing from all positions of authority the "over-mighty subject" General Chang Fa-kwei, who is consoled with the empty honour of membership of the Strategic Advisory Committee. It may be that, if China is to be rebuilt with American aid, it will have to be done by groups of provinces, starting from Canton. It is only a prosperous South China that can in the long run give the Kuomintang the power and political attraction which would enable it to emerge victorious in its struggle to re-unify China.

NOTES OF THE WEEK

Should the Sixteen Meet?

Congress has approved the sum of \$597 million for immediate relief in Europe and China, and now the Appropriations Committee is engaged in an attempt to upset the allocations to separate nations proposed by the Administration. But the dispute over the appropriations will not alter the President's timetable, which is to have the Marshall plan before Congress when it assembles in the New Year. If the debates on Interim Aid are any guide, the plan will be approved probably more rapidly than anyone would have thought possible last summer, when even the holding of a special session seemed in doubt. At the same time, opposition to the idea, scepticism about the worth of the recipients, hesitations about pledging so sizeable a part of the American national income to foreign aid will all receive much more vigorous expression than they have done hitherto; and there is at least a chance that some difficult and politically embarrassing conditions may be attached to the American appropriations.

Whatever the course of the debate in Congress, it is clear that a new phase is opening in the European recovery plan, and one may ask whether Mr Bevin is right in maintaining that the time to reconvene the Paris Committee has not yet come. The answer must surely be that it would be little short of folly at this stage to take no further steps to concert the European end of the Marshall offer. In the first place, everything must be done to shorten the time of negotiation, for in Europe, time is running out. If the sixteen interested governments postpone all decisions on how they will negotiate their different national shares of the overall plan, on the principles they will adopt and the sort of conditions that are acceptable to them until such time as Congress has passed the Recovery Bill, precious weeks will be wasted. The Sixteen should be in a position to negotiate with Washington the moment there is something to negotiate about. And even if, in the first phase, joint negotiations through a single European agency are impossible, the Sixteen should at least decide that the various bilateral negotiations between America and the different nations shall take place simultaneously (in Washington, obviously) and be held together by a liaison committee of the Sixteen, whose purpose it would be to prevent blatant and demoralising competition at the receiving end.

The decision to proceed in such a way cannot be taken from one day to the next. If it is to be reached at all, negotiations in that sense should begin early in the New Year, and Britain should take the initiative in calling the Sixteen together.

There is another reason why initiative should come from Europe. Signs of activity and determination there will strengthen the hand of the Administration in its debate with Congress. A demonstration that the Sixteen are ready to act immediately and together, once the American aid is available, may be the decisive fact in persuading the doubters in Congress. It is beggars who sit and wait. Enterprising men in search of capital are out measuring the site the moment they scent the chance of a loan.

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Trade Agreement with Russia

The news of the Anglo-Russian trade agreement, providing for an exchange of coarse grains for machinery, and of the clearing of the ground for further and larger deals, has been universally and naturally hailed as a good thing. And so, of course, it is. Britain needs coarse grains as badly as any other group of commodities imaginable—even wheat; it has a more general but equally urgent need to open up trade outside the dollar area; and since Russia's need for equipment to restore its devastated areas is equally obvious, it is easy and tempting to build, on this demonstration of mutual economic usefulness, hopes of some measure of political détente.

Second thoughts are not quite so uniformly cheerful. For one thing, the agreement is not yet signed, and there's many a slip. The Russo-Czech trade agreement, concluded in principle (with admirable political timing) last July, as a demonstration that Marshall aid had not been renounced in vain, was only actually signed, after many vicissitudes, five months later. For another, while actual prices still remain officially secret, it seems clear that on the more general questions involved, particularly the vexed issue of the 1941 agreement, the British have given way all along the line and weakened the country's future bargaining posi-

tion affecting a much larger volume of trade, to what may prove a very unfortunate extent. The duration of the agreement—five years—is from one point of view reasonable enough; it is only over a fairly long period, in the present state of production and stocks, that delivery of British equipment can be guaranteed. From another point of view it is a dangerous precedent. Britain is not Sweden, and neither this agreement nor any other likely to be concluded with Russia (until Mr Pollitt forms his government) will produce quite the uncomfortable distortion of its economy that the Russo-Swedish agreement has inflicted on the smaller party; but there are lesser degrees of distortion which might be unwelcome. And finally, the political implications of the deal are not entirely harmonious. The highest aim of Russian political strategy is to drive a wedge between Britain and America. At a time when voices, however irresponsible, are raised in Congress demanding a total ban on trade with Russia, Britain's action may be made to appear a defection from western solidarity; which would suit the Russian book very nicely. Russia has only itself to blame for the conviction, now deep-rooted in the western mind, that who sups with the Soviet should have a long spoon.

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New Course for Czechoslovakia

Trade worth £25 million yearly each way is provided for in the five-year trade treaty between the Soviet Union and Czechoslovakia signed last week. The Russian share in Czech trade will rise from four to 15 per cent, and about 40 per cent of Czech exchanges will now be with the planned economies of eastern Europe. It is hoped to raise the proportion to a half. For the Czechs the treaty means not only assured supplies of raw materials for their heavy industries—making planned production possible—but also an assured market for the products of their engineering industries. They succeeded also in persuading the Russians to take some of the products of their light industries, the raw materials and outlets for which are still mainly found in the west.

It would be wrong to say that this development of trade with eastern Europe is being forced on the Czechs, or that it has an anti-western significance. It is welcomed by the National Socialist Minister of Trade, Dr Ripke, whose independent political outlook is well known and who would like nothing better than expanded trade with the west as well. But there Czechs increasingly see a ring of import restrictions, tariff barriers and quotas, with an American slump threatening and German competition looming on the horizon.

On the shorter view, Czechoslovakia's chief gain from the treaty is the assurance of grain deliveries. Drought and the end of Unrra left the country short of 800,000 tons of grain, and there is still a serious shortage of food, especially in Slovakia. In July it looked as if Russian offers of 400,000 tons, with supplies from elsewhere in eastern Europe (and perhaps America), would make possible reduced but ample bread rations. In fact, the Communists proclaimed that the ration would go up when the Russian grain arrived, thereby making it hard for the Government to get a share in international allocations. Unfortunately, while distribution was failing and farmers hoarding, the Russian grain was slow in arriving, owing to transport difficulties. It was only when political as well as economic crisis threatened that the Russians agreed to send another 200,000 tons, and to speed up deliveries. Now, at the one frontier station linking the two countries, grain is being unloaded from Russian-gauge wagons into Czech-gauge wagons, with press photographers assisting.

In time, if they succeed, the Communist planners in Prague and Moscow will reduce Czechoslovakia's present dependence on the West for most of its imports, especially raw materials for the textile and other light industries. The long-range purpose of the mutual aid and planning now developing in the East is to change the whole structure of the country's economy, with light industries contracting while heavy and chemical industries expand.

* * *

Disclosure of Information

There was a postscript to the Allighan case in Parliament last week when Mr Morrison introduced a motion to the effect that any person offering a payment, which is then accepted, to a member for the disclosure of confidential information should

incur the grave displeasure of the House and that the House should take such action as it thought fit. This was much milder than the original motion, which had been left over for further consideration. That had proposed that if a person offering payment was a representative of a newspaper or press agency, he, and any other representative of the newspaper or agency, should, if the House thought fit, be excluded from the precincts of the House for an indefinite period.

Yet, as members on both sides of the House pointed out, there are grave objections even to this milder motion. Mr Morrison's case appeared to be that journalists who offer bribes should not get off while members of Parliament are punished. In the Allighan case, the Editor of the *World's Press News* was severely reprimanded for a clear breach of privilege; he had printed an article by Mr Allighan which amounted to a gross contempt of the House. But the representatives of the newspapers who offered Mr Allighan and Mr Walkden money to disclose what went on at Parliamentary Labour Party meetings were left alone because they did not know that they were committing a Parliamentary offence. The Government, therefore, brought in this motion to put all journalists on notice that proceedings may be taken against them—not, under the new motion, against other representatives of their newspapers—if such offences occur again.

It is not only that difficulty may arise, as some of the opponents of the motion emphasised, in determining what, from the wording of the motion, will constitute an offence which can bring Parliamentary displeasure on the journalist concerned. The point is that in disclosing, for payment, what went on at private party meetings Mr Allighan and Mr Walkden were not found guilty of a breach of privilege but of dishonourable conduct, and in finding them guilty of dishonourable conduct the House was performing the same sort of function as any professional body performs in respect of its members charged with unprofessional conduct. No other profession seeks to penalise outsiders who have contributed to the dishonourable conduct of its members. Ought the Government, therefore, to have pressed this general motion against journalists instead of allowing each case to be decided on its merits? By attempting to formalise the offence, and refusing to allow the motion to be decided by a free vote, it laid itself open to the charge of wanting to extend Parliamentary privilege. It would have been far better to let the whole matter end with the punishment of Mr Allighan and Mr Walkden.

* * *

Parliamentary Seats

The redistribution of seats in the House of Commons proposed by the Boundary Commission contains few surprises. The general lines of its proposals had been determined by the revised instructions, issued earlier this year, which bade it modify the original search for mathematical equality of representation in favour of preserving, so far as possible, the unities of local government and community feeling. The resultant compromise leaves in being a number of constituencies that are both much larger and much smaller than the average. Under the new proposals, no constituency will have fewer than 40,000 or more than 87,100 electors; but there will be 87 small constituencies, mainly in rural areas, of under 50,000 electors and 44 large ones with over 70,000. Nevertheless, nearly three-quarters of the new electorates will fall into the 50,000-70,000 range, compared with less than two-fifths under the existing, and admittedly distorted, division of seats. This represents a substantial gain in fairness, and those theorists who think more might have been done should realise that it is difficult if not impossible to divide the population more equally without disrupting strong ties of local interest and sentiment, which add greatly to the effectiveness of representation.

The redistribution favours rural at the expense of urban areas, and Scotland and Wales at the expense of England. The latter point was settled for the Commission by the instruction that the elimination of twenty seats, which was thought to be necessary, should fall on England alone. Actually, Wales is to gain one seat by the division of Flintshire and England will lose 21 seats (on the purely provisional assumption that the City of London's representation will be reduced from two members to one). All two-member constituencies are divided or else, as in the case of Norwich and Blackburn, reduced to a single seat. A further point, which was already known, is that the full burden of this loss falls on the County of London, whose representation is cut down from 60 to 40 members. However, this still leaves London with exactly the same proportion of seats to electors as the rest of England and rather more generously served than other urban areas. The political impact of the proposed redistribution will be interesting. The reduction of seats inside the County of London, and the

comparative preference in representation given to rural areas, can be expected to work to Labour's disadvantage.

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Royal Allowances

There was something reminiscent of the earlier decades of last century in the House of Commons debate on the civil list when over 160 Labour and Communist members voted for an amendment to reduce the provision to be made for Princess Elizabeth by £5,000. The matter was left to a free vote, and opposition to the Government's proposal was not unexpected in view of the minority proposals of the five members of the Select Committee, though its size must have given the Government rather an unpleasant shock. The additional allowance proposed by the Government was £25,000, which when added to the £15,000 which the Princess receives under the Civil List Act of 1937 would bring her total provision up to £40,000. In addition an allowance of £10,000 was proposed for the Duke of Edinburgh, making a total for the royal couple of £50,000. When the official expenses of the Heiress Presumptive, which were estimated by the Committee at £45,000, are taken into account, the provision made seems moderate enough, and in the circumstances Sir Stafford Cripps's suggestion that Princess Elizabeth should be relieved by Treasury Order of income tax on all but one-tenth of her annuity and the Duke of Edinburgh on four-fifths of his seems eminently reasonable.

It is difficult to feel much sympathy with those who voted for either of the amendments, but those who opposed the additional allowance *in toto* were at least straightforward. As Mr Benson pointed out, it was merely fantastic to quibble over £5,000, and there was something more than a little nauseating in the unctuous plea for royal austerity made by Mr Webb. It should not be forgotten that the King has proposed to pay into the Exchequer no less than £100,000 which he has saved during recent years from his Civil List income or sufficient to cover four years of the additional grant now approved for Princess Elizabeth. In the difficult and exacting task of public representation the present Royal Family has shown an admirable instinct for striking the golden mean between ostentation and parsimony. Here is no case for cheese-paring, and public opinion—whatever a hundred and sixty Labour members may profess to think to the contrary—will in this matter most decidedly "reject the lore of nicely calculated less or more."

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Next Stage in France

It is not yet clear which has suffered most from the failure of the French strikes: the trade unions as such or the Communist Party that tries to control them. Trade union leaders without political axes to grind expect the loss of two million or more members when subscriptions become renewable in the New Year. The great *Confédération Générale du Travail* itself faces the possibility of a split between its most active, Communist-directed wings and the moderates and non-politicals led by M. Jouhaux. The national conference this week-end of M. Jouhaux's anti-Communist *Force Ouvrière* movement should show whether he can afford to move into the wilderness without his share of the income and property accumulated by the CGT. The strikes showed how inadequate are the funds of many French unions for any prolonged resistance; indeed, towards the end, some workers were living on advances from their pay for the next month.

Whatever the new balance of forces in the French labour movement may turn out to be, another general strike is unthinkable. In so far as it failed either to be general or lengthy, it was a failure for the Communist promoters; in so far as it did £300 million worth of damage to the French economy's capacity to work the Marshall Plan, it was a success. For the workers it was a failure by both standards, and they gained no concessions from the Government over wages and prices which could not have emerged from the discussions long ago promised for December 1st.

But if M. Schuman's government fails to keep wages and prices in some kind of stable relationship, and if it cannot appease the workers' sense of social injustice by drastic moves against the black market and the recalcitrant farmers, there will certainly be by the spring an uprising of despair against poverty and bad food. Before then the Communists might find it possible to stage "strategic strikes" in such key industries as transport, coal-mining and electricity production. Among the dockers and miners at least the rank and file are Communist almost to a man.

As no French Government can feel any certainty that its financial and fiscal measures will work—the latest set of proposals will come before the Assembly this week-end—M. Schuman has to prepare the Budget with one hand and the defence of public order with the other. A purge of the police forces is being planned on a

national scale, and the special security police (CSR), which was infiltrated by Communists soon after the liberation, is to be reorganised. Of the men mobilised a fortnight ago, only the older age groups are being released, and 80,000 of the men between 20 and 21 will be kept in metropolitan France to meet the next challenge.

M. Schuman will not find it easy to reconcile the cost of police and military preparations with the economy drive and increased taxation which stabilisation will demand. But the general opinion in Paris is that his Cabinet may survive to face the spring crisis.

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M. Monnet's Warning

Considering the background of social and industrial conflict against which they were working, it is remarkable that M. Monnet and his collaborators were able after two months' work to produce this week a unanimous report on the economic state of France. Their conclusions point out to M. Mayer, the Minister of Finance, the hard, unpopular things that must be done if France is not to have, for the first half of next year alone, a deficit of almost 200 billion francs. This represents the difference between estimated industrial and agricultural production and services on the one hand (plus the surplus of imports over exports), and on the other hand the demands of the state collective bodies and private individuals for consumption and investment.

While the Monnet commission was adding up its asset column, which assumed full and uninterrupted coal production, the strikes were costing over 2½ million tons of coal; and the agreed revision of salaries and wages will add another 170 billion francs to the debit side. In other words, the gap between supply and demand may have been doubled by the troubles of the last six weeks.

The commission states quite bluntly that unless inflation can be dealt with, there will be neither social justice, nor better living conditions, nor indeed national independence. To maintain production at home France will need food, raw materials, and fuel to a value which will exceed its export possibilities by over \$2,000 million. Such requirements exceed by far the amounts now being discussed in Washington for interim and long-term American aid. If greater aid is not forthcoming, what are the alternatives? There is one that would make M. Schuman's position untenable and lead France straight into extremist hands—namely a huge cut in imports which would cause severe food shortage and unemployment. The other is internal stabilisation and a complete fiscal overhaul. It is along these lines that M. Mayer is expected to move, if the weight of the government's authority is sufficient to give impetus to his policy.

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Financing Bizonia

After long discussions, the British and American Governments have reached a very satisfactory solution of the problem of financing essential imports into Bizonia. The problem has had three aspects since occupation began. The Germans are not producing enough to buy their own supplies of food and raw materials. These vital supplies can on the whole only be bought with dollars. And Britain, responsible hitherto—in dollars—for 50 per cent of the balance between German exports and German imports, has now no more dollars to spare.

The essence of the new agreement is that America will take over responsibility for about 80 per cent of the uncovered imports. The British Government will not be called upon to supply any goods for which dollars must be paid, although in 1948 it will finance various basic supplies to the extent of £17,500,000, a figure which might be raised by about another £4,000,000 if certain foodstuffs became available for sterling. The British have also undertaken to provide 33 ships to lift cargoes from America in November and December of this year and to shift 12 complete cargoes in the course of 1948.

The only circumstance in which the British may still be called upon to convert sterling into dollars is if the dollar reserves held by the Joint Foreign Exchange Agency—the Anglo American body controlling Germany's reserves of foreign exchange—fall below \$20 million. Under an old commitment the British would then be obliged to convert sufficient sterling to bring the balance back to \$20 million. However, the Americans have given an undertaking that the British will not in practice be called upon to convert more than £10 million in 1948.

Obviously there had to be a *quid pro quo* for the assumption by America of additional commitments in 1948 to the tune of \$400 million, and the British have agreed that the Americans should

now have a controlling voice both in the Joint Import-Export Agency and in the Joint Foreign Exchange Agency. In other words, the most important aspect of Germany's foreign relations and a vital field of its internal economy will now be under predominantly American direction. There is no reason to suppose that the American Administration is not genuinely anxious to work the new system in the closest collaboration with the British or that the British will find themselves relegated to a somewhat humiliating back seat. But much will depend upon the attitude of Congress, and it is disconcerting to see how very far the House of Representatives seems to be from understanding either the intentions of the Administration or the actual terms of the new agreement. After cutting the appropriations proposed for Interim Aid in the British Zone from £59,250,000 to £25,000,000, they explained their action by saying that British administrative costs were too high. Since Britain pays its own costs and they were not part of the financial agreement, the attitude of Congress seems not only ignorant but calculated to get right under the British skin.

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Better News from Italy

The demonstration given in France that a Centre Government can remain master of an ugly situation without going outside the Constitution has been repeated this week in Italy. On December 10th the Communist-dominated Chamber of Labour for Rome called a general strike to protest against rising unemployment and to demand greater expenditure on public works. The Minister of the Interior, Signor Scelba, maintained order through the first day by an effective deployment of his police forces, and there were no riots and few effective demonstrations. By the second day it was clear that the strike was fizzling out and the Chamber of Labour called it off during the afternoon, claiming as the excuse that the Government had conceded its demand for the allocation of 10 billion lire for public works. In fact, the Government added a billion lire to work already planned, and the Municipality promised to expand its own programme.

The Communists then tried to indict the Government for its use of the police during the strike, but the motion was rejected in the Chamber by 216 to 111, the largest majority yet obtained by Signor de Gasperi. This larger measure of support reflects the fact that the Republicans and the Moderate Socialists have at last decided to join the Government. Three Socialists and two Republicans have received portfolios, and one of the abler Socialists, Signor Tremelloni, has taken over the key Ministry of Industry and Commerce. These changes draw the Government back to a centre position from which in the last nine months it has dangerously strayed.

The reshuffle is all the more welcome in that the strike in Rome was a genuine danger signal. Signor Einaudi's deflationary policy is having its inevitable consequence in rising unemployment, and however favourable some of the economic consequences may be, the political and social effects are growing worse. The entrance of Socialists into the Cabinet may offer some guarantee that the "underprivileged" do not pay the whole price of restored financial equilibrium.

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Placing the Responsibility

An important point was brought up during the first day's discussion by the standing committee on the National Assistance Bill. In the clause setting up the National Assistance Board and placing upon it responsibility for dealing with applications for assistance, Colonel Elliot tried to have an amendment accepted which would incorporate the 24-hour service principle of the present Poor Law. Under this law a clear personal responsibility is placed on the relieving officer to deal with cases of sudden or urgent need at all hours of the day and night. If he fails to discharge this responsibility, he can be prosecuted. He can only give relief in kind, until the case has been submitted to the public assistance committee, but this personal obligation to be available and to give relief at all hours has been one of the outstanding virtues of the existing Poor Law.

It is quite true that the new Bill places a general responsibility on the National Assistance Board to give relief in cases of sudden and urgent need and allows it to dispense with compliance with the regulations in so doing. This provision goes a long way towards incorporating the main principle of the Poor Law. But it is not the same thing as the personal responsibility imposed on the relieving officer. Mr Griffiths, Minister of National Insurance, justified his refusal of the amendment by the plea, first, that the Board was at present considering whether its officers

should be available after office hours and at week ends and, secondly, that through the break up of the Poor Law various classes, such as the sick, the mad, and homeless children, would become the responsibility of other authorities.

But this second plea assumes that people readily fall into the categories prescribed for them. Can a person who finds himself suddenly and urgently in need, or can his relatives, decide which social service agency is responsible for him? And whereas, under the Poor Law, on the word of a relieving officer a doctor is bound to go to a patient and a hospital is bound to take in a case—the latter obligation has unfortunately been breaking down in recent years through the shortage of beds—no such obligations are incorporated in the National Health Service Act. People in distress must not be shuttled from one social service agency to another, each disclaiming responsibility for them. Personal responsibility must be assumed for what is a very personal service, and the point should be pressed again on the report stage of the Bill. Otherwise, as a Labour member emphasised in committee, there is a danger that some people may be worse off as a result of the so-called abolition of the Poor Law than they were under it.

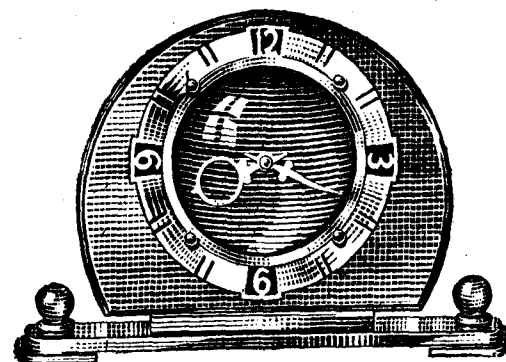
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Requisitioned Land

The Requisitioned Land and War Works Bill was read a second time in the House of Commons on Tuesday and the second reading was carried by 251 votes to 108. The Bill is one of the worst recent examples of legislation by reference. As drafted, it consists almost entirely of a string of verbal amendments to the main Act of 1945. The main purpose of this Bill is to extend until December, 1952, the term within which the Services may decide what land and what rights over land they need to retain, and the main criticism in the second reading debate was that the Services were an unconscionable time in making up their minds in any case, and that the more time they were given the more they would use.

The use of land for Service purposes is an extremely thorny problem. The Government were undoubtedly helped in the debate by the facts and arguments already made available in the recent White Paper on the subject. As Mr Shinwell, still a novel figure in the rôle of Secretary of War, was able to

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say in the course of the debate, the eleven million acres of wartime requisitioned land had already shrunk to one million and only 14 per cent of the present total was good agricultural land. The problem has at least been reduced in dimensions; the baby is a little one.

The Bill is needed for practical reasons, and to do justice to the landowner over the question of the basis of compensation. It is probably unfair to accuse the Services of undue delay. The last two years have not provided a calm background against which to run the foundations of Service training rapidly back to pre-war size. But one thing in this connection is essential. The Government and the Service departments must face the fact that practically every acre of land they wish to retain is wanted by someone else, for good reasons. The Service claim may be the better one, but it must be one capable of justification, and justification to the general public. There may be excellent reasons for a firing range in Dovedale; the War Office should learn that the reasons must be produced at the same time as the proposal, not be released reluctantly afterwards in the manner of one throwing a bone for a bad-tempered dog.

* * *

Palestine Bloodshed

With the exception of Czechoslovakia, the five member nations of Uno's Palestine Commission have still not been able to produce their representatives. A certain reluctance of individuals to serve on it is understandable; and its eventual arrival in Palestine will undoubtedly be the signal for fresh disturbances. Until the Commission is formed, the British Government cannot arrange with it details of the transfer of authority. Meanwhile, the casualties in Palestine mount steadily. Exact figures are not yet available, but it is probable that there have been well over 100 killed and scores of wounded since partition was first declared three weeks ago.

Arab violence is still sporadic and unorganised, and is believed to be contrary to instructions received from the Mufti's headquarters in Beirut. But there is danger that the Mufti may for once find himself carried along by, rather than directing, events. Jewish reactions, at first defensive, have turned to reprisals, which have taken the form of indiscriminate slaughter of Arabs in bus

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queues or in villages. Responsibility for the worst of these outrages has been claimed by the Irgun, which announced on December 1st that, while partition was "illegal," the Irgun itself would "cease to exist inside the new Jewish state." At the moment it appears to be still acting independently of the Haganah, though it has been made clear by the Tel Aviv press that a policy of reprisals has been envisaged also by the latter as part of its "defence" operations.

The effect of such reprisals, if persisted in, can only be to excite the Arabs beyond all control and so to involve the British forces in fighting both Arabs and Jews as they withdraw—a development probably less welcome to the Arabs than to some extreme Zionists. For Britain, the ugliest incident so far was that involving the Arab Legion, on December 13, near Lydda. A small Jewish convoy was stoned by an Arab mob, one of the drivers was wounded, and his lorry crashed out of control into an Arab Legion camp. The Arabs say a bomb was thrown, the Jews deny it, but in the upshot the Legionaries opened fire and 14 Jews were killed. Mr Bevin told the House of Commons last week that this British-offered force is to be withdrawn with the British forces and returned to Transjordan. An article on page 1008 shows that embarrassment would be avoided if this were to be done sooner.

Developments inside the Jewish camp are confused. Dr Weizmann has been counselling moderation and friendship with Britain, but he represents a Centre party which will be dominated by a rather left-oriented Labour bloc in the new Jewish Government. Dr Moshe Shertok, the Haganah leader, who is being suggested as the first Jewish "Defence Minister," took a more up-to-date line when he is reported as having told the press in Jerusalem: "The basic tenet of our foreign policy must be friendship with Russia, whose stand in the United Nations will never be forgotten." Dr Shertok himself is included with other Jewish Labour leaders as an ally of the "Anglo-Saxon armies now poised against the Soviet Union" in the November issue of the clandestine bulletin of the Stern Gang, hitherto considered a Right-wing Fascist group. The new line of these terrorists is indistinguishable from that of the Communists, attacking the Truman doctrine and the Marshall Plan, and exalting the "Eastern democracies" and the 2,000,000 Jews of Eastern Europe. This document chimes in surprisingly with statements by Arab leaders which would otherwise be dismissed as propaganda. For instance, Hussein Pasha, the President of the Egyptian Senate, declared in Cairo last Saturday that Russia supported the partition of Palestine because it would make possible the dispatch of 300,000 Rumanian Zionists to the Jewish state as a Communist fifth column.

* * *

Arab Arms and Jewish Loans

Outside Palestine, the Arab Governments have been moving on expected lines. Arab tactics will be infiltration, non-co-operation, sabotage, and guerilla warfare, maintained and supported from Egypt, Syria, and Iraq, and probably also Transjordan. One report quoted an Arab League official as saying that the Arab States had "informed Britain" that they intended to send forces into Palestine as soon as the British withdrawal was completed. Some unvarnished statements, which it would be dangerous to dismiss as mere words, have been made by Arab leaders. Jamil Mardam Bey, the Syrian Prime Minister: "It is likely that the Arab States, if all else fails, will invade Palestine with regular armed forces. . . . The struggle between Arabs and Jews will develop into full-scale war." Salih Jabr, the Iraqi Premier: "We Arabs will resist partition by all possible means, and we are ready to make all sacrifices necessary, including the cancellation of the oil concessions."

When the moderates and responsible statesmen speak thus, it is unnecessary to record the doings of the wilder groups which are now recruiting volunteers for Palestine. The only question is whether events in Palestine itself will not move rather faster than their tactical plans foresee. There have already been attacks by Bedouin on American pipe-line camps in Transjordan, and in Amman the offices and cars of the Trans-Arabian Company were smashed and set on fire—incidents which were certainly not wanted by King Abdullah.

In Washington, the American Zionists have intensified their pressure for American armed support. The beginnings of "non-intervention" may perhaps be read into the recent announcement of the State Department that the licensing of shipments of arms to the "troubled areas" of the Middle East have been discontinued. But the US Zionists, including such figures as Senator

Brewster and Mr Bartly Crum, have made it clear that they intend that the new non-intervention shall follow the Spanish precedent and not prevent supplies of surplus war materials and arms reaching the Palestine Jews from America.

These developments must be in the highest degree embarrassing for the US Government, which juridically is bound, as a result of the Assembly's decisions, not to take independent action outside the Security Council. The latter, which has not yet gone beyond putting Palestine on its agenda, has been called upon by Dr Weizmann in a public speech to station a token international military force in Palestine. Other US Zionists have returned to the idea of an international security force as a means of legalising the dispatch of armed Jewish volunteers to the Holy Land. On the financial side, the Jews of America have been asked by Eliezer Kaplan, treasurer of the Jewish Agency, to subscribe \$283 million in 1948 to launch the Jewish State. This is more than twice as much as has ever been subscribed before by American Jewry.

* * *

Films Bill

The text of the Cinematograph Films Bill has now been published. The Bill is needed this year because the Cinematograph Films Act of 1938 is due to expire in 1948, and in any case conditions in the film industry have changed sufficiently over the ten years to demand some alteration to an Act ten years old. In substance the main change proposed by the Bill is to replace a rigid system of fixing the quota of British films that an exhibitor must show each six months by one which is flexible. The original scheme of the 1938 Act provided that an exhibitor was bound to include in his programmes over six months a fixed number of "long" films (films over 3,000 feet in length) of British production. The same rule governed all exhibitors. The amount of the quota was laid down by the Act and there have been occasions over the last ten years when it was impossible for an exhibitor to comply with it. Henceforward the Board of Trade will fix the quota for each six months three months ahead. Further, theatres are divided into three grades; the small theatre, taking less than £100 a week on the average, the circuit theatre, one of a chain of more than 200 theatres in the same ownership, and the remainder, which in fact will be less than a quarter of the total number of theatres in Britain. The small theatre is exempt from the quota provisions. The circuit theatre, called a "special quota theatre," will almost certainly have a higher quota to observe. Further, a provision is included in the Act to prevent the large circuits from growing any larger. Licences may be refused where the applicant is already the owner of 200 theatres. The Bill also abolishes the "renters quota," which was in effect a provision that the film renter, or middleman, had also to handle a quota of British films. The burden of finding sufficient British films to meet the quota now falls on the exhibitor alone.

*

The remaining provisions of the Bill are designed to clear up minor points in which experience has shown the 1938 Act to be defective. A public performance for quota purposes is more closely defined. The rentals of all films are to be charged separately. A British film, save by special permission, ceases to rank as such for quota purposes four years after it was first registered. For the first time the Board of Trade is given power to apply the Act, with or without modifications, to the showing of sub-standard films, that is, to films smaller than the standard width of 35 mm. A more important point in the Bill is that the Cinematograph Films Council is given greater rights to be consulted and its composition is changed. Hitherto it has consisted of 21 members, eleven appointed as independents, ten by various sections of the trade. Under the Bill independent members are to be cut down to five and the numbers representing film makers and film employees respectively are increased in each case from two to four.

From the point of view of the trade the Bill will be welcomed, if only because it makes the whole scheme more flexible and strengthens the machinery by which the trade can bring pressure to bear on the Board of Trade over its six-monthly task of fixing the quotas. From the point of view of the public the Bill, like the 1938 Act, is in effect permissive. It gives the British film its chance. It does not—nor could it—compel the British film maker to make good films or better films, sensible films or silly films. The public can, in the long run, have its way, by making bad films bad box office. The Bill will clear some, but not all, of the obstacles out of the way of making that preference effective.

Letters to the Editor

Side-stepping the Issue

SIR,—Surely a "disinflationary" policy is better analysed in terms of "savings" and "investment" rather than those of the Cambridge Equation. I agree with Mr Magowan that to cut the food subsidies would probably result in pressure for increased wages; but he goes on to maintain that there were no such pressure, the cut would be inflationary because "money would be drawn from the inactive to the active stock." Let us assume that when the subsidies are cut, there are no wage increases, no changes in taxation, that food prices are pegged at a level allowing for the cut, and that there is an inelastic demand for food.

At first, Government savings are increased by the amount of the subsidy, "s"; consumer expenditure on food is, in the limiting case, increased by "s"; but the "income effect" of the price increase will reduce demand for other goods for which demand is more elastic in response to income changes. Thus the amount spent on them will decrease, but by an amount less than "s," "x" (< s); insofar as x would have been productive of revenue, revenue decreases by an amount "y" (< x). In the result Government savings are increased by s-y while consumer savings are decreased by s-x. Total savings are increased by x (< s)-y (< x). Employment will be reduced in those occupations for whose product demand has fallen, but in "over" full employment the unemployed will be absorbed by the undermanned industries; or insofar as the products are imports for which demand has fallen, the balance of trade will benefit: in any case total "savings" will increase, which is surely "disinflationary."

Thus though "money would be drawn to the active stock," it would only be consumers' money, and the effect would be offset by Government saving. Of course if we expect wages to increase, and consequently aggregate demand and wage costs, we must revise our estimates and admit that cutting the subsidies might defeat its own object. But it is possible that at the new price and income level, and when the price of food is higher than before in relation to other prices, we might be nearer the equilibrium of savings and investment and a less unfavourable balance at the optimum employment of resources.—Yours faithfully,

Sunnyside, The Green, Stevenon, Berks.

E. O. JONES

Polish Trade

SIR,—In your article, "Germany: the Real Issue," you state that "such nations as Poland and Czechoslovakia are being encouraged (by Russia) as far as possible to divert their trade from the West . . ." Yet, in "Poland's Foreign Trade" (June 14, 1947, page 944), you remark, "The Russians have encouraged the Poles to renew trade with the West. The reduction of the quotas of coal to be delivered to Russia has given the Poles a bigger export surplus to be diverted to the West. In addition the Poles have been enabled to draw on Russian gold to the amount of 29 million dollars for the payment of capital goods and raw materials which they may buy in hard currency countries."

For geographical reasons alone it is natural that Russia should have the greatest share of Poland's foreign trade, yet it has fallen from 90 per cent in 1945 to 57 per cent in 1946 and to only 31 per cent in the first half of 1947. In this last period Denmark came second with 11.7 per cent, Sweden third with 11.2 per cent, and the USA fourth with 8.6 per cent. Except for Czechoslovakia, whose economy is being increasingly integrated with that of Poland, the value of the trade agreements with the other countries of Eastern Europe (excepting the USSR and the Soviet Zone of Germany) in 1945-46 came to only 32 million dollars, while that with Sweden alone was for 100 million dollars, out of a total of 894 million dollars.

Obviously trade with the other Eastern European countries will increase as the economic agreements with Czechoslovakia and Yugoslavia this year show, but their value will still not be as important as that of the trade overseas and with the West.

During my visits to Poland last year and this I noticed the huge potential market there for the industrial products and consumer goods that can best be supplied by the West. From 1948 onwards there should be increasing surpluses of food over and above those already being exported; it is mainly to the West that these commodities will be sent, in addition to materials such as coal, zinc and chemicals. The international political atmosphere is still not very good, but I found amongst the

Polish officials with whom I came into contact a strong realisation of Poland's need for good trade relations with the countries of the West.—Yours faithfully,
The University, Birmingham

JOHN C. CLEWS

Cutting the Coat

SIR,—May I submit that the cuts in capital investments, far from being insufficient, will have the most serious consequences of slowing up the increase in National Income and Production? The real significance of these cuts can be gauged by comparing the estimated values of Net Investment as proposed with the corresponding estimates for 1938 adjusted for the rise in prices.

	1938*	1940/44*	1945/47	1947	1948†
Gross investment	1,900	...	...	1,550(1)	1,320(4)
Repairs and renewals	1,160	...	...	775	775(4)
Net investment	740(2)	Dr. 2,000—2,300(3)	1,500-1,400(4)	775	545
Phys. destruction (inland)	...	Dr. 2,200(1)	...	...	...

* At present value. † End of year.
(1) Oxford Bulletin for Statistics, Vol. 9, p. 230.
(2) CMD 7099, p. 19, with estimated adjustment for present values.
(3) CMD 6707, p. 14.
(4) CMD 7268, p. 5. It is assumed that in order to keep capital intact the 1947 rate of repairs and renewals will apply.

It will be seen from this that so far our Capital Investments have in no way been vast and over ambitious: less than one third of the internal disinvestment (including physical destruction) has been made good and it is now anticipated that only some 75 per cent of the prewar rate of net investment will be forthcoming in the next few years.

May I conclude by quoting an extract from *The Economist's* review (1945, p. 236) of Mr Kaldor's appendix to the Beveridge report on full employment: "By what is now virtually unanimous consent, the rate of capital formation in prewar Britain was at much too slow a rate. The amounts devoted to new production equipment were so inadequate that British industry was gradually falling behind in the race for productive efficiency." Surely, any bigger cuts would be plain disaster!—Yours faithfully,

K. ZWEIF

55 Combemartin Road, S.W.18

The American Constitution

SIR,—When a person wishes, for some reason or other, to refute a perfectly true statement, one fairly effective method he may adopt is to say bluntly that the statement is wrong and then

From *The Economist* of 1847

December 18, 1847

THERE is no denying that, in every country in the world, except in Ireland, Irishmen rank among the most useful and industrious classes of the community, are equally manageable and amenable to the ordinary laws of society, and, upon the whole, are careful and provident. In Ireland alone do the Irish show themselves a turbulent race, reckless of consequences, and apparently without the slightest interest in social order. . . . In every other country the Irish are found the most willing of labourers, with less attachment to any particular spot than almost any other people, and exhibiting no particular attachment to the occupation of land. While in Ireland they cling to the possession of a plot of ground, capable at the best of yielding a most scanty and uncertain subsistence, and are riveted to the spot with a tenacity equal to that with which they cling to life. And the more we enquire into the cause of this wide difference of the national character at home and abroad, the more we are convinced that the only solution of the question is that while abroad they find abundance of opportunity of obtaining subsistence otherwise, at home they have no other resource but the land, and that its possession becomes with them simply a question of life or death. It is to the entire absence of employment at regular wages in the south and west of Ireland, that that extraordinary attachment to the soil and the miserable existence which it affords . . . is to be solely attributed.

expound it in slightly different words, thereby leading the unwary reader to believe that since the second statement is obviously right, the first one must be wrong. Mr Sheppard in a recent letter criticises *The Economist's* frequently expressed view that the professed purpose of the American constitution is to prevent action, and then in his own brief summary of the fundamentals of the constitution seems to show just how right *The Economist* is in its interpretation.

That the attempt of the framers of the constitution to reflect the will of the American people was based on the following three assumptions would probably be admitted by both Mr Sheppard and *The Economist*:

(1) The will of the American people is not necessarily reflected by the will of the majority of the American people of any particular time;

(2) The will of the majority of the American people is not necessarily reflected by the will of the majority of representatives

of the American people, which cannot, therefore, claim to reflect the will of the American people;

(3) In the interests of individuals and minorities the power of the majority of representatives, and of all other organs of government, must therefore be restrained by balancing them against each other.

In other words the constitution sets up a series of hurdles (ranging from Presidential vetoes, through two-thirds majorities, to power to declare any act "unconstitutional") in the hope that any proposal which manages to clear them all may be said to have the full support of that elusive body, the "American people." To admit, as Mr. Sheppard does, that this procedure has "sacrificed some mobility of action" and at the same time to deny that its professed purpose is to "prevent action" is to adopt a verbal argument at which even a hard-pressed politician might shy.—Yours faithfully,

A. R. SINCLAIR

42 Dalkeith Road, Edinburgh

Books and Publications

Old Fashioned Liberalism

"Free Trade—Free World." By Oswald Garrison Villard. Robert Chalkenbach Foundation. 278 pages. \$3.

THERE is only one really important tariff in the world today: that of the United States. In a sense, even that tariff is a comparatively minor factor in the world economic situation; because that situation cannot be immediately and adequately dealt with by the two-way flow of trade which makes for normal prosperity. Europe has not now the material wherewithal to exchange for enough American goods to save itself from starvation and collapse, even were the whole world one vast free trade area. The New World, of which the United States is the powerhouse, is the one region both developed and undevastated; and Europe can no more stand in a normal trading relation to it than can the Ukraine to the rest of Russia or Essen and Hamburg to their surrounding countryside. Even if all tariffs, all transfer difficulties, all differences even of sovereignty were abolished, the basic problem would remain; the problem confronting any community a substantial section of which has temporarily lost the power of self-support; the problem of the Special Areas, of the *Régions Sinistrées*, of the Dustbowl. It transcends ordinary commercial considerations; for those who have power in some measure to solve it, it is a question partly moral—what are our obligations to our fellow-men in distress?—partly political in the widest sense—how much is it worth to us not to be islanded in chaos? On this major question the further problems of ways and means, the techniques of loan or grant, procurement and transfer, would still be superimposed even in a free-trade, one-currency area. As things are, yet another layer of difficulty is added, that of foreign exchange and the articulation of different government control systems. If the United States tariff were abolished tomorrow, the dimensions of the problem would only shrink by whatever amount represents the value in American goods of Europe's exportable surplus. Qualitatively, it would remain the same. The call on American altruism and far-sightedness would be sooner and more easily satisfied, but it would be no less urgent.

For this reason, Mr Garrison Villard's hard-hitting Free Trade tract is in some ways rather a pity. Reading his pages uncritically, one would suppose that a rapid scaling-down and eventual extinction of tariffs is all that is needed to restore world prosperity and lasting peace. He quotes Cobden and Bastiat, Henry George and Walt Whitman; he deals faithfully with Messrs. Hawley and Smoot, the Tariff Commission, and the soap-box autarkists who want to "keep American dollars at home." He makes his case with plenty to spare; and he says little that does not need saying and even repeating. He makes a few egregiously naive comments on British policy (according to him, the 1947 crisis alone was responsible for the British exit from India and Burma) but no more than is unfortunately to be expected of any American commentator, however sympathetic. "Free Trade—Free World" would, in fact, have done a power of good had it been published a dozen years ago. Even so, it would have suffered from its author's oblivious neglect of the whole formidable Keynesian analysis, so easily distorted to anti-liberal ends. As a long-run recipe for world equilibrium and progress, free trade remains undisciplined by any of the avaricious which have displaced it. As a cure for the present crisis, and particularly the crisis of the "dollar gap," it is about as much use as Swedish drill to a man whose broken leg has not been set.

Local Authorities

"Local and Regional Government." By G. D. H. Cole. Cassell 15s.

PROFESSOR COLE has now tried his very able hand at the reform of local government. He postulates that what Britain needs is both larger units and smaller units of provincial administration—the former to plan major services on an effective basis, the latter to revitalise the life of local communities. Few would deny this general thesis, or Mr Cole's supplementary argument that the present administrative divisions along rural and urban lines are archaic. There are no units that are truly regional; and few that are truly local (for parishes have insufficient powers). Most local authorities fall betwixt and between Mr Cole's criteria. Should they then disappear? But on closer inquiry this would be found to be impractical. The author realises this, though he does not say so; and his final picture envisages the co-existence of small, medium-sized, large and very large units of local government, with the medium-sized ones—termed "town-and-country incorporations"—forming the real cornerstone of the edifice. Practice is thus, and necessarily so, at odds with theory.

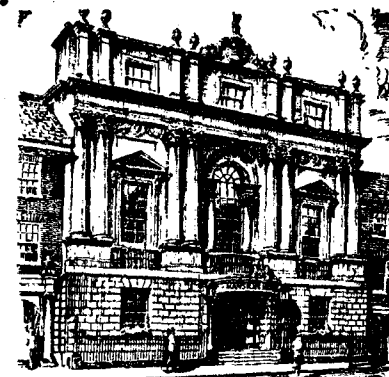
Mr Cole's whole structure is, however, so complex and flexible as to be decidedly wobbly. Each "incorporation" would normally consist of one or more towns, large or small, and its rural environs—thus Devon might be divided into 12 of these units, Norfolk into 16, Kent into 15. This idea is a good one. Below the incorporations would be parish or neighbourhood councils, above them would be counties (reduced in number by amalgamations), and above the counties would be regional planning units. There might be thirteen such regions. The structure would differ inside the five large conurbations of Greater London, Greater Birmingham, Greater Manchester, Merseyside and Tyne-side, each of which would possess a regional authority of its own with considerable powers. The division of functions inside each region would be extremely flexible. Thus, counties would still be active administratively in rural areas, but might do little when the incorporations were mostly on the large side.

Administrative map-making is a fascinating but difficult business, and it is greatly to Mr Cole's credit that he demonstrates in detail how his ideas might work out in a number of areas. Experimental map-making of this sort is the way to bring to life these problems of administrative structure. It does, of course, expose the author to many criticisms, petty and major. The major criticism of Mr Cole is that he is too pure a theorist to make a successful administrative reformer. In his desire to cultivate every aspect of technical efficiency and popular democracy, he goes on multiplying his units and varying their relations, to the confusion of both the harassed administrator and the puzzled elector. He forgets the virtue, or rather the practical necessity, of simplicity in this matter. Nevertheless, many of the author's particular notions are sound; and the whole is as stimulating and readable as the subject permits.

Practical Propaganda

"Talk of Propaganda." By Ian Harvey. Falcon Press. 116 pages. 5s.

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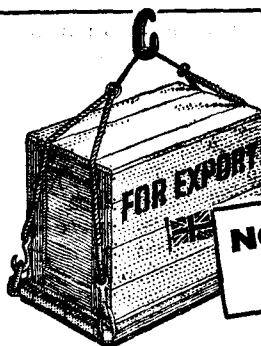
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MADRAS GOVERNMENT

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by

HENRY DRUMMOND-WOLFF

with a foreword by

The Rt. Hon. LORD ALTRINCHAM

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In the manner of a thoroughly competent sergeant-instructor, Mr. Harvey sets out a short course in Practical Propaganda for the beginner. He has had some experience of commercial advertising, and emphasises that political propaganda must follow the same basic principles. But this little book is written for the party propagandist, not for the businessman. In fact, it is addressed quite frankly to the Conservative Party. Mingled with the purely technical advice—which is thoroughly sound, and written with a pleasantly light touch—there are passages of rather pontifical philosophy, dropping at times into platitude: "A party that has neither philosophy nor principles is inevitably an opportunist party. . . . A political creed that pretends to be what it is not, or offends against moral and ethical standards, is an immoral one." The discriminating reader will skip these passages, and will concentrate on the very useful sections which deal with poster design, election leaflets, press relations, and slogans. Although the final chapter is devoted to showing that "The Case for Propaganda" is that it will enable the Conservative Party to regain power, there is much in this book that will be of value to Socialists, Liberals, Independents and all who are concerned with any cause which must capture and retain the support of the public. It is illustrated with shrewdly chosen examples of good and bad posters and press advertisements.

Political Thought and Political History

"Western Political Thought." An Historical Introduction from the Origins to Rousseau. By John Bowle. Cape. 21s.

THIS is a good and useful book. It is written modestly, as an introduction to a large subject, and with the intention of bringing the reader to the master-works described in the text. Mr Bowle, however, does more than parade a string of racehorses and give the bystanders short accounts of their pedigree and form. He relates the thought of an age to its general context in political and social history and explains why problems of universal interest took at different times their particular shapes. Mr Bowle's historical comments (including his footnotes) are vivid and exact. Unlike so many otherwise excellent writers of the older school such as Janet (whose work might find a place in the bibliography), Mr Bowle sees as well as hears political thought. Thus: the huddle of scholastic controversy, of shaven-pated, uniformed religious in the tortuous ways of the medieval cities, produced minds which could twist the legacy of the alien Greek genius to their ends, and impose between the outlook of antiquity and the Renaissance a web of thought which conditioned speculation until well into the seventeenth century.

This visual imagination serves Mr Bowle well in his chapters on the primitive background and the Temple State. Throughout the centuries with which these chapters deal there is very little political thought to be heard, but much wisdom to be learned by watching the early hunters or the slow irrigation of Mesopotamian fields. Mr Bowle does not forget what he has seen. It would indeed be impossible for an intelligent writer to make this survey of the past without reaching some conclusions of his own. Mr Bowle has taken the first lesson of politics from the far-off primitive societies and the river cities of the Middle East. The lesson is that "no community can continue healthy—least of all a huge modern society—without some objective, some pattern of belief." Therein lies the great problem of our own age. Mr Bowle realises the existence of this problem; he does not make the mistake of thinking that the present dangerous situation is mainly one of disintegration and anarchy. He finds it possible to discern the elements of a new synthesis; for this reason in particular, at a time of much weariness and pessimism, his account of the rise of the western tradition of political thought deserves a wide circle of readers.

Colonial Policy of the US

"America's Colonial Record." By John Collier. Fabian Publications Limited. 36 pages. 1s.

THERE has been no up-to-date treatment of American colonial problems available to the British reader since the publication in 1937 of Colonel Theodore Roosevelt's "Colonial Policy of the United States" (a book rather surprisingly omitted from Mr Collier's useful bibliography). A postscript bringing the story up to the present day is therefore overdue and perhaps few Americans are so competent to present it as Mr Collier, whose long and distinguished record as Commissioner of Indian Affairs has given him experience and authority in this field.

In this small pamphlet he deals in some detail with the Philippines, Puerto Rico and the Pacific Islands; rather more summarily with Hawaii, Alaska, the Panama Canal Zone, the Virgin Islands

and the American Indians. In all these sections there is a good deal of up-to-date information which is not otherwise easily available on this side of the Atlantic. At the same time, it is perhaps permissible to wonder whether, if read in detachment from other treatments of the subject, this pamphlet may not give a somewhat distorted picture. It is not merely that Mr Collier's general sympathies are patently on the side of the colonial underdog and that this sometimes leads him to present as fact matters which are still subject for debate (e.g., President Roxas' role as a "collaborationist" in the Philippines or the political orientation of the Hukbalahaps). A rather more serious weakness of his necessarily compressed story is that it foreshortens the narrative of pre-war developments in American colonial policy and thus is likely to encourage the rather smug frame of mind exemplified in the Fabian Society's foreword with its complaint that "objective appraisals of American policy by themselves seem to have been far sparser [than British] and have claimed a far less willing public."

In short, this is a valuable, if occasionally one-sided, supplement to earlier accounts of the history of American colonial development. If taken by itself, however, it may merely stimulate the *Schadenfreude* which animates too much contemporary British discussion of American policy.

Prosperity Decade

"Prosperity Decade." By George Soule. The Pilot Press, 1947. 365 pages. 25s.

THIS volume, the eighth in an admirable series, *The Economic History of the United States*, addresses itself to that most dramatic of economic decades in America, the Twenties. The story of war production, Harding corruption, Coolidge prosperity and Hoover crash, is a tragedy which moves through its sequence of promise, depravity, *hubris* and nemesis with an Aeschylean force. Indeed, so compelling is the movement of this tragedy that it has imposed itself on the minds of a great many contemporaries as the only pattern for a postwar American decade and has been in no small part responsible for the diffused conviction that the same relentless cycle of boom and bust is fated for the heirs of Roosevelt as befell the successors of Wilson. For victims of such imaginings a reading of Mr Soule's deflationary volume is heartily to be recommended.

Mr Soule starts with the minimum of preconceptions, chases almost no analogical hares, and draws only the most cautious and incontrovertible of morals. Let others, one feels him say, put in the colour and the drama of the period; I will measure its forces with the yardstick of statistics and subject its legends to the X-rays of economic theory. The result is a scrupulously dispassionate survey of the economic movements of the period, the first rounded appraisal to be offered within a compass small enough to be manageable and large enough to do justice to all the main developments. Mr Soule's own political position as an American liberal is no secret, but he is always just to the Business Man's decade, brings out its real achievements in productivity and mounting prosperity, and, when he finally comes to the problem of the crash, rejects any facile scapegoat interpretation. He finds the disaster inherent in all that had gone before, and above all in the rigidity of an economic order which prided itself, more than anything else, on its infinite flexibility. The Greeks would have had a word for that; it is a mark of Mr Soule's restraint, not of his impercipient, that he has none.

Shorter Notice

"The Truth About Publishing." By Sir Stanley Unwin. Allen and Unwin, Limited. 352 pages. 8s. 6d.

THE fifth edition of this standard work differs little from the fourth (1946), except that the profit and loss account of a 7s. 6d. novel printed in 1,500 copies at 1939 rates has been supplemented by the equally gloomy figures for 3,000 copies of an 8s. 6d. novel produced in 1947. There are few references to the feverish conditions of recent years, which have so favoured publishing that it has become a field of mushroom growths: the book is the more useful and salutary now because it is confined to the solid business foundations on which a serious publisher must build. Here an entrant to the book trade, and an old hand too, can learn from an acknowledged master what a publisher should know about book-production, dealing with authors, copyright, marketing (especially for export), advertisement, valuation of stocks. Sir Stanley Unwin is sometimes irritated by the unreasonableness of authors, agents or the Government, but his judgment is sure. Perhaps in the next edition he will tell us whether the disaster of Leipzig has shaken his advocacy of a central clearing house for English book-publishers, which would give that many-headed trade a single neck.

AMERICAN SURVEY

A Republican Foreign Policy?

(From Our US Editorial Staff)

THE *Baltimore Sun* remarked two weeks ago that the strangest phenomenon in American politics during the last year has been the slowness of the conservative mind in realising that division between the United States and Russia must cost the United States a great many dollars. Among the very people, as it said, who had least hope of any durable co-operation between the two countries there has been such stubborn unwillingness to accept the inevitable cost that during the last two weeks members of the conservative Congress quibbled and wrangled over the already belated winter relief for Western Europe. Although many of the leaders in the fight for the European Recovery Programme would certainly be considered conservatives, it is true, as the *Sun* says, that nearly all the opposition comes from the Right and from that part of the Right where fear and hatred of Russia is most extreme.

The Republican Party, to which the majority—but by no means all—of the opposition conservatives belong, is in a difficult position, having power without responsibility—control of Congress but not of the Executive. In such circumstances a party always seems disorganised and without a policy. After a success in next year's elections a foreign policy would no doubt emerge, but by that time the fate of the Marshall Plan will be settled. At this moment the most recent hint of a Republican foreign policy is in a "Resolution on Foreign Affairs" adopted on April 1, 1946, which deplores the incoherence and inefficiency of the Administration and then states that:

The United Nations Organisation has been overwhelmingly approved by the people of the United States. It is a mechanism which can maintain peace and security only if the states of the world show faith in it, make use of it, and vitalise it by positive acts of co-operation.

The Republican National Committee, therefore, demands:—
(a) That the State Department be so reorganised that it may possess cohesion and unity of purpose; that only those persons who believe in the American way of life and are loyal to the American Government shall be employed in the Department.

(b) That the President and the State Department demonstrate their trust in the United Nations Organisation and in our own hemisphere organisation, and consult with other states before acting in matters of interest to a number of states.

(c) That only Americans known for their devotion to our form of government be appointed to the various posts of representation in the United Nations Organisation, and that they be given time and facility for study and the preparation of their positions. Let the United States act in the councils of the United Nations Organisation in a manner commensurate with our world position and prestige, and give thereby direction, constructive purpose and vitality to the United Nations Organisation.

(d) That our Administration leadership demonstrate through the United Nations Organisation on behalf of such nations as Poland the same zeal which is now so evident with respect to oil-rich Iran.

That this is still thought to be an adequate and comprehensive expression of the Party's view of foreign affairs seems likely, since the *Republican News*, the official organ of the Republican National Committee, which appears every two months, published a number for November and December which recognised in only one sentence that a world existed beyond the borders of the United States: "Mr. Truman proposed totalitarian methods at home to curb totalitarianism abroad." Though the National Committee and its chairman, the shadowy Mr Carroll Reece, have no more foreign policy than this to offer, Republicans

should have the choice of a variety offered by the candidates for the Presidential nomination.

In domestic affairs, it seems that Senator Taft speaks for the National Committee, as this body usually endorses and repeats what he says. Perhaps their silence on foreign affairs is therefore an acceptance on behalf of the Party of the high-minded evasiveness of his statement at Tacoma in September. He said on that occasion: "In my opinion, current foreign policy as far as possible should not be a subject of partisan debate, and the Republicans have not made it so." Such a remark may save him the necessity of formulating his own foreign policy but it did not stop him attacking the Marshall Plan—surely current foreign policy, if anything is—or voting for the amendment to reduce the amount of Interim Aid.

Governor Dewey cannot be said to have developed a foreign policy, though he has adopted a few unrelated attitudes. But as it is his habit to follow public opinion rather than try to lead it, he is unlikely to give his party anything to work with until, if he is nominated, he has had a chance (in Senator Pepper's phrase) to wear his ears out dragging them along the ground. General Eisenhower is, and must remain until he leaves the War Department, as coy about his beliefs as he is about his candidacy.

Only Governor Stassen has announced a detailed foreign policy, which is integrated with a domestic policy and which is neither a copy nor a negation of the Administration's position. Two weeks before Mr Marshall spoke at Harvard he suggested in a speech in Iowa that the United States should, for the next ten years, devote 10 per cent of its tangible production to a carefully planned rebuilding of the world economy. He has now accepted the Marshall Plan but the political restrictions which he advocates (such as guarantees that participating countries shall not nationalise their industries) have only found support among those whose enthusiasm for the Plan itself is lukewarm.

There seems nothing, in fact, in what any of the candidates have said which can be thought to be a Party policy or can be developed into a Party policy during the debates on the European Recovery Programme. It is in Congress itself that policies must be sought and there appear to be three. One—the old, and pure, isolationist theory—is still represented but not in great strength. Representative Clare Hoffman (Michigan) spoke for it during the debate on the Interim Aid Bill. Diplomacy, whether open or secret, and, indeed, all contact with the outside world is, for the pure isolationists, immoral. But they are no longer of great importance.

The majority of the Republicans in Congress are divided between the other two policies. One, weaker in the Senate, but strong in the House of Representatives, consists of those conservatives about whom the *Baltimore Sun* complained—the wild men from the isolationist desert, as the *New York Times* calls them. Russia is anathema to them—but foreign aid is

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

In general terms, Mr Eccles renewed his outspoken opposition to all opponents of his plan. The Treasury, he said, had given no "precise basis" for opposing proposals which, so far from being personal to himself, enjoyed unanimous support from the economic advisers of the Reserve Board. The unanimous opposition of the Federal Reserve Advisory Council (representative of commercial banks within the Reserve System) was described as

a natural reaction from "any vested interest or group." Not more than a week ago, Mr Eccles was also declaring that the Board would not raise rediscount rates or withdraw from support of the Government Bond market "without a directive from Congress." But he has since admitted that the time for an adjustment of the rediscount rate may be coming very near.

The argument which Mr Eccles was chiefly concerned to make, however, was that his own plan would be far less drastic than a simple increase of the legally prescribed bank reserve requirements, and that it could simultaneously protect Government Bond values, while also contracting credit and raising interest rates on commercial loans and non-Government securities. By demanding that commercial banks hold a secondary (and additional) reserve of Treasury Bills and short-term certificates or Notes, and that this secondary reserve should range up to 25 per cent against demand, and 10 per cent against time deposits, the authorities would be given some manœuvring power on the pattern of short-term rates. Commercial rates could be allowed to harden, while rates on Government Bonds would be sustained by the fact that short-term Treasuries would possess a "premium value" as a secondary reserve for banks. Similarly, the Federal Reserve Banks could keep up the price of longer-term Treasury bonds by buying them in the open market without fear of causing an automatic increase in member total bank reserves as now occurs. For the new reserves created could be sterilised by adjusting the "secondary reserve."

The weakness of the argument seems to lie in the assumption that the Reserve Board is faced with the direct choice between, on the one hand, complete stability of long-term rates, and, on the other, complete disorganisation in the securities markets, with a damaging addition to Budgetary costs, and the release of imponderable deflationary forces. To avoid even moderate changes Mr Eccles is prepared, apparently, to enforce an extremely cumbersome system of controls which would give the Reserve Board something like a straitjacket for the discipline of the commercial banks. To the powerful opposition already shown by bankers, there is now joined the plain distrust of the Secretary of the Treasury, Mr John Snyder. But Mr Eccles, at least, has prepared his case for submission to Congress, and it is at least ingenious. There is no present suggestion that Mr Snyder has been at equal pains to solve the dilemma posed by the simultaneous effort to contract credit, and maintain a rigid pattern of interest rates.

Mr Lewis Takes Another Walk

Having failed to carry the American Federation of Labour with him in defiance of the Taft-Hartley Act, Mr John L. Lewis has curtly announced the disaffiliation of the Mine Workers from the AFL. He is to be a guerilla once more—the role that suits him best. The new labour law has proved as disintegrating an influence in labour circles as its most reactionary supporters could have wished. Hopes—and fears—that Mr Lewis would use his triumphant return to the AFL to build a single labour movement, with commensurate political power, have been frustrated by his inability to work in harness with the "stately asses" of the AFL.

The practical effect of the Act may nevertheless be to provide Mr Lewis with new allies. The National Labour Relations Board, following the clear meaning of the law, has declared that a union which does not file anti-Communist and financial affidavits can have no place on the ballot even when the employer requests an election. In particular, it has absolved the Remington-Rand Company from dealing any longer with the United Electrical Workers, the largest Communist-dominated union in the country. Mr Denham, the General Counsel, has, indeed, warned the company that it deals with the union "at its peril," laying itself open to charges of violating the law; and Remington-Rand, which was one of the bitterest and most violent opponents of labour organisation in the early days of the New Deal, has enthusiastically broken off relations with the UEW. The way is open either for a raid by a complying union or for a "no union" vote by UEW members. Both seem likely to precipitate labour troubles of exactly the kind the Act was ostensibly designed to stop.

Unions with over 3,000,000 members are still refusing to sign the anti-Communist provisions of the Act. They include Mr Murray's steelworkers, as well as the mineworkers. It is difficult to avoid the suspicion that Mr Lewis believes there will be good fishing in these troubled waters for the man who has consistently defied and outwitted the authors of the Taft-Hartley Act. His own hatred of Communists has never stood in the way of temporary alliances with the extreme left; the CIO itself was built upon such an alliance. And Mr Lewis counts upon the years

ahead to show that his resistance to the temptation to comply with the Taft-Hartley Act was right.

Pan-American Defence

By an almost unanimous vote, the Senate some days ago responded to an urgent appeal from President Truman and his service advisers to ratify the Inter-American Treaty of Reciprocal Assistance, signed at Rio de Janeiro on September 2nd. Before this vote, the Treaty had been ratified only by Mexico and the Dominican Republic, and formal approval is needed from at least ten other signatory nations. The Senate vote may now accelerate measures for hemisphere defence.

Ratification of the new Treaty (which can provide no more than a political framework for mutual defence measures) is expected to revive service demands for similarly speedy action by Congress on the draft for an "Inter-American Military Co-operation Act." This would authorise the US Government to supply arms to other American states, to supervise the training of their armed forces, and to standardise the equipment and organisation of army, naval, and air forces throughout the continent. This programme was first put forward by President Truman in May, 1946, and his appeal was repeated last Spring. Although it has twice received the specific endorsement of House Committees (under both Republican and Democratic rule) it has been buried in the general pressure of summer appropriation debates and has not received further consideration. Beyond this, the President's service advisers are seeking the establishment of an Inter-American Defence Council by which the general staffs of the nations concerned could enjoy constant consultation, and overall direction of strategic plans. This co-operation already exists, in some measure at least, between the United States and Mexico, Brazil, and Canada.

One of the issues which made for a certain Congressional wariness in the last session was that of appropriations. The Military Co-operation Act itself would provide no more than a nominal sum, mainly for training purposes. But the service departments long ago marked up as much as \$400 million of "obsolete" war stores for transfer to South American countries, and most of the actual cost of co-operation would be masked by inclusion in the general defence votes. Political opposition to the programme has not been especially strong. But there is a constant under-current of criticism based on the view that the US Government would be obliged to uphold existing regimes whatever their character, and that substantial assistance might breed rivalry between the South American countries themselves.

Immediately, however, the programme for mutual defence will, presumably, receive a new impetus from events in Europe. It will be assisted, too, by the new mood of conciliation in Buenos Aires and Washington. No longer fearful of Nazi intrigue, the State Department believes that it can rely unflinchingly upon Señor Perón in the political clash with the Soviet Union. The world-famous "Blue Book" denunciation of the Argentine government in February, 1946, is almost forgotten. There remains only a modest and gentlemanly disagreement on the current price of wheat.

Shorter Notes

Spokesmen for all major commodity exchanges have left no doubt that they will mobilise all possible support in their endeavour to prevent the Government from gaining new powers for margin trading. Some diverting comments have enlivened the general discussion. The New York Cocoa Exchange seeks exemption because it acts "as a thorn in the side of foreign monopolies," and one speaker claimed that a "British Government cartel" was holding up prices by curtailing output. For the New York Cotton Exchange, it has been claimed that higher margins will simultaneously be without effect and "hurt cotton growers without any justification."

In the pantomime of American politics there has never been a stranger spectacle than that of Mr Henry Wallace booming Senator Taft for the Presidency. Mr Wallace was asked whether a third party, with which he is still toying, would not open the way to a victory for Taft and reaction. Under Senator Taft there would be, he responded, the best chance of reversing the present "get tough" policy toward Russia. In this *schadenfreude* there is the grain of truth that the Russian sympathisers derive their most real comfort from the do-nothing policy of those who speak most harshly of the Soviet Union.

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THE WORLD OVERSEAS

Stalin's Switch in Social Policy

(By a Special Correspondent)

LAST Sunday the Soviet Government announced a series of financial and economic measures which, taken together, amount to a significant modification of its social policy. The long decree, signed by Mr Stalin for the Government and by Mr Zhdanov for the Party, consists of three sets of measures: the currency reform, the abolition of rationing, and the new policy on prices and wages. The three sets of measures are, of course, interconnected and complementary. They are calculated to achieve two parallel objectives: firstly, to mop up surplus purchasing power and thus to end the inflationary trend, to which the war gave a powerful stimulus though the trend had been apparent even earlier; and secondly, to redistribute the remaining purchasing power between the various classes of Soviet society, in accordance with the new social and political demands of the post-war era.

It is difficult to gauge the scope of the Russian inflation. The total amount of currency in circulation is not known. Several years before the war the Gosbank ceased to publish currency statistics, which came to be treated as a defence secret. Even if the secrecy were now to be lifted—and this is not the case—it is doubtful whether the central planning authorities have any exact knowledge of the volume of circulation. The Russian peasant is a habitual hoarder of money. As in all countries with a numerous peasantry, money in Russia has in recent years flowed from the town to the countryside where it lay hidden in chests and "money boxes." The peasants of the former occupied areas also hoarded roubles issued by the Germans, just as they had hoarded old Tsarist roubles long after the victory and consolidation of the Soviet regime. Whatever the volume of the circulation, it has been inflated to an extent which, if tolerated, might have undermined the very foundations of Russia's planned economy. This has now been, for the first time, officially admitted.

Under the reform all cash holdings are exchanged at the rate of ten old roubles to one new one. This would seem to imply that the rouble had lost about nine-tenths of its previous value. In fact, the devaluation was much worse during the war and immediately after it, when the shortage of consumers' goods was at its worst. Throughout 1946 and 1947 the Government was engaged in a strenuous fight against inflation. The problem was tackled from the goods end and the money end simultaneously. The supply of goods was increased. Policy on wages and prices became distinctly deflationary.

Postwar Deflation

The policy was not unsuccessful. Prices on the so-called free markets and in State-owned "commercial" shops were steadily forced down. Again, no exact measurement of the downward trend is possible, because price indices are not published in Russia. An approximate idea of the trend is provided by a private calculation, based on many reports from Russia. From these it appears that in 1944 the so-called commercial prices were roughly forty or fifty times higher than the prices for rationed goods. This enormous gap, it must be remarked, was not between rationed and unrationed goods, essentials and luxuries, but between the same categories of goods—bread, meat, butter, etc.—which could be bought on and off the ration. (One kilo of wheat bread on the ration cost three roubles, while its "free" price was about 120 or 150 roubles.) The fantastically high "commercial" prices were technically also "controlled" by the Government. In actual fact, however, their level was dictated by the varying degrees of scarcity and by the level of prices which prevailed in the completely free and permitted peasant trade at the *bazaars*. (At times the commercial prices in Governmental shops and co-operatives were even higher than the *bazaar* prices.) In the middle of the war, when transport and distribution of food were disrupted, the spontaneous rise in prices was even higher than in 1944. In 1946, however, the gap between the "commercial" and "free" prices and the prices for rationed goods rapidly narrowed, until the former were "only" three, five or six times higher than the latter. In the course of 1946 the commercial prices in Governmental

shops were reduced at least three times—by the end of the year they were roughly 50 per cent lower than at its beginning. On the other hand, the extremely low prices for goods bought on the ration were raised by 200-300 per cent in September, 1946.

A Cash-Minded People

In its struggle against inflation the Government suffered a severe, though only temporary, set-back because of last year's disastrous drought, which accentuated the scarcity of foodstuffs. At present the worse effects of that reverse have apparently been lived down, and the Government has felt able to carry the anti-inflationary campaign to a radical conclusion.

The reform hits ruthlessly the holders of cash. Owners of saving deposits have been treated more mercifully. Deposits below 3,000 roubles undergo no "revaluation"—their owners receive one new rouble for one old one. Larger deposits are to be revalued at the rate of two and three old roubles to one new rouble. All State loans issued prior to 1947 are consolidated into a single loan, at the rate of three to one. Current accounts of co-operatives and kolkhozes are to be recalculated in a way that will make co-operatives and collective farms lose 20 per cent of their nominal assets. However, deposits of individual savers represent only a small fraction of the total purchasing power. The Russians are still a cash-minded people. By hitting the owners of cash with so much ruthlessness, the reform therefore effects a very drastic reduction of the total purchasing power.

It is only after having killed nine-tenths of the money that might chase the goods, that the Government has ventured to abolish rationing. As elsewhere, the abolition of rationing in Russia entails, of course, "rationing by the purse." Before that sort of "rationing" begins to operate, the Government has made sure that some purses should not bulge excessively while others are too thin. Therein lies perhaps the main interest of the reform, which might be described as a "capital levy," only with very strict qualifications. In Russia, money can be invested as "capital" only in state loans and in very primitive commerce, the forms of which are highly unsettled. What the reform has in common with a capital levy is that it reduces the purchasing power that has been accumulated from past earnings without directly affecting future incomes. To this extent it smacks of the *uravnilovka* (the tendency to level out earnings) that has for many years now been anathema in Russia. The reform has, as it were, knocked out the "Soviet millionaire," the social figure that was extolled during the war, the peasant-trader, who grew fat on the *bazaar*. It has also struck heavily, though perhaps less severely, the privileged men in the towns: the Stalin prize winners, the miraculous Stakhanovites, all those who managed to climb up to a queer Oriental prosperity amid the truly appalling misery of wartime.

Gross Inequalities Ended

The main effect of the reform is a redistribution of purchasing power, primarily between towns and countryside, in favour of the town. In the towns, the highest stratum of the privileged bureaucracy and intelligentsia has been shorn of some of its power to snatch scarce goods and amenities of life from the mass of employees and workers. It would, however, be an exaggeration to say that Soviet policy has now gone back to the *uravnilovka*, the egalitarian principles of the early years of the Soviet regime. What is being redressed is a social balance that has been gravely upset by the war. The reform eliminates the gross inequalities that have spontaneously grown up until recently, and that, moreover, the rulers could not but tolerate or even encourage. Having now done away with these anomalies, the Government continues to base the plans for the economic development of the country on the accepted system of incentive wages and salaries.

This conclusion emerges clearly from a brief analysis of the new wages and prices policy embodied in the reform. "While the currency reform is being effected"—says the decree signed by Stalin and Zhdanov—"the wages of workers and employees, as

well as the incomes of peasants from deliveries to the State, and other earned incomes of all sections of the population, will not be affected by the reform. They will be paid in the new currency at the previous rates." The purchasing power of workers and employees will thus be relatively strengthened, by comparison with the purchasing power of the peasantry. But the differential scales of wages and salaries remain in force. The reform of wages adopted early this year (see *The Economist* of March 22 and 29, 1947) provided for a drastic extension of incentive wages: it raised the minimum rates of output per worker by 20 to 25 per cent, and

it replaced time rates by piece rates in those branches of industry and in agriculture where time rates had still been prevalent. The Stakhanovite has forfeited cash and savings which would have given him an enormous start over his less fortunate or less industrious fellow-workers in the competition for scarce goods; but he is still able to recoup himself and to maintain a relatively high standard of living if he goes on beating records in output. The present reform is likely to make the system of incentive wages more, and not less, effective than it has been hitherto.

(To be continued)

Persia's New Government

(By a Special Correspondent Recently in Persia)

MR QAWAM-ES-SULTANEH, who was last week unseated from the Persian Premiership by an almost unanimous vote of his Cabinet, had made an international name for himself. He had won it first as the negotiator who caused the Russians to quit Azerbaijan in 1946, and secondly as the tight-rope walker who kept Moscow guessing while for eighteen months he postponed Persia's decision upon a Russo-Persian oil agreement. Dr Sardar Hikmet, who succeeded him on Tuesday, is of lesser known. He was, through Qawam's influence, president of the 1947 Majlis; he was also, until recently, a member of Qawam's Democratic Party. His secession from it, with thirty followers, brought about Qawam's fall. He is of a different stamp from Qawam—less decisive, less apt to play a lone hand, far more of a fatherly figure whose strong suit is his aptitude for conciliating a team. How he fares as Premier will greatly depend upon his choice of colleagues.

Mr Qawam's premiership was remarkable on two counts. The first was that it produced the nearest approach to a party (as the word party is understood in the west) that has yet been seen in Persia. All normal "parties"—except the *Tudeh* (Mass) group which takes its orders from Moscow—are mere splinter followings of this politician or that. Qawam's Democrats, who

were in September some 70-80 strong in a Majlis of 130 members, for a time showed considerable party loyalty. They consisted largely of the old landowners and professional politicians, but they were men who had realised, under the impact of the struggle with Russia, that social reform must be undertaken if Communist propaganda were to be defeated. Hence the veneration of planning. Hence, also, the sheets of paper which are their much vaunted Seven-Year Development Plan.

Mr Qawam's other strong suit was his handling of Russia. This was masterly. His account of the drumming to which he was subjected in Moscow during his visit there in February-March, 1946, was given only in the last days of his stewardship—only, that is, when his long-fought action had failed. Confronted with such pressure, many of his countrymen would have quavered. He decided that he was equal to handling it. The tactics which he adopted over a period which was spun out until October, 1947, were baffling, not only to foreigners but to many Persians and, what was more, to the Russians. No one was sure what intentions were hatching behind his wholly opaque spectacles. But, over the period, more and more Persians grew distrustful of his aptitude for compromise. His opponents preached that he had done some deal with Russia.



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In fact, he was to prove them wrong. Sensing the temper of the country, he left the final decision on the Russo-Persian oil agreement, which he had signed subject to Majlis consent, to a free vote of that body. The Majlis, as is well known, turned it down. He was left to explain the situation to the Russians. They countered with a fierce attack on him for breaking both his original agreement to get the concession considered by the Majlis in seven months, and for his failure to produce the goods in the end.

Corruption and Party

One of his troubles was the corruption he had countenanced. All inhabitants of the Middle East reckon to make money whenever they enjoy a spell of Government office. But, even when allowance is made for this universal practice, Qawam's interpretation of the word "perquisites" shocked his countrymen. It is said the only cement which bound his party together was the income its members drew from the monopolistic export licences which he gave out in return for party loyalty. This and other like drains on the exchequer stimulated criticism, first from those who were not benefiting by the transactions and, towards the end, even from those who were.

A pertinent ground for their criticism was that Qawam's rapacious ways with the public funds precluded any expenditure on the development schemes which abound, not only in his Seven Year Plan, but also in a bulky American report on development possibilities. This report Qawam had ordered this year from the Morrison-Knudsen firm of consulting and contracting engineers, in the hope that an American-sponsored plan would help Persia to obtain a generous loan from the International Bank. It ranges from expensive projects such as the piping over hill and dale, at a capital cost of \$70 million, of the waste natural gases from the Anglo-Iranian oil field to heat and light Teheran, through agricultural schemes involving wholesale transfers of population, to cheap and admirable suggestions for increasing crop yields by such simple reforms as teaching an intelligent peasantry to sow roots in rows instead of broadcast, and to use their manure for fertiliser instead of for fuel. It would, if adopted as a whole, cost \$600 million, which is far more than Persia can pay, or is likely to be able to borrow. But Mr Qawam never made, nor instructed anyone else to make, any attempt to break it down into the stage-by-stage propositions which are the pre-requisite of action and, it goes without saying, of any international loan. The plan lay on his table, handy for fondling while the Prime Minister was being interviewed. For his critics, this was not enough.

Keeping Russia Guessing

His capacity for keeping the Russians guessing had come to be his one remaining claim to power. This disappeared when the Russians issued their angry note of protest on November 20th about the abortive oil agreement. Immediately Mr Qawam's sins of omission and commission in home policy came home to roost. Throughout the first days of December, he was forced to travel about with a strong escort of police. Faced with the secession of Mr Hikmet and others, he made one last bid to retain the initiative. Baulked of a chance to rally Parliament because his opponents refused to attend and provide a quorum, he addressed the nation in a broadcast and the rump of his party in a fighting speech on December 1st and 3rd respectively. In both of these he appealed to politicians to set aside secondary issues and personal interests, and to co-operate in order to keep in being a party which offered the only way of combating the "internal dangers" with which the country was beset. Presumably in order to deflect the attention of patriots from north to south, he included in the broadcast a claim to the oil-producing island of Bahrein. But tempers were already too high for him. All but one of his cabinet colleagues then present in the capital complained that he had broadcast without consulting them, and resigned with a unanimity that suggests organisation from without. The Shah had never liked Qawam. Perhaps he was the organiser.

The legacy that he leaves to Dr Hikmet is not an enviable one. Russian propagandists are warning to a fresh offensive. Their objective is plain—the establishment in Teheran of a government favourable to Russia. This Mr Hikmet's team will not be. The problem that faces him, therefore, is how to keep a jump ahead of Communist propaganda, which does not fall on deaf ears in a country where the rich are so rich and the poor so poor. Mere lipservice to planning is not enough. Teheran is far too full of young thinkers who are content to say that they are on the Premier's "supreme planning council." It is far too

empty of men ready to roll up their sleeves and get down to the small local improvements which are the only way to get change started in a country so enormous and so lacking in good communications. The only men at present to be seen getting on with these unobtrusive and unspectacular jobs are a handful of Labour Department officials, who have been fired by an enthusiastic chief into trying to see that Persian-owned industries (and not just simply the foreign-owned concerns like the Anglo-Iranian Oil Company) apply the new Labour Law.

Politics and Trade in Singapore

[FROM A RESIDENT CORRESPONDENT]

BRISKER markets in tin and rubber have encouraged Malaysians to hope that the country will now pursue trade and forget politics. Its constitutional problems if not solved have at least been settled, and energy can be diverted to more useful channels.

The christening of the new constitution will not be a jolly party, and, unless a fairy godmother with a gift of abundant rice can appear, the general attitude will be resigned acquiescence. A one-day Malayan-wide hartal was arranged in protest by the All Malayan Council of Joint Action for October 20th, the day when Parliament reassembled. It is quite possible that if his sickness had not delayed the Governor-General's broadcasts the hartal would have been called off. As it was, too many were committed and face-saving had to be considered. The hartal was observed widely, but by no means unanimously. Daily paid labourers, taxi-drivers, trishaw riders and petty shopkeepers observed the one-day stoppage of work; the banks, the European business houses and the monthly paid salariat did not. In the Singapore municipality the senior and junior staffs and the peons were almost 100 per cent on duty. Among the labour force, of 7,961 there were 5,538 (69.5 per cent) out; Chinese, 787 out of 1,115 (70.6 per cent); Indians, 3,305 out of 4,416 (74.5 per cent); Malays, 1,415 out of 2,355 (60.1 per cent); and others 31 out of 75 (41.3 per cent). The Fire Brigade, and the Town Electric Power Station were 100 per cent present. The Town Cleansing Department was almost 100 per cent absent. The main transport company, the Singapore Traction Co., was at a complete standstill. Of the 157 private buses, only 57 operated. Throughout Malaya the same features were apparent. The lowest-paid labourers and shopkeepers observed the hartal.

Nevertheless trade prospects are improving. The trade in rice which affects Malaya most closely, and to the price curve of which nearly everything conforms, has fallen slightly in Singapore, where the movement of rice from one area to another has now been freed. While the Government takes the opportunity to release more articles from the list of controls, prices trend downwards and in some cases, such as a section of wharf labourers and timber-cutters, even wages have declined.

The reason for the fall in labour costs, apart from the slight fall in the price of rice, is the increase in the number of labourers. Many have been released from the Services, and many Indonesians have arrived from Java to join their compatriots who were conscripted by the Japanese for labour in Malaya. Their health leaves much to be desired, and they are incapable of anything in the nature of heavy labour. In general, however, there is an improvement in health, and output per man is rising slightly. Labour is recovering from its debilitation, but housing difficulties hamper progress.

During the first six months of this year 119 million yards of cloth cotton goods, valued at \$158,000,000 were imported; more than in any previous year. Dealers have speculated on shortages in this and neighbouring countries, particularly the Netherlands East Indies, and have secured permission to re-export on condition that Malayan prices are not raised by any fictitious scarcity. There is a surplus of textiles and the black market will move some of the store to Java to be bartered for rice, which can be smuggled readily enough from the neighbouring Dutch islands.

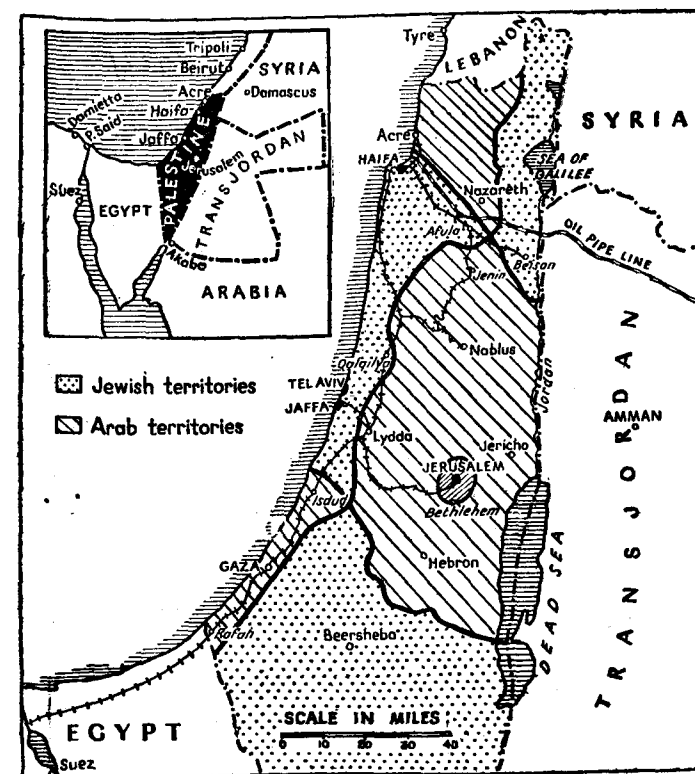
The country is getting down to work; its two props, tin and rubber, carry a heavy burden, and anxiety is felt that they may have to carry additional burdens in the battle for dollars, and that Malayan economy may be squeezed. If unprofitable bargains are made, the now smouldering fires of politics will be fanned into flames and there will be loud outcries against colonialisation and economic imperialism.

Greater Transjordan?

(BY A SPECIAL CORRESPONDENT)

THE chaos that seems to promise in the Arab half of Palestine is causing minds to turn towards Transjordan. The partition planners recognised that the share of the country falling to the Arabs is not economically a viable unit. They therefore devised a plan which was not so much a partition as a political split plus an economic union. Supposing the Arabs will not recognise either, is not the solution for the dangling Arab portion to join up with a neighbour?

Transjordan, immediately adjoining Palestine, looks by comparison a monument of efficiency and calm. It is also Arab. Its cultivable parts, which are its western highlands, and its share of the Jordan valley, are very like the Palestinian hills across the



way. Why not, says the superficial observer, join up the two and make one kingdom? The solution looks plausible, but on a short term basis it is in fact easier said than done.

The Royal Hashimite Kingdom of Transjordan, founded in 1946—it was previously a British mandated territory—is not a viable economic unit either. The reasons for its establishment as an independent kingdom were political, not economic. It is, in a good harvest year, prosperous enough, but it is not self-supporting. The very considerable deficit in its balance of trade is offset chiefly by a grant-in-aid from Britain of some £2,000,000 per annum, which pays for its army, the Arab Legion (or strictly

speaking, for that part of the Legion which is used for defence, as opposed to the fraction used for internal police work).

TRANSJORDAN TRADE (£ P. '000)

	1944	1945	1946
Imports.....	3,173	4,999	8,116
Exports.....	1,457	2,049	2,044
Re-exports.....	336	784	650
Balance.....	-1,380	-2,166	-5,422

Profits on transit trade go nowhere towards offsetting such a deficit. The rest of the unbalance in Transjordan's international payments (which are impossible to compute precisely because it shares a currency with Palestine) can only be accounted for by immense profits from smuggling. It is a smuggler's paradise. It enjoys a lower tariff than any of its neighbours, and its desert frontiers are impossible to guard. Who would not slip a few packets of Players into his robe when twenty cost eight piastres in Amman and twelve in Jerusalem? Many a larger article changes hands at the same profitable rate. If Transjordan is not a viable unit except on this basis, Transjordan plus the Arab part of Palestine would not be viable either. Only by continued subsidy from somewhere could it maintain even a relatively modern way of life.

There are also at present political obstacles to fusion, the chief of which is that the Palestinian Arabs greatly dislike King Abdullah of Transjordan. They consider him to be an ambitious old man, whose sole idea is to secure himself a bigger kingdom. The hill Arab peasants and many educated Palestinian Arabs prefer the Mufti as a leader. All the members of the Arab League also dislike the King's ambitions, with the single exception of his Hashimite cousins in Iraq. Anomalously enough, the Zionists are among his few backers. They have given him presents over years because they feel that he, with his British team of advisers, is the only element which will quickly produce a stable Government on Israel's eastern frontier.

Where Does Britain Stand?

Where does Great Britain, who is the financier of King Abdullah's army and the backer of his currency, stand in all this? To the Palestinian Arabs, the British appear to be furthering the Jewish Agency's schemes by their support for Abdullah. To remove this impression it would be as well to return to Transjordan forthwith the contingent from the Arab Legion which has of late been borrowed for use in Palestine, and placed under the command of the British Commander-in-Chief, in order to assist the security forces there. The Legionaries who glower over the sand-bags in Jerusalem and elsewhere have saved the British Government a wealth of money and home manpower; but the longer they stay, the more they suggest British sponsorship of King Abdullah's advance guard—sponsorship in the teeth of all other Arabs. It would also be as well, in order to remove the same impression, to make an early statement about the future of Transjordan's currency—at present the Palestinian pound and piastre.

It may be that fusion of Transjordan and Arab Palestine will be the ultimate way out of the latter's difficulties. But it would be imprudent to force through such a solution until more Arabs want it. Perhaps they will begin to do so after a dose of the disorganisation that the Mufti's regime promises to bring.

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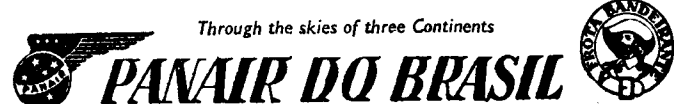
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THE BUSINESS WORLD

Home Rails and Market Prospects

BEYOND question, the exchange of home rail stocks against the new British Transport Stock which takes place on January 2nd will be the biggest market operation since 5 per cent War Loan was converted to 3½ per cent in 1932. Already the influences of this operation have spread far and wide through the investment market; for several months past it has been dominated by the prospect, and the choice of terms which the Treasury makes for the Transport Stock will undoubtedly determine the course of investment policy in all fixed-interest securities during the opening months of the New Year.

An outline of the method by which the new issue will be effected was given in last week's issue of *The Economist* and there is nothing of consequence to add to what was then said about the technical arrangements. But there is still room for speculation on two major issues connected with Transport Stock. The first of these obviously is the terms of the exchange. And the second is the repercussion of these terms on the rest of the investment market. There is an astonishing degree of unanimity about the terms of the new Transport Stock. Scarcely a single informed observer in the City would question the high probability that it will carry 3 per cent. But before we try to read the Treasury's mind on this question, it is desirable first to see what the Transport Act provides, and secondly to glance back briefly to what Mr Dalton said the Treasury might do when he was discussing the question of compensation exactly a year ago.

The conditions under which the Transport Commission may issue Transport Stock are laid down in Section 89 of the Act. Two extracts from the Section are relevant:

The Commission shall create and issue such stock as is required for the purpose of satisfying any right to compensation. . . .

The British transport stock which is to be created and issued in satisfaction of a claim to compensation of any amount shall . . . be such stock as is, in the opinion of the Treasury, equal in value at the date of the issue to that amount, regard being had to the market value of government securities at that date.

The procedure which has been laid down for January 1st and 2nd next year conforms with these requirements. January 1st is the date of issue, and each compensation claim—that is, each holding of railway stocks—must be satisfied by an allotment of Transport Stock of equivalent value, which the Treasury will fix, having regard to the level of gilt-edged stocks on that same day. If the Treasury decides to issue the new stock at par, each claim will be settled by transport stock of identical nominal value; or, should it be issued at a discount, by a proportionate increase in the nominal amount of Transport Stock, and conversely for a premium. The amount of each holding of new stock will be calculated "in accordance with holding of new stock will be calculated." On that day, stock-rates to be published on January 2nd. Home rail brokers will have to work their slide rules hard. The compensation stocks are transferable in multiples of £1. The compensation to which they are entitled varies from £3 2s. 6d. per £100 of nominal of LNER deferred, to £142 7s. 6d. for each £100 of Great Western 5 per cent debentures, and the compensation terms are in many cases taken to one-sixteenth of one per cent. For broken holdings, therefore, some awkward calculations of

the total value of compensation will be involved. If on this complication there is superimposed an issue of Transport Stock at a discount or a premium, brokers will certainly earn their commissions for their arithmetic alone.

Let us now go back to Mr Dalton's observations about Transport Stock in December last year. They may still have some relevance to the Treasury's intentions on January 1st, and they certainly have an intriguing historical interest:

I reply to the question put by the Right Hon. Member about redeemable stock, by saying that, of course it will be a dated stock. . . . It is certainly thought that it should not be an irredeemable stock. I accept the argument that it should not be an irredeemable stock but that it should be dated. . . . I would expect it to be within this century. . . . For the purpose of calculation it is assumed that it will be a 2½ per cent stock issued at par. . . .

There, perhaps, it is better to leave Mr Dalton's assumptions about the rate of interest on the Transport Stock, from which he proceeded to build up his case that the nationalisation of the railways would be a bargain for the State because it would cut the annual capital cost from £40 million to £22½ million. The merits of this case, such as they were, have been swept aside by the course of events in the market. The question is not whether the Transport Stock will carry 2½ per cent and be issued at par, but whether it will be possible for the Treasury to place a really long-dated issue at 3 per cent without having to concede a small discount. Moreover, the distinction which appeared to be present in Mr Dalton's mind a year ago between a redeemable stock and a dated stock suggested that he was then thinking in terms of a one-way option stock like 2½ per cent Treasury Stock, of which the "tap" had been open for about seven weeks when he spoke. It is unlikely that the arithmeticians of the Treasury, when they survey the market scene on January 1st, will be tempted to repeat that inauspicious experiment.

Some ingenious people have been busy recently trying to find gaps in the pattern of redemption dates in twenty years' time—the early 'seventies seem to have exercised a particular fascination for them—when the refunding of £1,000 million of Transport Stock could be carried out with a minimum of market disturbance. On that footing, they have been inclined to argue that, given a modicum of "preparation," the market might be receptive to a 2½ per cent stock, possibly at a small discount. By this means, faces would be saved and the shame of 3 per cent would be avoided. But the new Chancellor has shown no disposition to intervene in the market to carry out any such intention. On the present level of gilt-edged prices, the yields even on twenty-year stock are only fractionally below 3 per cent. It is surely more probable that a responsible view of the Transport Commission's financial problems for several decades ahead would dictate the issue of a stock with the longest possible date, even if that meant paying 3 per cent—as it would—and conceding an initial discount at the date of issue—as it might. There is no directly comparable stock in the gilt-edged list which carries 3 per cent with a life of 30 to 40 years. Three per cent Redemption Stock 1986-96 is the nearest comparison, but this is a "small" stock of only £65 million, and its present price of 99½ and a redemption yield of £3 os. 9d. is not neces-

sarily indicative of the value of a "big" stock with a somewhat shorter life. The authorities, if they chose to fix a 30 or 40 year life for Transport Stock, would be in no danger of repeating the costly mistakes which were made with London Transport 4½ and 5 per cent stocks, which were saddled on the Board for minimum periods of 30 to 50 years. They should ask themselves very seriously whether, taking the average of the years, a nationalised transport undertaking is likely to fund its capital at anything cheaper than 3 per cent or a little more. The answer, given the size of the Commission's obligations, is obvious.

If 3 per cent can be accepted as a plausible assumption for the new Transport Stock, what consequences will follow for the market? One major difference will obviously arise, for many railway stockholders who would have sold a 2½ per cent stock as soon as it was issued to them might be ready to keep a 3 per cent stock. Another class of investors—mainly institutional—have been using railway stocks for many months past as a profitable back door into the gilt-edged market, at discounts sometimes ranging up to 10 per cent compared with the take-over prices. They are not likely to be sellers on balance, though they may have to switch if the new stock does not fit their requirements. Others have bought railway stocks with the simple intention of getting a certain profit within a few months, and are now fairly ready sellers at discounts of 3½ per cent or so. And, finally, there is the small railway stockholder who from inertia or ignorance has taken no steps to avert the fall in income which he will experience from January 1st onwards.

To resolve the pull of these various forces is impossible. Last week's free selling of railway issues was comfortably absorbed—it was, of course, banked up until the opening of dealing free of stamp in the Christmas Account—and the reinvestment demand for industrial ordinary shares produced steady and occasionally sharp increases in prices. The rise in the *Financial Times* index of industrial ordinary shares from 119.2 twelve days ago to the present level of 123.3 is symptomatic of this wave of buying. But it is important to remember that the buying occurred in a market already short of industrial shares to the point of embarrassment. Several weeks ago, many dealers made a logical calculation of the prospective trend of markets on the basis of the economic crises of August and of the desperate remedies introduced by Sir Stafford Cripps at the end of October. Unfortunately for them, buying pressure began to reassert itself in the middle of November, and they never had an opportunity to recover stock, which they had sold.

Then came the first signs of improving coal output, and the abatement of fears about the possibility of industrial breakdown this winter. The technical conditions were ripe for recovery, and buyers returned in force, undismayed by the doubling of the Profits Tax.

But the present position is arbitrary and artificial. Given a closed market, the replacement of risk stocks by gilt-edged securities spreads its yeasty effects throughout the market. In the days when equity earnings were untrammelled by controls and discriminatory taxes, industrial shares experienced the support of cheap money only in an indirect form. Then the process of adjustment was confined largely to fixed interest securities and preference shares, and yield differentials, after a period of adjustment, settled down to match the new level of gilt-edged prices. But that is no longer so. The ambitions of the Government may be limited to nationalising a 20 per cent sector of the British economy, but that sector certainly accounts for more than 20 per cent of the interest and activity of the Stock Exchange in non-Government issues. Great slabs of neo gilt-edged securities are being created (with coal, cables, electricity and gas still to come) and there is nothing materially to augment the supply of new industrial securities, except for outstanding cases like Steel Company of Wales and "Shell." A reduction, and possibly a permanent reduction, in the yield differentials between gilt-edged and industrial securities is in progress. The increasingly institutional character of industry, coupled with the present levels and uncertainties of the Profits Tax, are tending to rule out the opportunities for the display of investment expertise and initiative. Controls have bred monopolies, but timid monopolies on good behaviour—at least so far as the distribution of profits is concerned. And the result is a curious hybrid, the static equity which is losing its individual character and is in danger of becoming a mere hanger-on to the gilt-edged market.

That, at any rate, seems to be the likely trend so long as the present conditions of market control and ill-suppressed inflation last. But it is not a condition which is natural, or even necessarily permanent. The day may return when relative degrees of risk again have some meaning in the market, when a limit can at last be set to the wholesale creation of quasi gilt-edged securities, and when some industries will undergo the healthy purge of making losses. Then the science, or art, of investment may again have something of its old meaning. But many days are likely to pass after January 2nd before it does.

The Odeon Affair

MR RANK'S promised statement to the shareholders of Odeon Theatres appeared too late for comment in last week's issue. Unfortunately, this article has to be written before, though it will appear after, the extraordinary general meeting on Friday. The content of the controversy will be familiar enough to readers of *The Economist*. Briefly, Mr Rank has attempted to call in aid the resources of Odeon Theatres, the largest public company in the group, to redress the financial position of General Cinema Finance Corporation. The first intimation of the scheme was a bare announcement that Odeon Theatres would acquire the capital of GCFC. Criticism of this proposal stung Mr Rank into making a tart rejoinder—much newspaper comment had been "completely misinformed" and some "mischievous." But the criticism has brought into the open one of the least meritorious financial schemes to be disclosed for some years. Odeon shareholders now know what they are getting, and it is not an impressive bargain. It seemed likely when this issue went to press that

the purchase would be approved by Odeon ordinary shareholders, of whom Mr Rank and his associates form an overwhelming majority. If so, preference shareholders will ponder the fact for a long time to come.

The purchase has been represented to Odeon shareholders as a most desirable transaction from their point of view. It would give Odeon a controlling interest in Metropolis and Bradford Trust (which controls Gaumont British, and through it, Gainsborough Pictures), all the shares of General Film Distributors, one-third of the shares of Denham and Pinewood Holdings (the other two-thirds are already held by Odeon and Gaumont British), the capital of Eagle-Lion Distributors, shares in various film producing companies, and shares in Universal Pictures of America. These holdings will be "consolidated" and "simplified"—and shareholders will no longer be "interested in the results only of sections of the total activities." "It is," says the circular to shareholders, "a matter of constant anxiety to Mr Rank and those who advise him to

see that no one section is treated more favourably than others." But it does not explain very lucidly how the discrimination between the "sections" arises. The assumptions seem to be that all "sections" of the Rank group must sink or swim together; that since the supply of American films is curtailed by the import duty of 75 per cent, the British film producing companies must increase their output—GFD and its associated companies are intending to produce 38 first feature films next year; and that Odeon and Gaumont British must share these films equitably. (What happens to this argument, incidentally, if the acceptance of American films is made a condition of Marshall aid?) Then follows a simple syllogism. If Odeon does not acquire control of General Cinema Finance, the directors of that company could hardly avoid giving more favourable treatment to Gaumont British, "in which they have such a substantial interest"—is there, incidentally, no danger of the converse now happening? But GCFC would be forced to restrict production unless it got more finance—which Odeon would not put up unless it acquired a "substantial interest" in GCFC.

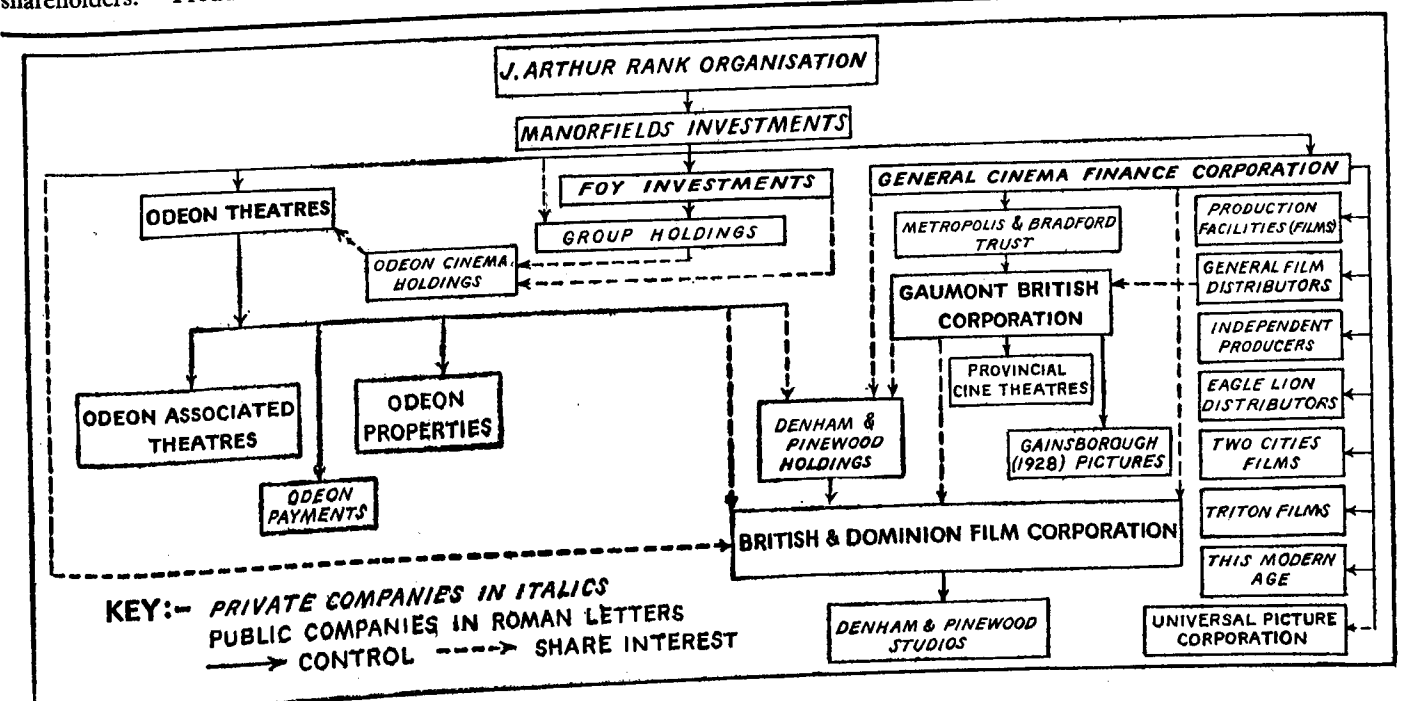
Thus, the *raison d'être* of the purchase proposition is to enable General Cinema Finance Corporation to enlarge its film production, already threatened by restriction owing to overstrained bank accommodation. Mr Rank has looked about what he has called "my organisation" for a new source of finance for film production, and Odeon Theatres, an obvious choice for this role, lay conveniently to his hand, for 90 per cent of the equity of this company was within Mr Rank's instructible reach. But Mr Rank had not reckoned with the reaction of the public, nor with the doubts of Odeon preference shareholders about the effects of the scheme on their security.

The profit and loss account of General Cinema Finance Corporation (analysed in the accompanying table) shows that on the producing side losses have been mounting during the last three years, and reached £1,667,070 for the year to September 28, 1946. Information from subsidiaries for 1946-47 indicates that "a small profit" has been made in the latest year, but it is not clear whether this is a profit on production, comparable with the loss shown for 1945-46, or whether it should be compared with the net loss of £474,777 shown in the table, after adding in other revenue and deducting interest and taxation. There are signs of improvement, but certainly not enough to warrant any enthusiasm on the part of Odeon Theatres shareholders. Production losses in the past three years are

attributed in large measure to the high cost of prestige films like "Caesar and Cleopatra" and to the initial cost of establishing the distribution of films overseas—part of which in present circumstances is of doubtful value. Neither of these costs is likely to recur; but how much of what has been spent in the past will produce an income in future?

Nor is the consolidated balance sheet likely to sway an outside shareholder of Odeon Theatres in favour of the scheme. In any case, it excludes Metropolis and Bradford Trust, and its information is 15 months old. Was it, in particular, impossible to give any broad indication of subsequent balance sheet changes? The biggest item is £5,876,525 for completed and uncompleted films, "less amounts recovered to date and provisions." The statement argues that the prospective shortage of films should make this large item more valuable. But shareholders require something more explicit than this to judge whether it may contain a contingent profit or a contingent loss. Obviously the figures have made unpleasant reading for bankers of the group, as they now do for Odeon shareholders. The bankers have quite reasonably asked for more security if they are to extend their facilities to the amount of a further £2,000,000 to finance additional production. The statement says that "Odeon will make itself responsible for this finance." If Odeon Theatres does not come to the rescue of General Cinema Finance, that company would be bound to restrict its production, which represents a large part of the film production of the country. Thus the dilemma as posed by the Odeon directors is that either they arrange the security or their supplies of films will be restricted.

But it is not certain that the minority shareholders will see it that way, or that the alternatives will seem so clear-cut to the owners of the debenture and preference capital of the Odeon Theatres group who did not subscribe their money to finance film production. They may not feel certain that £2,000,000 is the limit of Odeon's contribution. In any case to saddle Odeon Theatres with the debts of General Cinema Finance without first acquainting all the shareholders of the company with the facts was a course to which minority shareholders had every right to object. It in no way mitigates the shock provided by the figures that shareholders should be told that the acquisition will represent an important step towards the consolidation and the simplification of the Rank organisation. The rescue of the producing interests of the group from a serious financial predicament may be of great importance to Mr Rank, but when



it demonstrably entails the linking of a weak private company with the main public company of the group, he must expect the proposals to stand the full scrutiny of investors. In view of last week's disclosures, it becomes the more inexplicable that Mr Rank should have regarded the scheme in the first place as if it simply represented an arrangement between two private companies of his organisation, and that he should have attempted to get approval for it as such.

It is not necessary to rehearse in detail the financial position of GCFC as it stood fourteen months ago. The accompanying

GENERAL CINEMA FINANCE CORPORATION CONSOLIDATED ACCOUNTS,

(Excluding the accounts of Metropolis & Bradford Trust Company which controls Gaumont-British Picture Corporation and its subsidiaries, and of Denham and Pinewood Holdings which controls British & Dominions Film Corporation and its subsidiaries, except in so far as dividends have been received from those companies)

CONSOLIDATED PROFIT AND LOSS ACCOUNT	Years to end September		
	1944	1945	1946
Losses on film production.....	Dr. 179,412	Dr. 378,293	Dr. 1,667,070
Other profit (c).....	758,729	638,548	542,109
Total profit or loss.....	579,317	260,255	Dr. 1,194,961
Interest.....	131,612	226,907	324,889
Taxation.....	310,123	(b) Cr. 110,658	(b) Cr. 975,073
Net profit or loss.....	137,582	144,006	Dr. 474,777

CONSOLIDATED BALANCE SHEET (At September 28, 1946)

Liabilities :-	£	Assets :-	£
Total current liabilities.....	8,857,708	Total current assets.....	8,007,487
Of which :-		Of which :-	
Loans and overdrafts.....	4,389,455	Cash.....	193,397
Advances from subsidiary (e).....	2,249,107	Taxation recoverable, less provision for liabilities.....	1,015,963
Manorfields investments.....	88,948	Debtors, etc.....	859,312
Creditors and accrued charges.....	1,763,610	Stocks, at valuation.....	62,290
Unsecured loans.....	366,588	Films (d).....	5,876,525
Net current liabilities.....	850,221	Investments and loans to subsidiaries.....	(f) 1,323,445
Minority interests.....	24,458	Other investments.....	489,906
Reserves.....	141,289	Fixed assets, at cost, less w.o.....	208,135
Share capital.....	1,172,804	Universal newsteel, at cost.....	105,290
Of which :-		Inter-company differences.....	61,936
1,140,099 8 per cent cumulative part, £1 preferred ordinary shares, fully paid (g).....	1,140,099		
Deferred Ord. capital.....	32,705		

(b) Credit. (c) Profit from film distribution, laboratories, newsreels, and sundry revenue after charging all expenses (including foreign taxation) other than interest payable in the United Kingdom and after eliminating minority interests. (d) Completed and uncompleted films and story rights at cost less amounts recovered to date and provisions. (e) Advances repayable on delivery of films; D. and P. Studios, Limited. (f) After deducting unpaid purchase consideration for Metropolis & Bradford Trust shares of £1,130,444, due May, 1948. (g) Dividend paid to March 31, 1943.

table tells its own story, but one or two features of it deserve highlight. What is the current level of loans and overdrafts, shown at £4,389,455 at September 30, 1946? Have the advances of £2,249,107 been repaid to D. and P. Studios in whole or part by the delivery of films? What difference to the consolidated assets statement would be made by the inclusion of Metropolis and Bradford Trust and Denham and Pine-

wood Holdings? All in all, a purchase at par of shares in a company which lost £1,667,070 on film production in 1945-46 (almost equal to the consolidated net profit of the Odeon group for 1946-47) and which has a deficiency of current assets approaching £1,000,000 according to its latest balance sheet, does not represent an impressive bargain for Odeon shareholders.

Mr Rank has done well to make public some impression of the true position. But the outside shareholders of Odeon will reflect that the bulk of the equity of Odeon Theatres is held by Mr Rank or by persons close to him, and when it came to a vote, there could be little doubt of the result. If the ordinary shareholders of Odeon Theatres approve the purchase, that will reflect the power of Mr Rank, rather than the intrinsic merits of the scheme. In fact, they will be taking over voluntarily what is now plainly revealed as a weighty burden of extra liabilities in return for an intangible and arguable *quid pro quo*. There may be a genuine desire on the part of the controlling interests to see a fuller integration of the intricate interlocking interests of the group (which are shown on the preceding page). But if the film producing ambitions of the group had not been over-reached (like those of Gaumont British some years earlier), would there have been the same emphasis on integration? The labyrinth winds its way through the portfolios of many investors who are not connected directly with the Rank Organisation, and had no desire to be. This is especially true of the debenture and preference capital of Odeon Theatres. These outside investors will not relish the burden of supporting the liabilities of General Cinema Finance Corporation, especially since these consist largely of bank loans the service of which has to be met even before that on the debenture capital.

One general lesson for outside shareholders in controlled companies emerges from the affair. Mr Rank's presentation of the case for the acquisition of GCFC by Odeon has, by its initial lack of disclosure and tact, done nothing to enhance the investment status of Odeon debentures and preference securities. Holders of these securities may be wrong in holding the impression that Mr Rank would rather have kept to himself the precise reasons for the deal, but they will hold it all the same. There may be few parallels in British company finance to the intricate system of personal control which Mr Rank has built up in his group, but where they exist, preference shareholders will not be slow to take warning of what may happen when things go adrift. The Odeon affair has done a disservice to company finance which will extend well beyond the sphere of Mr Rank's interests.

Business Notes

Coal Exports at Last

It is welcome news that the regular export of coal is to be started from January 1st. Mr Gaitskill's winter budget provided for 112,000 tons a week for bunkers and the bare minimum of exports. This figure is to be increased to 200,000 tons a week, of which two-fifths will represent exports to countries which participated in the Marshall aid talks in Paris and to others where coal exports would secure a "good return" in food, raw materials or dollar saving.

Output has improved so much in recent weeks that the new export programme was a matter of commonsense and duty. At the same time, an additional 20,000 tons a week are to be provided for domestic consumers, though they should be devoted as far as possible to meeting really hard cases. Partial steps are also being taken to remedy the acute shortage of metallurgical coke. Another 20,000 tons of coal a week are to be fed to the coke ovens which will go some way, though not the whole way, towards meeting the present acute shortage of supplies. It must be asked, given the present carbonising capacity, whether this increase is the most that can be done towards increasing the supply of blast

furnace coke, which at present is restricting the production of pig iron.

The upward trend of output lies at the back of Mr Arthur Horner's hopes that Britain should be in a position to produce 250 million tons of coal and resume the prewar scale of exports within two years. Mr Horner's words carry weight, for while he is to some extent *parti pris*, he is not given to making incautious predictions. Indeed, this time last year, he was a Cassandra among many coal optimists. But it would be easier to share the growing optimism about the coal situation were it not for the alarming trend of prices, which will be raised by a further 2s. 6d. a ton from January 1st. The increase of 25s. in the price of bunker coal for foreign-going ships and for markets, in spite of Europe's pressing needs for coal. The British export price is now 75s. and freight to Western Europe would add say 15s. Even the c.i.f. price of about 90s., however, is slightly cheaper than American coal of less suitable quality. But Polish coal, it is reported, will sell at 20s. to 25s. below the National Coal Board's level, and it is small wonder that ship owners are seeking an increase in freight rates for coal-fired ships.

"Bull" Coal Output and Prices

The tradition of pre-Christmas "bull" weeks in the mines has been repeated this year. Last week's output of 4,356,200 tons (of which 4,175,400 tons were deep mined and 180,800 tons opencast) was the highest for 1947, and, indeed, a record since the week of August 17, 1940. The figures are encouraging, and, even allowing for lower output over Christmas and the New Year, the miners should be able to produce the 10½ million tons now needed to reach the much-publicised target of 200 million tons—by stretching the year an extra week to January 3rd. The real test will come in the early part of 1948, when it will be clearer whether the men are capable of sustained effort and whether improved recruitment and increased mechanisation are taking permanent effect. Absenteeism, which is now below last year's rate, is likely to rise, once the Christmas incentive has been removed, and the influenza season begins. On the other hand, output per manshift, which was 1.12 tons overall and 2.92 tons at the face in the first week of December, compared with 1.06 tons and 2.82 tons in the same week of 1946, should improve further.

The recovery in recruitment is one of the most hopeful signs, although the original target of 730,000 men by the end of 1947 has proved impossibly high. In the fortnight to December 6th, there was a net increase of 2,000 men, and when the flow of European Voluntary Workers begins, it should be possible to build up the industry's labour strength towards its prewar level of 750,000 or more. Despite the colder weather and rising coal consumption by electricity and gas undertakings and by industry, there were 16,652,000 tons in stock at the end of the first week in December, compared with less than 10 million a year ago. But hard weather early in the New Year would soon eat into stocks.

The increase of 2s. 6d. per ton in pithead prices for internal consumers arises mainly from the recent wage agreement, and also from overtime working. It is estimated that wages have added 1s. 7d. a ton to the price, while overtime payments have contributed 10d. These increases will be passed on, directly or indirectly, to consumers, and in some instances the price of gas has been raised by 1d.-1½d. a therm. In all, since 1939, there has been an increase of 26s. per ton in pithead prices, 6s. 6d. of which have been added by the Coal Board. They can only be offset by further improvements in output, by higher productivity and by greatly increased efficiency. The shape of the negotiations on the wage structure in the industry ought to be determined by these questions.

Canadian Dollars and Food

The new financial and commercial agreement between Britain and Canada was published as this issue of *The Economist* was going to press, and detailed comment on it must be deferred until next week. The new agreement covers a period of three months only. It therefore conforms to that new standard which symbolises the hand-to-mouth character of the world's present way of economic life. In this particular instance the short-term character of the agreement can be justified by the fact that within three months definite information should be available about the likely magnitude and form of Marshall aid for Europe. The provision of Marshall dollars for "off-shore" purchases in Canada would, of course, alter the whole picture of Europe's and Canada's particular balance of payment difficulties. The \$300 million left in the Canadian loan to Britain is to be frozen for the time being. As against this, new facilities of \$45 million will be made available over the next three months. The existing arrangements under which half the net deficit of Britain to Canada is paid in US dollars is superseded by the new agreement. Under this agreement British purchases in Canada will amount to at least \$145 million over the next three months. The \$100 million balance between this figure and the \$45 million that will be sold on credit must be covered either by British exports to Canada or by payment in US dollars. The recent restrictions on imports into Canada, involving quotas based on prewar imports, leave ample scope, however, for the required expansion in British exports to that market. The incentive to concentrate on these particular exports is now defined in the clearest possible terms, for in so far as they fall short of the new target, the whole of the deficit must be made good in US dollars.

Canada at first proposed that the total payment for British supplies should be made in US dollars or gold, and that the new contract prices for livestock products should be raised to world levels. Canada also asked that consideration should be given to the fact that the British contract price for wheat is still well

below the Winnipeg "free" price. The problem of higher prices for livestock products has been solved by Britain agreeing to an increase sufficient only to meet higher costs of feeding stuffs, and not to conform to world levels. The contract quantities have not been reduced, but actual shipments of beef, bacon and cheese are expected to be appreciably below the targets fixed.

Lower Fiduciary Issue?

The remarkable changes in the trend of the note circulation, which began to attract public attention about the middle of last month, still goes on, and the public's net demand for additional currency during this Christmas season is likely to be the smallest for many years. Signs of an important downward tendency were, indeed, apparent during August and September, when the seasonal return to the banks of supposedly "holiday" currency was almost 50 per cent larger than in 1946. Since then the movement has been greatly intensified. This week, as last, the total has risen fairly sharply—but in both weeks, as the accompanying table shows, the expansion has been only about half that for the comparable period of last year. This contrast in the experience during the Christmas currency season—which is usually measured from the date of the third Bank Return in November—does not, of course, imply that holiday spending has this year been correspondingly smaller.

CHANGES IN ACTIVE CIRCULATION £ mn.			
	1945/46	1946/47	
Christmas peak	1380	1428	
32 Weeks to August peak	+11	-6	
7 " end-Sept.	-32	-45	
4 " end-Oct.	+3	-16	
Week to Nov. 5/6	+3.3	+3.0	
" " 12/13	+0.6	-3.6	
" " 19/20	-2.3	-12.1	
" " 26/27	+2.6	-7.6	
" " Dec. 3/4	+9.7	+2.2	
" " 10/11	+22.5	+10.7	
" " 17/18	+18.8	+9.7	
" " 24/25	+11.2	?	
Total at Dec. 17/18	1417	1363	

Taking all these factors together, it seems quite clear that the special influences which produced so large a decline in the circulation during October and November have been operating just as strongly this month. Even those who are best-placed to discern the causes of currency movements are still unable to form definite conclusions about this new trend. The dominant influence, it is generally agreed, is fear of a coming exchange of the present series of notes into a new series; but, beyond this, it can only be surmised that the principal source of the reflux of notes is the domestic black market (including other types of tax-evaders). The sheer bulk of currency, even when in the form of £5 notes, makes it most improbable that any really large sums—measured by the standards of the size of the total reflux—are being smuggled in from abroad.

How far these special movements will continue it is, of course, impossible to say; but at least they are not likely to be reversed. In consequence, the early weeks of the New Year will probably witness the first reduction in the Bank of England's fiduciary issue since early in 1939. In 1946 the active note circulation expanded by £48 million; and by the August peak of this year the total was still £31 million above the comparable 1946 level; yet next week's Bank return seems likely to show a figure some £60 million below the peak reached twelve months ago. The reserve of unused notes at the Bank now stands at the unprecedented pre-Christmas level of £87 million, and will be strongly reinforced by the return of notes immediately after the holiday. This explains why the Treasury, when renewing on December 10th the Bank's authority to issue £1,450 million of fiduciary currency, granted an extension for one month only, instead of for the customary six months. Evidently, the limit is likely to be reduced—probably to £1,400 million—when the month expires.

Stock Exchange Scheme Challenged

The failure of the scheme of reorganisation for the Stock Exchange to secure the necessary three-quarters majority at the proprietors' meeting on Tuesday is an unexpected *contretemps*.

It had been generally expected, after the result of the referendum last March, that there would be no hitch in the final approval of the scheme, but several of the 300 proprietors who were present at the meeting (out of a total of 4,000) offered criticism on the ground that the compensation offered for Stock Exchange shares under the scheme was inadequate, and that the minimum life of five years which has been fixed for the annuities was too short. The first point of criticism is not substantial, since the prospect of higher dividends on the shares than had been paid in recent years would in any case have been virtually nil. As for the second line of argument, the short minimum life should be less of a threat to holders of annuities if in the future interest rates continue to rise rather than fall.

The scheme, however, should not depend upon points of comparative detail raised by a determined minority, for it involves the end of the system of dual control, and that step would, in principle, command the support of an overwhelming majority of members and proprietors. It is strongly to be hoped that the result of the poll on Thursday (which was not available when this issue of *The Economist* went to press) will reverse the vote by show of hands on Tuesday.

* * *

First Results of Direction

The Ministry of Labour has grounds for satisfaction with the smooth working and first results of the Control of Engagement Order. Mr Isaacs, in a review of the first month's operation of the Order, claims that it has fulfilled expectations. There has certainly been a remarkable increase in the labour force of the undermanned manufacturing industries, and the fears that the Order would lead to widespread use of the powers of direction have so far proved unjustified. In October, only 10 workers were explicitly directed under the Order. The Ministry issued a total of 101 directions between October 6th and October 31st, but of these 84 were to mining and seven to agriculture under the schemes already in existence.

The increase of 95,000 in the numbers in civil employment during October, which compares with an average monthly increase of 55,000 during the first nine months of the year, must be largely attributed to the effects of the Order. Its first results suggest that it has led to greater stability and reduced wastage in the labour force. Many people, who had not previously been seeking employment, entered industry—presumably to anticipate the possibility of direction. The increase in the number of placings by Employment Exchanges, from 203,000 a month between June and September, to 321,000 in October however, was not so great as the Ministry of Labour expected. Moreover the number placed in "first preference" industries—they totalled 39,036, or 12 per cent of all placings—is not very large, and the increase in the labour force of these undermanned industries cannot be wholly attributed to direct Government intervention. In all, "first preference" industries (they include agriculture, coal, steel and textiles among others) gained 15,700 in October, compared with an average monthly increase of 3,900 in the previous three months. Some increases are spectacular. Cotton spinning, which had been increasing by 300 a month gained 2,400 in October, while cotton manufacturing, which had been losing 300 workers a month gained 1,300. Recruitment in the wool textile industry rose from an average of 800 to 3,100, and ironfounding, which had been losing men at the rate of 200 a month, increased by 1,600.

Two satisfactory features of the October returns are the increases of 50,000 in the number of women employed, and of 10,000 in the number of foreign workers, which suggests that some of the trade union prejudices are being broken down. But nothing seems to be capable of shaking the objections of certain sections of the Amalgamated Engineering Union to foreign labour.

* * *

Monetary Fund's Gold Edict

Canada's proposal to subsidise domestic gold production has been made the occasion for the fullest declaration of policy yet propounded by the International Monetary Fund on the vexed subject of gold subsidies. After pointing out that every member which proposes to introduce measures to subsidise the production of gold must consult the IMF on the subject, the statement lays it down that "in the view of the Fund, a subsidy in the form of a uniform payment for all or part of the gold produced would constitute an increase in price which would not be permissible if the total price paid by the member for gold were thereby to become in excess of the parity plus the prescribed margin." As for other methods of subsidising gold production, they will be judged "upon the circumstances in each case." But members

are reminded of their obligation under Article IV Section 4 (a) to collaborate with the Fund to promote exchange stability and are told that subsidies on gold production, whatever their form, are inconsistent with this Article if they lead to widespread doubts on the uniformity of the monetary value of gold in all member countries. Members are further told that "subsidies which do not directly affect exchange stability may, nevertheless, contribute directly or indirectly to monetary instability in other countries and hence be of concern to the Fund."

In accordance with these newly defined principles, Canada's original proposal for a uniform subsidy of \$7 per ounce on all gold produced in excess of the output for the twelve months to June 30th last, would clearly have been out of order. An alternative method has therefore been devised which is said by the IMF to be "not inconsistent with the Fund's general policy." The new scheme, which operates from December 1st, retreats from the principle of the uniform payment per ounce; the subsidy will depend upon the costs of each mine, and will represent half the amount by which costs exceed \$18 per ounce. This payment, instead of being made only upon any output beyond that of the year to end-June last, will be made on any increase over two-thirds of that output. Perhaps the IMF feels that this abstruse formula has sufficiently blurred the issue to ensure that the opponents of subsidies will not perceive the objections in principle. Yet the scheme as it now stands offers a positive encouragement to the inflation of costs. And for some Canadian mines the indirect cost subsidy will probably yield twice as much as would have been provided by the direct subsidy of \$7 per ounce.

* * *

Financial Separation in India

The Indo-Pakistan agreement published last week-end provides for the financial counterpart of the political separation of the two Dominions. Any satisfaction at the smooth manner in which such explosive issues as the partition of public debts and assets have been settled must be mitigated by the knowledge that the financial and economic partition of what hitherto has been an integral unit must in any case tend to impoverish each part. That, however, is part of the price that had inevitably to be paid for political separation. The Dominion of India takes direct responsibility for the entire public debt, but Pakistan's share, which is to amount to 17½ per cent of the debt, will be met in 50 annual and equal instalments to India, beginning in August, 1951. Pakistan's share of the sterling balances is to be in the ratio of the note circulation in the two Dominions. The currency systems will remain common to India and Pakistan until March 31, 1948, and for six months thereafter Indian notes and coins will continue in free circulation in Pakistan. Preparations for partitioning the currency will begin immediately, and placed at the disposal of Pakistan for overprinting Pakistan notes and minting new coins. Pakistan will be paid from sterling balances for Indian rupee coins and notes surrendered to India as the new Pakistan currency enters into circulation.

This separation of currency will involve the setting up of separate central banking organisations and opens up vistas of an exchange rate between the two currencies. Since both Dominions will remain in the sterling area they should find it possible, given some similarity of fiscal and monetary policies, to maintain stability in the relative values of their currencies. The separation must also extend to the operation of exchange control, and it has already been announced that as from January 1, 1948, a system of separate accounting for foreign exchange earnings and expenditure of the two Dominions will be established. Detailed instructions are to be issued to the banks with the object of ensuring that foreign exchange may only be bought from or sold to a bank in the Dominion in which the applicant resides. The new arrangements do not involve restrictions on the transfer of funds from one Dominion to another.

* * *

How Much Steel for Cars?

This week the confusion about the allocation of steel for the motor industry in the first period of 1948 has become worse confounded. There had already been a public difference of opinion between the industry and the Ministry of Supply about the number of cars to be made in 1948 from the proposed allocation of steel. The industry took the view that the maximum rate of production would be only 260,000 cars a year, compared with a capacity of about 400,000, whereas the Ministry asserted that production should actually expand beyond the current rate of production of 312,000 cars a year.

This discrepancy in estimates seems to have been discussed at a recent meeting of the National Advisory Council of the Motor Industry, the body which advises the Ministry on motor-car production problems. On Monday, the Minister of Supply announced in Parliament that in the view of the National Advisory Council the steel allocation for the first six months of 1948 should enable the industry "to approach" the mid-1948 target for cars, which would mean "approaching" an annual rate of 315,000 cars for export and 50,000 for the home market. But on Tuesday Sir Stafford Cripps informed the House in a written answer that revised export targets and production programmes would have to be worked out for the steel-consuming industries next year. Whether this statement applies to the motor-car industry remains to be seen. It certainly does nothing to clear up the confusion.

This public argument about next year's car production programme is, of course, a direct consequence of the weakness of the steel allocation system. It seems probable that the motor-car industry fared rather better under the "M" form procedure than was intended, with the result that some motor manufacturers have been able to accumulate stocks of steel, and therefore could maintain their production, temporarily at least, above the level of, say, 260,000 cars a year which the prospective steel allocation appears to justify. So, by drawing on stocks, it may be that, for a few months, car production might exceed a rate of 300,000 a year—but not for long, unless the industry's steel quota is increased.

The motor-car industry is not the only example of the confusion which arises in trying to match steel allocations to production programmes. There seems every likelihood that confusion will continue under the new allocation system, unless indeed the present cabalistic method of allotting steel to industries is replaced by a clear, published statement of the tonnages which each important industry can expect to receive in each authorisation period.

* * *

Cutlery and Craftsmanship

The report of the Cutlery Working Party,* published this week, is a slim, but forthright document. Its authors have

* Board of Trade Working Party Reports: Cutlery: HMSO, 1s.

marshalled a certain amount of statistical information about the structure of the industry, its manpower position and its export record. But little effort has been made to use this material as a basis for any prognostications about the postwar pattern of the cutlery industry or for compiling a manpower budget or a mechanisation programme, and there is a certain air of "take it or leave it" about the recommendations.

A few basic facts about the industry are incontrovertible. In 1944, 60 per cent of the establishments in the cutlery trade employed five workers or fewer. A recent report by the Inspector of Factories found that out of 313 factories, only 36 could be regarded as satisfactory. The industry therefore includes a very large number of small firms, the traditional "small masters" of the cutlery trade. Most of them work in small, ill-ventilated, rented quarters, and eke out a living only by working long hours for a small return. This is an appalling state of affairs, though it is probably no worse than certain sections of the pottery and jewellery trades. In any event, the facts were well known already. They came to light over a year ago in a report by the Cutlery Wages Council and the working party have added little that is new.

The working party recommend the establishment of a tripartite Cutlery Board with terms of reference which will be familiar from earlier reports. The Cutlery Board, it is suggested, should be the means of preventing small, marginal firms from price-cutting and lowering working standards. These have been the main causes, in the working party's view, of the industry's present dilapidated condition. They consider that the Board should be empowered to compel producers to comply with Orders defining the functions of the Board and that it should prepare and enforce a Fair Business Practices Code.

These are wide powers indeed. Their object is quite clearly to force out small inefficient firms which cannot maintain minimum working conditions. That in itself would be an obvious remedy for some of the present evils. But a recommendation to give such sweeping powers to a body (whose employers' representatives would be elected by the trade association on which many small firms would have only a weak voice) would sound more effective if the report made specific recommendations about the scope for increased mechanisation, lower prices of cutlery, and greater standardisation and longer runs of production for good quality cutlery. This recommendation to give the Board

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The Rand bi-yearly dividend season has been nearly completed with the announcement of the December dividends of four more of the mining groups. These confirm the impression made by those of the Consolidated Goldfields Group which were analysed in *The Economist* last week. On the whole, payments have been up to expectations, and they suggest that the growing disparity between costs and revenue has at last been arrested. In most cases profits have increased owing to the absence of labour trouble and the reduction in mining taxation which was made earlier in the year. But mines working low grade ore have shown only a small improvement. The absence of a payment by Randfontein for the second half-year in succession is disappointing, but the heavy cost of capital expenditure during the period has more than offset the improvement in operating results. In the Central Mining-Rand Mines Group, Blyvooruitzicht has made a record payment of 2s. 6d., bringing its total for the year up to 4s. 9d. compared with 2s. 6d. paid in 1946. This fulfils the expectation aroused by the steady increase in tonnage milled

during the past year, and is encouraging in the light of the further expansion planned in milling capacity. Some of the older mines such as Nourse and Modderfontein "B" have done well to return to the dividends paid in December, 1946; in the case of Nourse this was double the distribution of last June. Other mines in this group, such as East Rand Proprietary and Durban Roodeport Deep, have made conservative distributions compared with the estimates of their net earnings.

The market reaction to the December dividends has been unenthusiastic. The improvement registered in share prices since August has not been caused by hopes of increased dividends arising from lower costs, but rather to wishful thinking on the prospect of an increase in the price of gold. The present low yield basis of the producing companies, as well as the inflated values of the development companies, can be justified only on the assumption that sooner or later this will actually happen.

Shorter Notes

After prolonged consideration the Government have decided that the new cold reduction plant for sheet steel, which forms part of the steel development scheme in South Wales, should be sited at Margam, adjacent to the new hot strip mill. Certain work now being done at the Orb works of John Lysaght and Co. will be transferred to the new cold reduction plant. The Steel Company of Wales have announced their intention to keep the Orb works in a high state of productive efficiency. The decision to attach the cold reduction plant alongside the new hot strip mill (of which particulars were given in *The Economist* of November 15th) is to be welcomed. It should provide greater productive efficiency than a separate plant in another locality.

Lord Greenwood's speech at the Dorman Long meeting last week reported that the company's considerable development programme is proceeding satisfactorily, though less rapidly than the company would wish. Much civil engineering work has been done at the Lackenby site and the company is now receiving tenders from American machinery manufacturers for certain plant which will be required for the new universal beam mill. Lord Greenwood made a plea for "a realistic approach" to the relations of the Government with the steel industry and suggested that the enterprise of the steel industry could be married to effective Government control of its general policy.

The Board of Trade's index for retail sales rose by 7 per cent to 161 in October (1942=100), a figure already equal to last year's December record. October was the first month of a new coupon period and the last before the autumn Budget. It is apparent that

the usual autumn spending was at a rate exceeding that of 1946. In spite of this, stocks were maintained. The indices for future months will show what restraining effect, if any, the budget has had on consumption expenditure.

Contrary to most industrial groups, Tube Investments is well satisfied with the progress of its postwar expansion schemes. These have already called for the expenditure of over £3,500,000 and they are nearly completed. Thus the company is not dismayed by the cuts proposed in the Government's capital programme for 1948. It drew up its plans towards the close of the war and made an early start towards expanding its capacity before the rise in construction costs had become acute. Allowing for the difficulties of comparison due to different types, Tube Investments now claim to be producing bicycles of the best designs at a lower cost than overseas competitors.

The reorientation of Swedish trade announced in the new import programme should benefit this country. Imports next year are to amount to just under 4,000 million kroner compared with about 5,000 million this year. But hard currency imports which now account for 2,800 million kroner are in proportion to suffer a much greater cut to 1,465 million. About two-thirds of all imports will come from sterling and soft currency areas. Talks are at present being held with Russia, Italy and Belgium. Details of the new Anglo-Swedish agreement are expected soon. There is every reason to believe that the negotiators have availed themselves of the opportunities presented by the new situation.

The Argentine Government has raised the price of wheat to farmers from 17 pesos to 20 pesos a quintal. The new price is equivalent to approximately £15 a ton and represents one-third of the price at which Argentina recently sold wheat to Brazil. The Chicago wheat price is approximately £30 a ton.

A record trade union membership of 8,714,000 at the end of 1946 is reported by the Chief Registrar of Friendly Societies. This represents an increase of 901,000, or 11.5 per cent over 1945, and is well above the previous peak reached at the end of 1920. Although membership has been increasing rapidly, however, the trend towards concentration has not proceeded very far. Over the last six years, the total number of trade unions has been reduced only from just over 1,000 to 753. The lop-sided character of trade union structure is shown in the fact that 372 unions, or 49.4 per cent of the total number, cater for less than one per cent of the total membership, whereas two-thirds of the members are enrolled in 17 unions, accounting for only 2.3 per cent of the total number.

SECURITY PRICES AND YIELDS

A fuller list containing 370 securities appears weekly in the *Records and Statistics Supplement*. Notes on the following company reports also appear in the Supplement: Joseph Lucas; Carreras; H. & G. Simonds; United Dairies.

Prices, Jan. 1-Dec. 17, 1947		Name of Security	Price, Dec. 10, 1947	Price, Dec. 17, 1947	Net Yield, Dec. 17, 1947 (%)	Gross Yield, Dec. 17, 1947 (%)	Prices, Jan. 1-Dec. 17, 1947			Name of Security	Price, Dec. 10, 1947	Price, Dec. 17, 1947	Yield, Dec. 17, 1947 (%)
High	Low						High	Low	Last Two Dividends				
					(a)	(b)	(a)	(b)	(c)				
British Funds													
103 1/2	100 1/2	Conversion 3% March 1, 1948-53	101 1/2	101 1/2	5	5	113 1/2	99 1/2	(d)	Australia 3 1/2% 1965-69	104	104	6
103 1/2	100 1/2	War Bonds 2 1/2% August 1, 1949-51	101 1/2	101 1/2	0	10	105 1/2	89	(d)	Birmingham 2 1/2% 1966-71	95	95	2 1/2
102 1/2	98 1/2	Exchequer Bonds 1 1/2% Feb. 15, 1950	100 1/2	100 1/2	0	10	102	100 1/2	(d)	Argentine 3 1/2%	101	101	3 10
105 1/2	98 1/2	War Bonds 2 1/2% March 1, 1951-53	101 1/2	101 1/2	1	7	150 1/2	113 1/2	40 c	Anglo-American Corp. 10s.	143 1/2	143 1/2	3 9
105 1/2	98 1/2	War Bonds 2 1/2% March 1, 1952-54	100 1/2	100 1/2	1	6	232 1/2	118 1/2	5 a	Anglo-Iranian Oil £1	158 1/2	166 1/2	3 12
108 1/2	101 1/2	War Loan 3 1/2% (after Dec. 1, 1952)	103 1/2	103 1/2	1	6	80 1/2	76 1/2	10 c	Austin Motor 'A' Ord. Stk. 5s	70 1/2	70 1/2	4 5
106 1/2	97 1/2	War Bonds 2 1/2% Aug. 15, 1954-56	100 1/2	100 1/2	1	8	25 1/2	40 c	7 a	Assoc. Port. Cem. Ord. Stk. £1	36 1/2	36 1/2	5 10
106 1/2	99 1/2	Funding 2 1/2% June 15, 1952-57	101 1/2	101 1/2	1	8	95 1/2	73 1/2	7 a	Barrat's Bank Ord. 'B' £1	79 1/2	79 1/2	3 10
108 1/2	99 1/2	National Def. 3% July 15, 1954-58	101 1/2	101 1/2	1	9	245 1/2	167 1/2	15 a	Bass Ratcliff Ord. £1	187 1/2	195 1/2	3 11
109 1/2	99 1/2	War Loan 3 1/2% Oct. 15, 1955-59	102 1/2	102 1/2	1	9	115 1/2	80 1/2	12 b	Courtauld's Oxygen Ord. £1	98 1/2	102 1/2	3 18
105 1/2	97 1/2	Savings Bonds 3% Aug. 15, 1955-65	101 1/2	101 1/2	1	11	58 1/2	40 1/2	24 a	Dorman Long Ord. £1	45 1/2	44 1/2	3 11
109 1/2	98 1/2	Funding 2 1/2% April 15, 1956-61	97 1/2	97 1/2	1	11	29 1/2	22 1/2	8 c	Dunlop Rubber Ord. £1	28 1/2	29 1/2	5 10
109 1/2	98 1/2	Funding 3% April 15, 1959-69	101 1/2	101 1/2	1	12	31 1/2	27 1/2	12 c	Imp. Chem. Ind. Ord. £1	78 1/2	77 1/2	3 17
122 1/2	109 1/2	Funding 4% May 1, 1960-90	112 1/2	111 1/2	1	3	40 1/2	37 1/2	7 b	Lancs. Cotton Ord. Stk. £1	51 1/2	51 1/2	3 17
110 1/2	97 1/2	Savings Bonds 3% Sept. 1, 1960-70	100 1/2	100 1/2	1	12	49 1/2	46 1/2	10 c	Lever & Unilever Ord. £1	47 1/2	48 1/2	4 2
104 1/2	92 1/2	Savings Bonds 2 1/2% May 1, 1964-67	95 1/2	94 1/2	1	14	57 1/2	45 1/2	10 c	London Brick Ord. Stk. £1	53 1/2	54 1/2	4 13
123 1/2	109 1/2	Victory Bonds 4% Sept. 1, 1920-76	114 1/2	113 1/2	1	6	77 1/2	48 1/2	10 c	M.S.S. 4% 1st Pref. Stk. £1	82 1/2	83 1/2	4 13
111 1/2	96 1/2	Savings Bonds 3% Aug. 15, 1965-75	100 1/2	100 1/2	1	12	84 1/2	73 1/2	(d)	N. Eastn. Elec. Ord. Stk. £1	34 1/2	34 1/2	4 1
117 1/2	106 1/2	Consols 4% (after Feb. 1, 1957)	109 1/2	109 1/2	1	3	36 1/2	32 1/2	41 b	Prudential 'A' £1	61 1/2	63 1/2	4 7
115 1/2	102 1/2	Conversion 3 1/2% (after Apr. 1, 1961)	105 1/2	105 1/2	1	10	68 1/2	47 1/2	20 b	Stewarts & Lloyds £1	34 1/2	34 1/2	2 3
100 1/2	80 1/2	Treas. Stk. 2 1/2% (after Apr. 1, 1975)	83 1/2	82 1/2	1	13	39 1/2	29 1/2	124 c	Turner & Newall Ord. Stk. £1	138 1/2	142 1/2	3 10
110 1/2	95 1/2	Treas. Stk. 3% (after Apr. 5, 1966)	100	99	1	14	99 1/2	88 1/2	124 a	Woolworth (F.W.) Ord. 5s.	90 1/2	91 1/2	3 16
117 1/2	97 1/2	Redemp. Stk. 3% Oct. 1, 1986-96	100 1/2	99 1/2	1	13	147 1/2	108 1/2	15 a				
99	80	Consols 2 1/2%	83 1/2	82 1/2	1	13	96 1/2	71 1/2					

Redemption yields on stocks optionally or finally redeemable within the next five years are worked out on the assumption that they will be repaid at the earliest date. Redemption yields on other dated stocks assume that stocks paying over 3 per cent. will be redeemed at the earliest date (these are marked 'a'), and those paying 3 per cent or less will be repaid at the latest date (marked 'f'). (b) Net yields are calculated after allowing for tax at 9s. in the £. (f) Flat yield. * Assumed average life 17 years 6 months. † Notice given for repayment on March 1, 1948.

(a) Interim. (b) Final. (c) Whole year. (d) Int. paid half-yearly. (e) To earliest redemption date. (f) Also a capital bonus of 2 1/2 per cent free of income tax. Yield worked on 15 per cent basis. (h) Fifteen months to March 31, 1947 (yield basis 7-6 per cent). (i) To latest redemption date. † Free of tax.

COMPANY MEETINGS

THE COMMERCIAL BANK OF SCOTLAND, LIMITED

PERIOD OF RECURRENT CRISES

THE EARL OF MAR AND KELLIE'S REVIEW

The annual meeting of the shareholders was held, on the 18th instant, in the North British Station Hotel, Edinburgh. The Earl of Mar and Kellie, the governor of the bank, presided.

The governor made reference to the loss the bank had sustained during the year through the deaths of Mr James Younger, D.L., LL.D., one of the extraordinary directors, and of Mr David Johnstone Smith, LL.D., C.A., one of the ordinary directors. Mr Johnstone Smith, he said, was an ordinary director for 27 years, and his wide knowledge and wise counsel were a great asset to the board.

In submitting the report the governor said:

I am pleased to preside at another annual meeting of the shareholders, but it is with some regret, which I know is shared by your directors and officials, that for the first time in 100 years we have been unable to hold the meeting in the bank's head office in George Street. Increasing business requirements have now taxed to the utmost our accommodation there, and I am afraid it will be some time before it will be possible to meet our present needs by a further building programme.

In the year which has elapsed since I last had the pleasure of addressing you we have witnessed many changes in the industrial and economic spheres. In some respects it has been a period of recurrent crises; and the fuel shortage, the severe winter, and the exhaustion of the American Loan have focused attention on our serious economic position.

It is quite clear that these difficulties did not steal upon us suddenly, but it may be that we had been living dangerously so long as to be unable to distinguish the warning signals and appreciate the full effects on our national life in time of peace of low productivity and shortage of foreign exchange. Our approach to the problems of reconstruction may have been conditioned by ideas developed during the inter-war period; and increased purchasing power, low interest rates, and a high level of public expenditure may have led us to believe that we were a wealthy nation well circumstanced to enjoy the reward for having endured the shortages and restrictions and successfully emerged from the dangers of the war years. We have failed to appreciate to the full the tremendous problem of re-equipment which had to be faced at a time when industry was struggling to meet the demand for consumer goods in this country, and at the same time allocate an ever-increasing proportion for export. We have had difficulty in reconciling ourselves to the realisation that, although to all appearances we may be living in a period of financial plenty, we must accept an even more austere standard of life if we are to establish our export trade at a level which will enable us to buy overseas the basic foods and materials necessary for the maintenance of even our present standard of living.

NATION AWAKENING TO SERIOUSNESS OF CRISES

There are indications that the nation is awakening to the realisation that we are engaged in a battle for our national survival as deadly as any which has yet been experienced. Provided we can achieve a resolute approach to our problems, in the same spirit of high endeavour which characterised the national effort during the perils of the war years, who can doubt that we shall successfully overcome our difficulties and recover

our high place in the world economy? The issue is clear: there is demanded of each of us the acceptance of the fact that the food and other materials which the country needs must be bought by the labour and savings of the individual, and at least for the time being many of the minor comforts and luxuries we had hoped to enjoy must be postponed in favour of the paramount need for increased exports. The problem of national reconstruction is a challenge to all, and on the individual rests a great responsibility. The recovery by Britain of her high place among the nations of the world may be the most potent factor in inducing a recovery of international prosperity and promoting harmony among the nations. Honest work and saving to prevent inflationary tendencies until goods are again available to meet home market demands are essential factors in early recovery. This bank, in association with all other British banks, is assisting the great voluntary Savings Movement, which for thirty years has co-ordinated and developed agencies for the mobilisation of the small savings of the people.

RESPONSIBILITY OF INDUSTRIAL LEADERS

Much of the responsibility for the successful re-establishment of our economic potential will fall upon our industrial leaders. It is on their skill, prudence and enterprise that we depend for the solution of the problem of increasing productivity. They are required to ensure that their commodities are produced on an unprecedented scale and at prices which will command a ready sale in the world markets. They must be accorded the loyal support and co-operation of all, and I am glad to have this opportunity of giving the assurance that the bank will afford them all the assistance in its power. Over a long period we have built a tradition of service of which we are proud. Our varied services and our accumulated experience will be made readily available to all who have need of our assistance.

BALANCE SHEET ITEMS

I would now ask you to consider with me the balance sheet of the bank for the past year. You will find record figures under nearly all headings, and the total of over £130,000,000 is more than £10,000,000 higher than the figure submitted at our last meeting, and almost twice as much as the comparable figure submitted at the meeting seven years ago in 1940.

You will recollect that at our last meeting it was resolved that the "A" shares, which were £4 each, £1 paid, be divided into four "A" shares of £1 each, 5s. paid, and that the uncalled liability on the sub-divided "A" shares be reduced by the sum of 1s. per share from a transfer of £350,000 from the contingency fund. The effects of this re-adjustment are reflected in the figures now submitted and the paid-up capital, amounting to £2,600,000 is £350,000 more than last year. The reserve fund, to which has been added £100,000 from this year's profits, now amounts to £3,800,000, and is £1,200,000 in excess of the paid-up capital.

Notes in circulation, amounting to over £12,230,000, are higher on the year by over £1,200,000, indicating that the sphere of the bank's influence is widening, besides providing evidence of the enlarged amount of currency in circulation.

Deposits and other credit balances, amounting to over £107,800,000 are more by over £8,500,000. These figures have been achieved notwithstanding the withdrawal of

increasing sums required to finance the renewal of machinery and plant and the acquisition of stocks of materials, and constitute a new record in the bank's long history.

The increase of over £650,000 in the item acceptances and engagements, which amount to over £3,390,000, provides an indication that the bank is assisting its customers in their participation in the revival of international trading and we hope to see a further development of this section of the bank's business.

Turning now to the assets side; the first five items, representing cash, balances with other banks, money at call and short notice in London, British Government Treasury Bills, and British Government Treasury Deposit Receipts, aggregate over £39,000,000, and are £2,700,000 less than last year; but British Government Securities stand at over £67,900,000 and are over £8,700,000 more than last year. These resources, of a liquid character, amount to almost £107,000,000—equivalent to 89 per cent. of our liabilities to the public in respect of notes in circulation and deposits.

The market value of our investments is greater than the figure appearing in the balance sheet and the investments have been carefully selected with regard to maturity dates.

At over £17,600,000 our advances show an increase on the year of £3,700,000, evidence of the support we are according to our customers in their efforts to re-establish their normal businesses and adapt them to meet the changing conditions. We will welcome the opportunity of further active participation in these efforts to improve and expand industrial and commercial enterprise and our support will be readily afforded wherever there exists character, integrity, and the will to succeed.

YEAR'S PROFIT

We may now consider the results of the operations of the year, and you will observe that the profit shows an increase of over £20,000. This may be considered satisfactory in so far that the increase has been achieved during a period when interest rates on British Government Securities and Treasury Deposit Receipts have been maintained at a low level, and we have been called upon to meet steadily increasing charges. It should be kept in mind, however, that since the report and accounts now before the meeting were completed, there has intervened the new Budget proposal increasing profits tax retrospectively. Such retrospective legislation adds materially to the difficulty in assessing and providing for taxation. The year's profit is arrived at as usual after making provision for contingencies, but in future years this additional taxation will no doubt be reflected in the available profit. Out of the sum available the directors have allocated £100,000 to reserve fund; £50,000 to the fund for deferred repairs and renewals to property; £50,000 as an addition to the funds of the pension trust, and £25,000 to the widows' fund.

THE DIVIDEND

Interim dividends on the "A" shares of 7 1/2 per cent. and on the "B" shares of 5 per cent., less income tax, were paid in July last, and it is now proposed that a further distribution of 7 1/2 per cent. on the "A" shares (making 15 per cent. for the year—a rate equivalent to 18 per cent. on these shares before the capital adjustments approved at our last meeting), and 5 per cent. on the "B" shares (making 10 per cent. for the year), both subject to income tax, be approved. After payment of these dividends and allocations the carry forward to next year's account amounts to £86,108.

THE STAFF

We have, during the year, been much concerned with the problem of re-settlement of the staff. We have found it difficult, in face of the serious housing shortage, to maintain, in the interests of experience and advance-

ment, the free movement of staff between our various offices. I am pleased to report, however, that after consultations with the staff association we have introduced a house purchase scheme and a system of disturbance allowances, which will in some measure provide a solution to the problem, and alleviate the burden falling upon those members of the staff who through force of circumstances have no option but to purchase houses for their own occupation at the current inflated prices, or who, because of a transfer to a new appointment require to make a change of residence.

The directors desire to express their appreciation of the assistance of the staff association who have very willingly collaborated in dealing with these matters.

The governor then moved the adoption of the report and the motion having been seconded by Mr Douglas Mure Wood was put to the meeting and carried.

At the close of the meeting cordial votes of thanks were accorded to the directors and the staff for their services during the year and to the governor for presiding.

The report and accounts were adopted.

S. SMITH AND SONS (ENGLAND), LIMITED CONTINUED PROGRESS

The thirty-third ordinary general meeting of S. Smith and Sons (England), Limited, was held, on 17th instant, at Cricklewood, London, N.W., Sir Allan Gordon-Smith, K.B.E., D.L. (the chairman), presiding.

The Chairman, in presenting the accounts, pointed out that these were now produced in a revised form so as to give a clear and reasonably simple picture of the year's trading of the Smith group of companies.

He told shareholders that the items which were of the greatest interest to them were the consolidated profit and loss account and the consolidated balance-sheet. The profit in the consolidated profit and loss account showed an increase of £280,000 in the year's trading, while the net profit was £317,000 against £206,000. Of this some £208,000 was ploughed back into the business compared with £93,000 distributed to shareholders.

He stated that the reason that it was necessary to retain a large portion of the company's profits in the business was to meet:

1. The expansion in trading.
2. The ever-increasing cost of the replacement of machinery and plant.

The Chairman referred to the progress of the four divisional companies.

Smith's Motor Accessories, Limited, had increased their turnover by the further development of the two new lines—car-heaters and car-radio, both of which were being fitted as standard to a number of British cars.

The Aircraft Division, Smith's Aircraft Instruments, Limited, had also made progress, and the most noteworthy achievement was the introduction of the new Smith's all-electric automatic pilot, which has been accepted by the Government as standard equipment.

Smith's English Clocks, Limited, where greater progress had been made than in any other division, now had a total turnover amounting to 33 per cent. of the company's sales. Some twelve factories are making different types of clocks and watches in various parts of England, Scotland and Wales. The present rate of production is three million clocks per annum, and the target five million. A large portion of these are exported.

The Chairman briefly referred to the progress of the new division. Smith's Industrial Instruments, Limited, and to the amalgamation of Henry Hughes and Son, Limited, and Kelvin Bottomley and Baird, Limited, under the name of Kelvin and Hughes, Limited. The new company would be the largest manufacturer of marine and similar equipment in this country.

The report was adopted.

THE NATIONAL BANK OF SCOTLAND, LIMITED

RECORD FIGURES

The one hundred and twenty-second annual general meeting of the proprietors of The National Bank of Scotland, Limited, was held, on the 18th instant, in the bank's head office.

The Most Hon. the Marquess of Zetland, K.G., P.C., G.C.S.I., G.C.I.E., the governor, in the course of his speech said:

The balance-sheet as at November 1st presents for the first time in the bank's long history totals of over 100 million, or to be more precise, £105,000,000, nearly £8,000,000 higher than twelve months ago. In the ordinary course it would have been a reasonable expectation to have looked for some improvement in our net profits, but the additional burden imposed by the Supplementary Budget through the increased Profits Tax, which has been fully provided for, has disappointed this hope. Because of present uncertainties you will, I am sure, agree with the wisdom of continuing the policy of strengthening the bank's resources, and of the balance of £369,000 available for appropriation, it is recommended that there should be transferred to investment reserve £85,000, to heritable property account £20,000, to trustees for officers' pension scheme £50,000, and to staff widows' fund £10,000. Dividends will again absorb £107,800, and a balance of £96,000 will be left to be carried forward.

DEPOSITS AGAIN HIGHER

As to the balance-sheet, it will be noticed that deposits once again are substantially higher, and at their new record figure of over £88,000,000 show an increase of over £7,600,000. Although some part of this increase may be explained by continuing inflation from Government spending, yet it is fair to claim that in part it represents a continuing growth in the bank's general business and connections.

I need not emphasise the substantial ratio of the funds preserved in readily liquid form to meet all possible contingencies, but I would draw your attention to the growth in advances to customers, which at over £17,000,000 also constitute a record. I have more than once in the past from this chair expressed the readiness and willingness of the bank to assist in the promotion of our country's industry and commerce, and the increases in advances from £10,000,000 in 1945 to £12,600,000 in 1946 and now to £17,100,000 are evidence enough that these were no empty words.

THE EXPORT DRIVE

We must all hope for the success of the export drive, for our economic future is inextricably bound up with it. But it would be foolish to close our eyes to the nature of difficulties with which it is attended. Many years ago when a gentleman of the name of Robert Lowe was Chancellor of the Exchequer, he experimented with a tax on matches, which led some witty person to pen these lines:

"Ex luce lucellum, we all of us know;
But, if you can't sell 'em, how then,
Mr Lowe?"

We may ask ourselves a similar question in connection with our export drive, for all the information which reaches me is to the effect that the sellers' market which followed on the cessation of hostilities is rapidly becoming a thing of the past.

There are many reasons for that. For one thing, since we are ourselves restricting our imports, we cannot complain if other countries are following suit. In the buyers' market with which we are now confronted, the factors that count are price, quality and punctual delivery. So far as price is con-

cerned, we see a constant increase in the cost of production; wages are rising, the cost of coal, materials and transport shows continual growth, while taxation takes its ever-increasing toll. Moreover, we no longer enjoy what used to be regarded as the necessary foundation of a successful export trade, namely, a flourishing home market. The absence of it reflects not only on price, but on the quality of the products of our factories, for new lines of goods are no longer, as in the past, being tried out at home before being exported abroad.

IMPORTANCE OF HOME MARKET

This weakness in our economy has in its turn a direct bearing upon another of the ills to which I have referred in my addresses to you during the past two years, for a starved home market, whether as a result of the restriction of imports or of too great a diversion of our production to the export trade, is the greatest single factor in adding to the inflationary pressure from which we are suffering. You may seek to reduce it by curtailing the spending power of the public by additional taxation—at best a disagreeable and discouraging palliative—and by persuading all to save and invest their savings by lending them to the State. But, if you are to be successful in your appeal to the public to save and lend, the terms of your offer must be such as to appeal to the business instinct as well as to the patriotism of the mass of the people.

Moreover, as I was at pains to point out in my address to you two years ago, the State no more than the individual who is constantly borrowing, can escape the hard fact that sooner or later it will have to settle with its creditors, and it is difficult to avoid the conclusion that a certain lack of confidence in the future financial stability of the country, combined with the low rate of interest offered on their savings, has been a factor in the disturbing falling off in the response to the savings campaign.

REMEDY FOR ECONOMIC ILLS

All of this points to the inescapable conclusion that the real remedy for our economic ills is a steady increase in our productive capacity which will put an ever-increasing stream of goods in our own shops and so provide the necessary buttress to our export trade. We have been assured by spokesmen of the Government themselves that if everyone puts forth 10 per cent. more effort our troubles would be over. That may well be, but an example as well as exhortation is called for on the part of the Government.

Rigorous economy in all Government Departments and a drastic curtailment of Government expenditure, combined with a gradual reduction, in place of increases in, the burden of taxation, would do more than anything else to put fresh heart into all workers and managements alike, and to stimulate them to renewed endeavour. Failing this, we shall inevitably be faced with the further risk of having to devalue sterling in order to adjust our prices to the requirements of the external market.

Nor must we forget that half Europe lies prostrate from the effects of the war and that the other half has sealed itself off. So long as peace carries, so long as other nations are impoverished, so long also shall we feel the effects ourselves. The United States of America see the needs of Europe and the plan which bears Mr Marshall's name can do much to assist recovery, but the only and ultimate solution of our difficulties will be found in working and producing for our own salvation.

The report was adopted.

THE ENGLISH, SCOTTISH AND AUSTRALIAN BANK, LIMITED

NATIONALISATION THREAT

The fifty-fifth ordinary general meeting of the English, Scottish and Australian Bank, Limited, was held, on the 17th instant, in London, Sir Frederick W. Young, the chairman, presiding.

The following is an extract from his statement circulated with the report and accounts for the year to June 30, 1947:—

There is a matter of major concern which promises to threaten the high future prospects of Australia, namely, the Federal Government's proposal to nationalise Banking.

In the Bill the banks to be nationalised are referred to as "private banks," which is somewhat a misnomer. I prefer to use throughout this address the name by which these banks are commonly known in Australia, namely, the "trading banks."

As the trading banks have conscientiously co-operated with the Government through the Central Bank, before and since the Act of 1945, it is manifest that the nationalisation issue has been raised not on the grounds of economic necessity, but to implement partisan ideology.

The people rightly see in the proposal to establish a banking monopoly a threat to their fundamental freedoms, leading to a totalitarian system of Government which is the very antithesis of the democratic ideals developed by the British peoples through the centuries. The Bill has aroused violent controversy at a moment when the united effort of the people is essential for the restoration of sound and prosperous peace-time conditions. Fortunately the Federal Government's powers are limited by the terms of the Australian Constitution—they are not absolute sovereign powers such as a Government in a unified state possesses.

For the reasons given above, action has been taken by this bank in co-operation with all the other trading banks to test the validity of the proposed legislation on constitutional grounds. Following upon the issue, on behalf of the trading banks, of writs for injunctions, it is satisfactory to report that, by agreement between Counsel for the Government and the banks, no steps will be taken by the Government to give effect to the terms of the new legislation until the case has been heard in the High Court of Australia, and this is expected to take place in December.

UPSURGE OF PUBLIC OPINION

Following the declaration of the Federal Government's intention, I made a flying visit to Australia, when I witnessed an unprecedented upsurge of public opinion wholly opposed to the nationalisation proposal, and this in itself is a striking tribute to the leading part which the trading banks have played in the wonderful record of Australia's economic development. It was obvious that the Government did not dare to submit the Bill to a referendum; indeed, they are racing against time to defeat the people of Australia by hastening the acquisition of the banking businesses and establishing the Government monopoly to such a point that the process cannot easily be reversed, no matter how decisively the electors may vote against them at the next General Election, to be held at the latest in 1949.

Under the Bill the terms of compensation are to be negotiated between the parties concerned and, failing agreement, the matter is to be referred to a Federal Court of Claims, which is to be created under the Bill, and the decisions of which are to be final without right of appeal. The members of this Court are to be appointed by the Federal Government.

I am by no means unhopeful that the Government's proposals can be successfully resisted—in any case the value of our bank's surplus assets is such that I think I am justified in warning shareholders against sacrific-

ing their holdings, and I would remind them that under the Constitution the Federal Government can only acquire our business and assets on "just terms."

The liquidity of the bank's position shows little variation from last year. The total of cash, bank balances, etc., special account with Commonwealth Bank of Australia, and bills receivable, represent 10s. 11½d. in the £1 of the item deposits, current accounts, etc., as against 10s. 9½d. at July 1, 1946. With the inclusion of investments the respective years' figures are 12s. 7½d. and 15s. 7d.

The increase in the gross profit for the year has been accompanied by a rise in expenses, but the net profit after taxation shows an increase of £45,594. This has enabled the directors to recommend the payment of a slightly higher dividend and at the same time to increase the carry forward by £25,920.

The report was adopted.

LAKE VIEW AND STAR, LIMITED

BENEFIT OF GOLD TAX ABROGATION

The thirty-seventh ordinary general meeting of Lake View and Star, Limited, was held, on the 11th instant, in London, Mr. G. Goldthorpe Hay (the chairman) presiding.

The chairman, in the course of his speech, said: The profit from mining is £458,284 which compares with £311,817. We recommend a final dividend of 35 per cent. (viz. 1s. 4½d. per share gross and 9.24d. net), making with the interim dividend of 12½ per cent. paid in May, a total dividend for the year of 47½ per cent. (viz. 1s. 10.8d. per share gross and 12.54d. net) compared with 40 per cent. last year. The balance of profit carried forward is £36,136.

Three months ago the payment of the Gold Tax in Australia was abrogated and the industry is therefore now relieved of all taxation in Australia in respect of its profits from mining. This relief from taxation must, by and large, be a good thing for the industry and an incentive to increased production. Australia is now placing at the disposal of the United Kingdom the whole of its output of gold, and it will be a matter of satisfaction to you to know that our company is, I believe, the largest individual gold producer in Australia.

INCREASED TONNAGE MILLED

The tonnage milled at 585,650 tons shows an increase of over 200,000 tons while the ore reserve position as 3,883,800 tons showed only a decrease of 65,300 tons at the close of the year.

I should have liked to attempt to give you an indication of the possible results for the year. Unfortunately there are still too many indeterminate factors affecting our operations, primarily, of course, the outcome of the present arbitration proceedings. On the other hand, we now have the benefit of the abrogation of the gold tax, but increased wages and higher cost of stores may well offset this otherwise substantial relief. The price at which we sell our product remains the same, whether costs fall or rise. The very fact that other industries can raise wages, etc., and still make the same, or greater, profits has a general tendency to encourage higher wages and higher cost of commodities, in other words, to move to the disadvantage of the gold producing industry. But this is the price we pay for the pre-eminence of gold as a medium of exchange and in certain other directions the gold mining industry has advantages denied to others.

The report was adopted.

AVON INDIA RUBBER COMPANY, LIMITED

INCREASED TURNOVER

MAJOR R. F. FULLER'S STATEMENT

The fifty-eighth ordinary general meeting of the Avon India Rubber Company, Limited, was held, on the 16th instant, in Melksham, Wilts., Major R. F. Fuller, D.L. (chairman), presiding.

The following are extracts from the chairman's circulated statement:—

Before providing for taxation and contribution to the pension fund, the net profit for the year is £342,257, which compares with £342,304 in the previous year.

You will appreciate that we feel justly proud not merely of maintaining but of considerably increasing our turnover in spite of the many difficulties resulting from the fuel crisis. Our margin of profit, however, has been affected by rising prices of raw materials, with manufacturing costs increasing as a result of higher remuneration of labour and the conversion of our boilers to oil fuel firing. This conversion, which your directors deemed prudent to make, was effected early in the present year, principally during holiday periods. Thanks to this, factory output did not suffer, and full employment for all workers has been maintained throughout the year.

The total of current assets exceed current liabilities by £490,721, an increase of £61,906 over the previous year.

The policy of factory extension and modernisation has been continued, and is indicated by the cost of the additions to our fixed assets, amounting to £148,373 during the year. Some retardation of our future plans in this direction must necessarily take place in view of the national situation, but while we await the brighter days to come everything possible will be done to maintain the plant at maximum efficiency.

EXPORTS

Restrictions on the export of certain of our products have now been modified, but trade with an increasing number of countries outside the British Empire is rendered difficult because of their restriction of imports. Nevertheless, with conditions remaining much as they are now we have every hope of fulfilling our export target.

The contributory pension and the assurance scheme which I mentioned last year was brought into operation in April of this year and has been warmly welcomed by the employees. Over 96 per cent. of those eligible joined. The company's contribution to the fund amounts to £12,185, and is a tangible tribute which we are glad to pay to the loyal and efficient service rendered by all employees.

The year upon which we have now started has commenced well and, as I have said, our exports, which increased last year, are the subject of still further efforts for expansion to meet the national emergency. We hope the home market requirements of our products, which are so vital in many fields, will not have to suffer too heavily in the endeavour to equalise the national balance of trade. I must confess to a little anxiety as to supplies of certain of our raw materials. Raw rubber is the least of our worries, but tyre fabrics, steel bead wire and certain chemicals are not so readily available as we should like.

We had hoped that national conditions would have justified a small increase of dividend to the ordinary shareholders, but in view of the considerable uncertainties of the future we still think it wise to conserve our liquid resources.

The report was adopted and a final dividend of 7 per cent. on the ordinary shares, making 10 per cent. for the year, was approved.

UNITED DAIRIES, LIMITED

INADEQUATE PROFIT MARGIN

CONTINUAL RISE IN COSTS

MR LEONARD MAGGS ON THE POSITION

The thirty-second ordinary general meeting of United Dairies, Limited, was held, on the 12th instant, in London, Mr Leonard Maggs (chairman and managing director), presiding.

The chairman, in the course of his speech, said:—

As mentioned in the report, your Board would have liked to synchronise the closing dates of the accounts of the parent company and of the subsidiary companies at either March 31st or June 30th, in order to present consolidated accounts for the group, but they were advised that under the taxation laws this would involve the group in much higher taxation. Because of this a similar statement to that prepared last year is given, showing the combination of the assets and liabilities of the parent company at June 30th with those of the subsidiary companies at March 31st.

ASSETS EXCEED £12,900,000

From his statement you will see that the total net assets of the group, including goodwill, are £12,937,438, and the reserves, including undivided profits, £6,080,638. The current assets of the parent company, including Government securities (£2,263,409) and tax reserve certificates (£1,189,225), are about £850,000 more than last year.

The proceeds from the issue of additional capital in August, 1946, have been brought into these accounts, and the premium—that is the excess of the issue price over the par value, less the expenses of the issue (a net figure of £1,378,674) has been carried to reserves and undivided profits.

As mentioned in the report, the shares of certain companies previously held by subsidiary companies have, during the year, been transferred to the parent company at book value, and these transactions, with the purchase of important businesses since June, 1946, account for the increase in the parent company's investments in subsidiary companies from £1,536,289 to £3,365,051.

I should like to draw your attention again to the item appearing as provision for deferred repairs in the consolidated statement of assets and liabilities of subsidiary companies: this, at £791,130, compares with £764,761 at the end of last year. Nothing out of revenue was added to the reserve during the year: the increase is due to reserves held by businesses acquired during the year.

I had hoped that it would be possible to deplete this reserve rapidly by carrying out very necessary and overdue repairs to premises, plant and equipment, but unfortunately this has not been possible, due to restrictions on building work and shortages of many materials. This amount is temporarily available as working capital. The amounts placed to the credit of the fund in past years have been allowed in computing the company's liability for excess profits tax. Normally, unless expended within a given period, the sum accrued would become assessable for excess profits tax; but it must be assumed that there will be an extension of the period because of the national circumstances.

LARGER NET PROFITS

There was an increase in the net profits of the group from £587,190 last year to £884,004 this year, after provision for all taxation, including taxation on the profits under review. The provision for taxation is less than last year, due to the abolition of the excess profits tax at December 31, 1946. It is now proposed to pay a final dividend

on the Ordinary stock of 10 per cent. actual, less tax, making 15 per cent. for the year.

The same practice as before has been adopted this year, of bringing in from the subsidiary companies only sufficient revenue to maintain the recommended distribution, and the profit left with the subsidiary companies for the year is £507,436, which amount appears as an addition to reserves and undivided profits on the consolidated statement of assets and liabilities of subsidiary companies.

Of each £1 sterling of sales by the group of milk, milk products and other products, 14s. 7½d., was paid for the milk, other goods for resale, and raw materials for production of other goods. Of the 5s. 4½d. left, 2s. 5½d. was absorbed by wages and 1s. 10½d. by other costs, including provision of all containers, leaving £1s. 0½d., of which the Government requires in taxation 7d., so that there remains 5½d. for dividends and development out of each £1 sterling of sales. This sum of 5½d. will presumably be further reduced as a consequence of the proposed increase in profits tax to operate retrospectively. This is an overall summary of the position, having regard to the widespread activities of the group.

INADEQUATE RETAINABLE PROFIT

The result of our milk business is less satisfactory: the net retainable profit earned in relation to turnover during the year was not more than 1.5 per cent. I include in this calculation the subsidiary activities of the milk business—for instance, the trade in other goods purchased for resale, and, in the case of the Scottish companies, the bakery side of the business.

The amount received by the company in London today to cover processing, wastage, provision of bottles and bottling, delivery, collection and cleansing of empty bottles, booking up and giving of credit, is 1.625d. per pint bottle, or about 1½d. If this figure is compared with that applicable to any other service, and full regard paid to the work that has to be done, it will be acknowledged without any reservation that to be able to perform the services we do within the margin prescribed is indicative of a high order of efficiency.

Owing to the inadequacy of this margin, and the reduction in the quantity of milk available, there has been some talk of curtailing retail deliveries of milk by reducing the number of calls to be made in the week. Milk is produced by the cows on every day of the week, and must be cleared every day to the primary handling points. If there is no outlet to the consumer on, say, Sundays, there will be a hold-up of traffic, and we shall be confronted by the same sort of situation as is disorganising other industries through the introduction of the five-day week.

I think it will be agreed that the margins I have quoted provide a relatively small sum for the service of the capital invested, and for the creation of reserves for the healthy development of the undertaking.

HIGHER REPLACEMENTS COSTS

The proposed distributions represent 42 per cent. of the total retainable net profits, the balance of 58 per cent. being retained for the purposes mentioned. In this connection I think it appropriate to mention that in the Ministry of Food costings upon which the margins to the milk industry are based no account is taken of the greatly increased cost of replacement of buildings, plant, and

other equipment used in the business. The allowances granted to us in this respect, which should provide the fund for ultimate replacement, coincide with those permitted for taxation purposes and are calculated in the main on pre-war values.

You will realise how substantial is the increase in present-day prices of equipment compared with pre-1939 prices, and I particularly draw your attention to this point because when we carry out the much-needed re-equipment the annual charge for depreciation will considerably increase. Much of our existing equipment was installed before 1939, and part of it is completely written off, while of the remainder a substantial proportion was purchased at prices much below those ruling now. Accordingly, the charge for wear and tear or depreciation is relatively low to what it will be in the future.

The costs of milk handling still continue to rise, and, as must be quite apparent to you from all the recent press announcements, there is considerable doubt whether the volume will be maintained, let alone increased. Present production of milk is undoubtedly hampered by shortage of suitable feeding stuffs for the herds, and future production is threatened by the Government's present price for beef, which is diverting to the butchers a large number of heifers which should be going into dairy herds.

I do hope that before long the Government will take steps to rectify the present unbalanced relation between the prices payable to producers for beef and for milk, and that adequate supplies of feeding stuffs will be made available to milk producers. I am confident that if these conditions are fulfilled, and steps taken to improve the dairy herds of the country in order to raise the average yield of cows, a greatly increased milk production will be available, although it may be some years before it is achieved.

WAGES

Apart from the adverse effect on costs of any decline in throughput consequent upon shortage of supplies, there are other causes operating to increase costs. Wages today in the industry are very much higher than they were in 1939, without taking into account the shorter working week. In the milk industry in England and Wales a statutory minimum remuneration is prescribed by a wages council. This wages council, and its predecessor, the trade board, has made 14 awards since July 1, 1939, all in an upward direction.

In July this year the working week was reduced from 48 to 45 hours, and higher rates awarded for work on Saturday afternoons and Sundays. This was the heaviest single addition to costs of all the wage increases yet granted. It is not reflected in the accounts under review, neither is the further increase in rates awarded in October. In common with other industries, we are wondering whether a state of stability is ever going to be reached.

In July last there was an advance of 1d. per quart in the price of milk to the public. The only increase in the distributive margin to the trade was one-sixteenth of a penny per quart, and that only for the limited period of four months, from the beginning of the present month until the end of next March. Except for this meagre amount the whole of the additional price now paid by the public goes to the Government to reduce the amount of the subsidy paid to milk producers, and as a contribution towards the cost of free and cheap milk to certain priority consumers.

INDUSTRY STILL CONTROLLED

The war has now been over for more than two years, yet the milk industry, in which I include the manufacture of milk products, as well as the distribution of liquid milk, continues to be controlled by the Ministry of Food. The Ministry has received from this company, as well as from other businesses in the industry, a very full measure

of co-operation. At the outbreak of war, and during the war, we, in common with other businesses, lent to the Ministry a number of highly competent officials. With the cessation of hostilities these highly skilled men naturally desired to return to their former activities, and many have done so. Some have, however, continued to make themselves available to give advice to the Ministry from time to time, thus fully maintaining the co-operative attitude of the industry. Nevertheless the change in personnel which has occurred has inevitably left the Ministry poorer, and with less experienced staff than hitherto.

It was noteworthy that during the war period, whatever the extent and nature of the disturbances caused by enemy action, a regular daily service of milk to the consumer was maintained. I well remember the observations of a Cabinet Minister on the heavy night bombing of London in 1940—that after the uproar and tumult of the night the regular appearance of the milkman in the morning seemed to bring matters into proper focus. The work done by the milk roundsman and depot staffs in those times was beyond praise, and was made possible by the efficiency of the organisation behind them.

AUTUMN AND WINTER DELIVERIES

I have been disturbed for some time about the inequality of distribution of supplies of liquid milk during the autumn and winter months, the period of low production. Shortages are of two kinds—those of a seasonal variety, which are met by a change in the entitlement to consumers, and those which occur intermittently. In shortages of the latter kind the Minister of Food, averse to reducing the entitlement for some reason or other, such as the belief that the shortage will be of brief duration, usually issues an announcement that there will be a local shortage. At these times, even within the same locality, one dairyman may be short of requirements to the extent of 10 per cent. or more, while another may have a shortage of 5 per cent. or less. You will wonder how this could come about. The explanation is in the flow of milk to the market. Some milk goes from farms direct to the retail distributor, while the rest goes from the farms to the depots and thence to the retail distributors. In a sense the depot milk passes through a junction, and therefore can serve more than one distributor, whereas milk passing direct from producer to retailer is going along a single track and is incapable of redirection.

It is, of course, recognised that some milk should flow direct from the producer to the retailer, but it would be foolish, so long as milk production is inadequate to meet demands, unduly to increase the quantity of milk going direct on the ground of the prospect of some minor and theoretical reduction in costs, or because of a mistaken idea that the quality of the milk when it reaches the consumer will be improved.

There have been inequalities of distribution this year, and these inequalities will doubtless become greater in the future if the policy of milk direction adumbrated by the Ministry is not balanced with reason. I do not wish to be unduly critical of the Ministry: I do realise the difficulty of its task and the problems with which it is faced from time to time, but it should not be unmindful of the fact that within the milk distributive industry there exist a number of skilled and experienced men, the whole of whose business life has been devoted to the handling of problems associated with the distribution of liquid milk, and whose knowledge and experience is always available when it is sought.

MILK PRODUCTS

In regard to milk products, such as milk powder, condensed milk, cheese, butter, etc., manufacture is still under the control of the Ministry of Food, which fixes the quantity of milk to be utilised for each product. The quantity of milk available for manufacture is, of course, the excess of production over the

quantity allotted for liquid consumption on the basis of the weekly entitlement to consumers. During the past year the amount available for manufacture has greatly declined, and as I cannot foresee (and sincerely hope there will not be) any material fall in the demand for liquid purposes, the only prospect of getting more milk for home manufacture seems to lie in the increased production of milk on the farms.

As I have already indicated, the Government's present policy in regard to prices for beef may well lead to a reduction in the size of herds at no distant date, with a consequent decline in the total volume of milk production.

CHEESE AND "LACTA"

It will not have escaped your notice that during this year we have been permitted to make a limited quantity of Stilton cheese. Considering the specialised nature of this product, and the length of time since we were last allowed to manufacture, the quality of our cheese was most gratifying.

Healthy progress has been made in the promotion of the sales of our infant milk food, "Lacta," but the recent Government restrictions on the sale of infant foods is now having an adverse effect on the sales.

With the reduced requirements of Government departments for our mashed potato powder there has been more available to the public under our brand name, "Diploma." Until recently sales have been confined to the London area, but it has now been found possible to make a certain amount available to the provinces. The reception given by the public to this product, which when properly reconstituted is indistinguishable from freshly mashed potato, is most encouraging.

RESTRICTIVE SCHEMES

There is another matter to which I think reference should be made. In the pressing emergencies of war the Government thought it necessary, and the industry concurred, to introduce restrictive schemes respecting the service of the delivery of milk. These schemes are frequently alluded to as rationalisation schemes, although the word is not truly appropriate. They are still in force, despite the fact that they were first introduced as a war-time measure only. In effect, these schemes compel a consumer to take his milk from the particular retailer permitted to operate within the area of the consumer's residence, and only in exceptional circumstances is any modification possible. At the time of the introduction of these schemes a number of consumers were forced to register with and accept their supply of milk from a distributor other than the one who had hitherto supplied them. Consumers who received milk from Co-operative Societies were not obliged to make any change.

The conditions which made these schemes essential in war-time also necessitated reduction in the service which had previously been available to a consumer. Present-day conditions regarding labour and materials available are not much different from those prevailing during war-time, so it seems that, at least for a further period, the consumer must forgo the right of choice of supply, and we on our part cannot give to the harassed housewife the proper and full service to which she is entitled. It had been our hope that as the war emergency receded there would have been restored to the consumer the right of choice of milkman, and that it might have been possible to raise the standard of service at the very least to that which was available before the war. At the present time the prospect of achieving this ambition seems to have become less bright.

A MISCONCEPTION

The forced curtailment of service, and the hardship thereby inflicted upon the con-

sumer, have not been of any advantage to the distributive organisation. Such reduction in expenditure as might be attributable to it has been absorbed by the rise in costs from other causes. From time to time people without knowledge of the real facts refer to unnecessary and costly distributive services given before the war, and extravagant advertising practices indulged in by the trade in those times. This is largely nonsense. Those who talk about the overlapping of delivery rounds of milk do not take the same view in relation to several shops of a like nature in one market place, although all are maintained in order that the consumer may have a right of choice of source of supply.

Extravagant estimates are made of the savings resulting from rationalisation schemes, but, as I have remarked on an earlier occasion, the bulk of these economies arise from the enforced curtailment of service to the consumer. In my view, progress should be along the lines of improvement of service rather than otherwise. There are many things which today we must go without, but our ultimate aim should be a return to that freedom when the housewife can buy what she may require in such quantities as she may desire at such times as convenient and from whom she may elect as her suppliers.

It is to be regretted that there is no immediate prospect of the end of these rationalisation schemes, but we must look forward to the day when, with the coming of better times, they can be swept away, and the present restrictive and burdensome impositions on the consumer removed.

STEADY AND CONTINUOUS PROGRESS

So far as this organisation is concerned, consumers may rest assured that in the future, as in the past, it will be our aim to develop and improve methods of processing, bottling and distribution of milk, and to increase our service to the consumer to the highest possible standard. Apart from the interruption of war, a glance back over the years reveals steady and continuous progress by the industry in the handling and distribution of liquid milk.

This undertaking, I am proud to say, has been in the forefront of these developments, and has spent a very large sum of money in improving the methods of handling and treatment of liquid milk and manufacture of milk products, and on research in relation to those activities. It possesses today one of the finest, if not THE finest, research laboratories and libraries in the world dealing with liquid milk and milk products. Its aim throughout has been to make available to the public clean and safe milk, rich in nutritive qualities, and no expense has been spared to achieve this aim.

In the wide areas from which milk supplies have been drawn it has endeavoured to establish close co-operation with the farmers, and to give them every assistance and encouragement in order to ensure that milk should be of good quality.

Some time ago a committee was appointed by the Minister of Food to examine and report to him on matters relative to the distribution of liquid milk. There may be good reasons why such a committee should be composed of people who, so far as I can judge, have had no practical experience in the industry, although where committees of a similar nature (sometimes termed "working parties") have been set up to consider other industries they have usually been constituted in the main, if not entirely, of persons with knowledge of and experience in the industry concerned. There is a large fund of skill and knowledge available in the milk industry on which the committee appointed by the Minister of Food can draw if it desires information or advice, but I should add that up to the present time the industry has not been unduly called upon in this regard.

The report and accounts were unanimously adopted.

CRITTALL MANUFACTURING COMPANY, LIMITED

LARGE DEMAND FOR EXPORT OF METAL WINDOWS

SIR VALENTINE CRITTALL'S ADDRESS

The twenty-third annual general meeting of this company was held, on the 11th instant, in London, Sir Valentine Crittall, J.P. (chairman and managing director), presiding.

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

To get a true perspective of what I am sure you will agree is a remarkable result for the past year, I must divide the profit into two parts: (a) That which we have received from our investments; (b) That which is the result of our trading. The net profit figure of £215,811 includes income from investments at home and overseas of £61,445, leaving a balance of £154,366 attributable to our manufacturing and selling activities. We have had the advantage of a large and steady demand for our products, but the difficulties, particularly in the matter of material supply, have been considerable. In one direction we have been fortunate in that the company possesses its own generating plants at three out of four of its factories. This means that we were free of the power cuts of last winter and are able to carry on at present without staggering our working hours. It is interesting to note that the power which we generate ourselves costs us no more than that which we buy from the grid. Since last winter we have installed generating equipment at the one factory where we were previously dependent on outside supply. We have also converted much of our heating equipment from coal to oil burning.

Another direction in which we were more favoured than most people was the adoption of the 44-hour week in the engineering industry. In most cases this meant a conversion from 47 hours to 44 hours. For many years we have worked a five-day 45-hour week and consequently the change involved only the absorption of one hour into our wage cost against the more general three hours. It is nice to feel that early piety is sometimes rewarded.

DIVIDEND DECISION

In view of the very satisfactory result for the period, shareholders could reasonably expect an increase in dividend, and I may say that until the Chancellor imposed his increased profits tax I had intended to ask the board to recommend an increase of five per cent. In view of this taxation, however, and the appeal which accompanied it, we have decided to leave the dividend as before, and I am sure shareholders will not fail to appreciate the increased carry-forward and the all-round strength of our financial position.

We have concentrated during the period on improving our manufacturing methods and have installed a great deal of new plant and equipment. We regard it as nothing less than a national duty to fight rising costs with more efficient production. The success of this policy depends not only on the sustained efforts of our technical and administrative staff but also on the close co-operation of our work-people. That this has been freely given can be measured by a substantial increase in piecework earnings over the period, and it is gratifying to note that the costs of most of our products show little increase over the period in spite of all-round increases in materials, freights, etc.

We believe that the service we have received from our staff and workpeople is deserving of tangible recognition, and besides extending the staff pension scheme we propose to introduce a works pension scheme on the same lines as that which covers our

staff. The benefits of this scheme, taken in conjunction with the national scheme which comes into effect in the middle of next year, will provide a decent standard of living at retirement and a life insurance during employment with the company.

EXTREME IMPORTANCE OF EXPORTS

In view of the extreme importance of export at the present time you will expect me to tell you what are its possibilities for the metal window industry. The fact that the architectural profession all over the world uses the catalogues of British window makers as textbooks is an indication that metal windows are still universally regarded as an essentially British institution. Wherever metal windows are made, men from British window factories will be found, and there is an export market, provided steel is made available, more than to replace any falling off in home demand. This company, in common with other British manufacturers of windows, has spent a vast amount of time and money in establishing agencies and selling organisations in many overseas markets. I have spent a large part of my working life blazing the trail. I cannot remember when we did not have an export business, and in the ten years before the war we exported over 10 per cent. of our production.

During the war building was at a standstill almost everywhere, and the end of the war has brought a world-wide resumption of building on a large scale. In anticipation of this we have had a force of salesmen visiting the markets where we previously did business and exploring further window possibilities in every corner of the globe. The orders received are encouraging, and for six months past we have been exporting at the rate of nearly five times our pre-war value. There are indications that this figure can be very materially increased. So far we have been supplying the standard windows required for short-term building programmes, but our salesmen's efforts in connection with permanent building are now coming into fruition and we shall be supplying quantities of more expensive windows.

AVAILABILITY OF STEEL

In the early part of the year under review our export business was restricted, because of the claims of housing, to four per cent. of the steel we received. This restriction has now been eased, but we are in the dark as to our export target until the amount of steel available for this business is known. Fortunately metal windows are not heavy users of steel. Darlington rolling mills, doubled in capacity since the war to provide steel for the windows required in national housing, can easily supply up to the capacity of the industry if billets are made available.

The claims of the metal window industry to be allowed to carry out its export plans are that a world-wide demand exists for our goods, that we have designed types of windows to meet climatic requirements in many countries, the sale of which is established and is increasing, and that the demand is permanent. The success of export generally will, of course, depend on whether other countries are prepared to take our goods. At the moment there are import restrictions in many countries, and it must be assumed that some of these can, and will, be removed by negotiation.

One other factor is essential for the success of an export drive. It is that there shall be no reduction in the total volume of manufacture, as this would inevitably result in an

increase of cost and thereby handicap our ability to export. What is essential is that we should be told what steel we are to receive. Without this knowledge we cannot continue our export drive. We must grasp our opportunity now or risk the loss of the market for this essentially British product for all time.

Crittall-Hope Metal Windows (South Africa), Limited, have had a most successful year, the trading profits being increased by £44,626 to £138,931, their best result so far. This enabled the South African company to declare a dividend of 20 per cent.

Last year I mentioned aluminium as a raw material for metal windows. It has played a not inconsiderable part in the year under review. We have made the windows for upwards of 11,000 houses, and have been glad to use aluminium to eke out our steel supplies.

REPAIR OF RAILWAY WAGONS

It is a far cry from making metal windows to repairing railway wagons. In view of the urgent need for wagons, we have undertaken this work at our Witham works. The L.N.E.R. co-operated by sending us wagons at the beginning of November, and during the first month we have returned to service, repaired to the full satisfaction of the railway company, 148 wagons. They are now going out at the rate of 70 wagons a week. That these wagons go out fully loaded with our own goods is a consideration which will not be lost on other manufacturers with siding accommodation.

This job was not undertaken because we wanted work, nor is it very attractive from the profit point of view, but we were anxious to demonstrate that, where there are urgent requirements beyond the capacity of the regular channels of production, the manufacturing capacity of the country can be used as it was during the war. I suggest that the necessity for the direction of labour, if it involves sending workers into other areas, can often be obviated by taking the job to the man rather than the man to the job, and that to break up well organised and efficient manufacturing organisations simply to transfer so many hands into other industries or districts, when the job can often be transferred as a whole, must inevitably detract from a national efficiency which has certainly been vastly improved by war conditions.

THE OUTLOOK

In considering the immediate future I can only say that in the period since the closing of the account output has been maintained on the same basis as last year, and this position is assured until the end of the calendar year. From then on uncertainty exists as we do not know whether steel supplies will be maintained at the current rate. The all-round cut in capital expenditure, mainly in the building trade, is designed to release material and labour for export. We require at least 40 per cent. of our 1947 steel for our 1948 export and if, on top of this, 350,000 houses are to be completed in 1948, it would appear that although many of these are well advanced, industries engaged on components such as metal windows cannot be expected to play their part with less material than they have used in 1947. I see no valid reason to expect that we shall not receive the steel we require. So much for next year.

To see beyond this one needs, first of all, confidence that the country will come through its present difficulties. Our problem is not only to rectify our position in relation to other countries but to play a leading part in organising world recovery. I believe that this will be done, and that as the economic position improves, the possibility of tackling a huge building programme to repair the devastation of the war and to make up for building time lost during the war, can be undertaken. This should provide a steady market for the products of this company for a long time ahead.

The report and accounts were adopted and the proceedings terminated with a vote of thanks to the chairman, directors and staff.

GAUMONT-BRITISH PICTURE CORPORATION, LIMITED

DIVIDEND AGAIN 12½ PER CENT.

MR J. ARTHUR RANK'S STATEMENT

The twentieth annual general meeting of the Gaumont-British Picture Corporation, Limited, was held, on the 18th instant, at 142-150, Wardour Street, London, W., Mr J. Arthur Rank, JP, the chairman, presiding.

The following is an extract from the statement of the chairman, circulated with the report and accounts for the year to March 31, 1947:—

Trading profits of the consolidated group of companies for the year under review (including a period of 14 months to March 31, 1947, in the case of the Provincial Cinematograph Theatres group in order that its financial year will in future coincide with that of the corporation) amounted to £2,623,664, compared with the record profit of £3,002,648 established last year.

Theatre takings during the period were well maintained, but increased costs of operating our circuits, mainly on account of higher wages, general overhead expenses and larger outlays for the repair and maintenance of our many properties have combined to bring about a decline in trading profits.

A reduced contribution is included in respect of the music halls of General Theatre Corporation, Ltd. (sold at the end of December, 1946, after nine months trading for our account in the period under review) and from film production. On the other hand, income from subsidiary companies not consolidated and from associated companies has increased from £129,354 to £220,772.

TAXATION POSITION

Charges against trading profits are of the usual character and are set out individually in the profit and loss account. The increased provisions for depreciation arise mainly on account of the two months' extension of the accounting period of the subsidiary group previously mentioned. In the aggregate provisions for taxation on the profits of the year have fallen from £1,579,590 in 1946 to £1,250,115 in the present accounts.

The combination of circumstances which has brought about this substantial reduction are the reduced rate of excess profits tax which came into effect on January 1, 1946, the replacement of this tax a year later by the profits tax, and the lower profits of the period. In the present accounts provision has been made for the increased rate of profits tax in accordance with the recent Budget proposals.

Final agreement on outstanding matters affecting our taxation liabilities has not been reached, although material progress has been made in that direction, as will be appreciated by the fact that it has been possible for an amount of £150,000 to be released during the year from provisions for current taxation in the accounts of Provincial Cinematograph Theatres, Ltd., representing sums set aside in previous years in excess of requirements as now estimated. This amount has been transferred to the general reserve of that company.

RESULT OF YEAR'S WORKING

After deduction of all charges against trading profits and necessary adjustments in respect of profits attributable to shareholders held outside our group, also profits of the period remaining undistributed by the subsidiary companies concerned, the net profit of the corporation amounted to £557,673. The net profit last year amounted to £469,509. With the addition of the balance of £134,870 from last year the surplus available is raised to £692,543.

Out of this surplus your directors have transferred to general reserve a sum of £190,000 and have written off £8,396

expenses in connection with the recent increase of share capital. They recommend a final dividend for the year of 7½ per cent. upon the issued ordinary and "A" ordinary shares, which, together with interim distribution of 5 per cent., maintains last year's distribution of 12½ per cent. This final dividend (which takes into account 2,450,000 new "A" ordinary shares of 5s. each, being the maximum number required under the offer of March 18, 1947, to the ordinary shareholders of Associated Provincial Picture Houses, Limited), has been provided for in the present accounts and will require £149,016 net.

The foregoing appropriations, together with the preference dividend and the interim dividend on the ordinary shares, absorb a total of £528,224 and leave a balance of £164,319 to be carried forward, against £134,870 brought in.

ISSUED CAPITAL

In the consolidated balance-sheet the issued share capital of the corporation remains unchanged. The "A" ordinary share capital had been increased by the addition of 3,500,000 such shares shortly before the close of the financial year, but at that date no new shares had been allotted. It will be recalled that the primary object of this increase was the acquisition by the corporation of all the issued ordinary shares of Associated Provincial Picture Houses, Limited. Approximately 97 per cent. of such shares have since been acquired on the terms of the offer.

The surplus realised on the sale of our music halls is reflected in a new capital reserve, and an addition of £261,321 to the undistributed profits of subsidiary companies represents the surplus arising from the sale of an investment held for many years in Moss' Empires, Limited.

It will be observed that the accumulated total of group reserves, including undistributed profit and reserves for future taxation, has increased from £3,055,886 in 1946 to £4,152,941 at the date of the accounts, not including excess profits tax postwar refunds of the consolidated group, estimated at £268,000 after deduction of income-tax.

VALUATION OF ASSETS

On the other side of the consolidated account it will be seen that our theatres, studios and other property, plant, etc., have a revised book value of £18,835,979. The transaction mainly responsible for the decrease indicated by the new book value was the sale of our music halls at the end of December last. This transaction involved the addition of two cinemas to the circuit of the subsidiary company concerned. Other properties and sites have been acquired during the year. It will also be seen that our interests in associated companies have undergone considerable expansion during the year.

The Corporation has acquired at par a 50 per cent. interest in the issued share capital (£1,500,000) of Overseas Cinematograph Theatres, Limited, and in this undertaking we are associated with Odeon Theatres, Limited. One-third of the issued share capital of Gaumont-Kalee Seating, Limited, has been acquired and our holding of shares in Denham and Pinewood Holdings, Limited, has been increased to one-third of the issued share capital of that company.

In regard to the year now current cinema attendances have not been maintained at the high level of recent years and costs of operation and management have steadily increased. Although considerable improvement has taken place recently in theatre business we must anticipate a lower level of trading profits this year.

The report was adopted.

CONSOLIDATED AFRICAN SELECTION TRUST, LIMITED

STRONG FINANCIAL POSITION

The twenty-third annual general meeting of this company will be held in London on the 22nd instant.

The following is an extract from the statement by the chairman (Mr A. Chester Beatty), circulated with the report and accounts:—

The accompanying accounts show that the combined profit for the year ended June 30, 1947, for this company and its wholly owned subsidiaries was £1,165,675 before providing for taxation and depletion. In addition, there has been brought back to the credit of the appropriation account £200,000 set aside in past years to meet contingent tax claims. This sum is not now required in the tax reserve as a result of the settlement with the Revenue of certain outstanding tax questions.

The directors' report shows that a surplus of £717,548 is available for distribution after providing for taxation and without taking into account the amount brought forward, and it also sets out three amounts totalling £170,000 to be placed to special reserves. These include special allocations for replacements of plant and for development. After allowing for these allocations to reserves, the directors recommend a final dividend of 1s. 9d. which, with the interim dividend of 1s. paid in June last, makes a total dividend payable out of current profits of 2s. 9d. In addition they recommend the payment of a special dividend of 9d. which is rendered possible by the release of the amount no longer required in the taxation reserve, mentioned above. These dividend payments of 2s. 9d. and 9d. a unit will involve a total net distribution of £583,874.

RESERVES

The combined replacements reserves now total about £580,000, of which approximately £300,000 is available for our Gold Coast mines. The existing plants have been in operation for a considerable number of years and an extensive programme will be required over the next few years to bring them up to date. Your directors therefore deem it prudent to make a special allocation to these reserves on this occasion.

The reserves for development in the Gold Coast and Sierra Leone stand at a combined figure of about £180,000 and will be utilised for the extensive prospecting and development programmes now in progress.

In January, 1946, a Government ordinance was issued in Sierra Leone setting up a Mining Workers' Wages Board specifically to deal with rates of pay for workers engaged in mining undertakings. This board, which is composed of representatives of the mining employers, including Sierra Leone Selection Trust Limited, and of their employees, with three independent members appointed by Government, made recommendations for substantial increases in the rates of pay of unskilled mining labour. These new rates were immediately adopted for our African staff. Shortly afterwards we completed an examination of the pay of our skilled employees, and laid our proposals for increased rates before the Mining Workers' Wages Board. They were approved and have now been introduced.

The period under review was remarkable for a high volume of world diamond sales from which your companies benefited under their sales contracts.

While world diamond sales have receded somewhat from the very high levels reached in 1946, indications for the current year's trading are satisfactory.

We may note with satisfaction that your company remains in a strong financial position and is prepared to extend its interests in the diamond business whenever suitable opportunities arise.

The report was adopted.

HORROCKSES, CREWDSON AND COMPANY, LIMITED

SATISFACTORY RESULTS OF A DIFFICULT YEAR

The annual general meeting of Horrockses, Crewdson and Company, Limited, was held, on the 17th instant, at the registered office, Yarn Works, Preston, Lancashire. Lieutenant-Colonel Thomas Marshall Brooks (the chairman) presided.

The following is the directors' report circulated with the notice and accounts:—

DIRECTORS' REPORT

The directors submit the audited accounts for the year ended August 31, 1947.

The combined net profit of the company, and its subsidiary companies for the year, after deducting all working expenses, but before taking account of taxation, amounts to £298,829 as compared with £182,536 for the previous year.

The liability for excess profits tax, profits tax and income tax at 9s. in the £ on the profits of the year amounts, in all, to £188,563 against £74,015 last year. The relief in respect of pre-war losses which was enjoyed last year has been totally utilised, and tax has had to be borne this year on the whole of the profits earned. After deducting provision for taxes on this basis there remains a combined net profit of the company and its subsidiary companies of £110,266 compared with £108,521 last year. From this amount it has been considered desirable to set aside further amounts to meet income tax liabilities of recently acquired subsidiary companies to put them on the same basis as the parent company, i.e., to provide up to, and including, 1948-49. This provision absorbs £25,360.

It will be remembered that there was an addition to the profit taken up by the parent company last year of £52,000 in respect of a release from the income tax reserve by reason of additional relief granted in the Finance Act No. 2, 1945; there is no comparable release this year.

After allowing for profits retained by subsidiary companies, the net profit taken up by the company for the year is £69,473 as against £87,499 last year. Out of this amount £9,000 has been set aside to cover the net additional tax arising from the increase in the rate of profits tax included in the Budget proposals introduced on November 12, 1947.

Your directors recommend a dividend of 10 per cent. and a bonus of 5 per cent. requiring £41,030 after deduction of tax, and leaving £100,031 to be carried forward against the amount of £80,588 last year.

ANALYSIS OF DISBURSEMENTS

Stockholders may be interested in the following analysis of the company's disbursements. In respect of each £1 which the parent company receives from its customers on account of its manufacturing and selling activities, there have been the following expenditures:—

	s. d.
The raw materials (including dyeing and finishing charges) have cost	9 10
Wages and salaries, etc., paid to all our employees amounted to	4 11
The costs of running our factories, including power, light, heat and all the other services; the cost of maintaining our plant and machinery in good order, and the cost of selling and distributing our products, amounted to	2 11½
(This figure excludes wages and salaries, which are already stated at 4s. 11d.)	
Debenture service requires	3½
The total of these expenses is	18 0
And the balance remaining out of the £1 is therefore	2 0

Of this figure, 1s. 4d. goes to the Government in national taxation, and the balance of 8d. remains at the disposal of the company available for reserves and for the payment of dividends on the ordinary stock of the company.

The directors regret they must report little improvement during the year in the direction of increased production, added to which there is a very real danger of further fuel shortages and cuts in electric power in the coming winter. It would seem prudent, therefore, to maintain our undistributed profits in the most liquid form, and we have consequently this year made no transfers to reserves, but have increased the amount of carry-forward in the profit and loss account.

The combined trading profit shows an increase on last year which, in view of the loss of four weeks' production due to shortage of coal, can be considered satisfactory. This improvement is to a substantial extent due to the progress which has been made by our subsidiary companies, and confirms our opinion that they would prove a valuable addition to the profit-earning capacity of the group as a whole.

Our subsidiary, Horrockses Fashions, Limited, in its first full working year has shown results which are most encouraging—its fashion gowns have been well received by the trade, not only in this country but in export markets, and credit is due to those of our staff who have been responsible for their production. It is apparent that cotton dresses in good quality, tastefully designed and styled, have a very promising future.

Investments in subsidiary companies have increased during the year and now stand at £375,750, mainly due to the acquisition of the Hoghton Spinning and Manufacturing Company, Limited. This unit has in some measure counterbalanced the shortage of operatives in our other mills, to which reference was made in the report last year.

FACTORY IN NORTHERN IRELAND

In accordance with the board's policy of transferring idle plant to areas where labour is available, we are pleased to report that we have concluded a satisfactory arrangement with the Government of Northern Ireland whereby a most modern factory is being erected at Newry, County Down. It is hoped that machinery will be installed there before the end of 1948.

Your directors are also able to report that negotiations are at present proceeding which, if successful, will result in the extension of our activities abroad, particularly in the Dominions.

All sections of the industry are generally agreed that as efforts to persuade workers to enter Lancashire cotton mills have not brought the desired results, the present labour force is totally inadequate to meet the urgent necessity of increased production. The only alternative, apart from the temporary expedient of longer working hours, is to increase the output per man-hour by re-deployment of labour with consequent higher wages per operative, and by the installation of more automatic machinery. Unfortunately, owing to circumstances entirely outside our control progress in this direction has been slow. This is largely due to the difficulty of obtaining the necessary materials and also to long standing prejudices against such developments. Until a solution of these problems is found the national need for more exports can only be

met at the expense of consumers at home. So long as a sellers' market remains, orders are not difficult to obtain, but we must be prepared for the day when we shall be called upon to meet acute competition from overseas. The Minister of Economic Affairs recently drew attention to this fact and emphasised the importance of maintaining, and even improving, the standard of quality of British manufactures.

IMPORTANCE OF FREE CHOICE OF COTTON

It is patent that the basis of quality in any product must be the raw material used in its manufacture; all the efforts and experience of management and operatives are of little or no avail if the foundation is wrong. It was the free choice of the cotton we purchased, coupled with the inherent skill of our workers, which over the years built up the goodwill your company enjoys in many markets. It is surely in the interest, not only of ourselves but of the nation, that the choice of cotton must remain with the buyer, and not be left in the hands of those who have no knowledge whatever of the purpose and ultimate destination of the goods for which it is required.

We therefore feel that we must again, as last year, stress the overwhelming importance of our being afforded the same facilities as were offered to us prior to the war through the services and experience of the Liverpool Cotton Market. If the Raw Cotton Commission cannot secure this result, and quickly, grave consequences for the cotton industry must be apprehended. The fact is, that we find it impossible in some instances to obtain the cotton we require, and we do not believe it is generally realised that inferior cotton will not only lead to a serious loss of production, but will adversely affect the earnings of our workers and render abortive the general adoption of new schemes of re-deployment which, in the experimental stages carried out under the direction of the Cotton Board, have so far proved highly successful.

We are sure the stockholders will wish us to record our thanks once again to the management and employees for their support and loyal co-operation in meeting the many difficult problems which have arisen during the past year.

The report and accounts were adopted, the dividend of 10 per cent. and 5 per cent. bonus, less tax, were sanctioned. The retiring directors, Mr Thomas Manners and Mr Henry Crewdson Howard, were re-elected, and the auditors, Messrs Price, Waterhouse and Company, were reappointed.

HOLOPHANE, LIMITED

SATISFACTORY PROGRESS

The twenty-second ordinary general meeting of Holophane, Limited, was held, on the 18th instant, in London, Mr H. Guy Campbell presiding.

The following is the report of the directors for the 12 months ended June 30, 1947: In the year under review the volume of business again progressed satisfactorily over that of the preceding year. The net profit amounted to £34,003, from which has to be deducted the provision for taxation of £22,677, after allowing for the recently announced increase in profits tax, leaving a balance of £11,326. This, together with the amount of £20,993 brought forward from last year, makes available the sum of £32,319.

The directors propose to write off from goodwill and patents the sum of £571, which expenditure was incurred during the year.

The directors recommend the payment of a final dividend of 7½ per cent., making, together with the interim dividend of 7½ per cent. paid in May, 15 per cent. for the year under review. Provision has been made for this, subject to confirmation, in the accounts presented, leaving the sum of £23,498 to be carried forward.

Building licences have been obtained and the work is in progress for repairing the war damage to our premises and for improving the technical laboratories, demonstration and show rooms, workshops and offices.

The value of orders outstanding on the company's books has substantially increased since last year, but although there has been some improvement, supplies of materials still restrict the company's activities.

Export business has increased and every effort is being made to increase it still further to meet the national need.

The report and accounts were unanimously adopted.

THE ROVER COMPANY, LIMITED

EXPORT PLANS

The fifty-second ordinary general meeting of the Rover Company, Limited, was held on the 18th instant at Birmingham.

Mr E. Ransom Harrison, F.S.A.A., the chairman, presided.

The following is an extract from his circulated statement:—

Last year I told you that we had finally cleared up our outstanding war contracts, and since then we have been devoting ourselves entirely to car production, together with maintaining our spare parts and service departments in their fullest capacity. During the latter part of 1946 our car production was gradually increasing and the position seemed to be improving as time went on. However, during the first three months of 1947 we were faced with the fuel crisis and as a result our output suffered and it was not until April that we got our production again running smoothly. Shortly after this the scarcity of materials became more apparent, and in almost every department we found difficulties in obtaining supplies.

NEED FOR ADEQUATE SUPPLIES

During the year a considerable part of our output has been sent abroad, and our cars have been well received by our overseas customers. The motor trade has been asked to increase still further its total output, and to allocate an even bigger percentage for export. We have made plans to meet the Government's wishes, but if the target is to be achieved it is essential that there should be adequate supplies of materials, and that negotiations should be successfully concluded for the reopening of the export markets closed to British cars. Our policy of producing cars of quality remains unchanged.

The necessity for export has meant that sales to the home market have been drastically reduced and, as I stated last year, we have the very greatest sympathy with those of our customers who have been waiting so long to obtain delivery. As most of you know, the allocation of cars for the home market is a very small one, but we do our best to allocate the cars available on the fairest basis. We do feel that we can be of some service to present Rover owners by keeping a well-equipped service department available to keep customers' old cars on the road, and we have been extremely busy in this department throughout the whole of the year. We have endeavoured to build up our stocks wherever possible so that during the coming year we shall be able to give the best possible help, both in the service and the spare parts departments. Our net profit amounts to £134,101 and the proposed dividend of 15 per cent and bonus of 5 per cent, both less tax, amounting to £70,226, leave a balance to be carried forward of £71,300.

The report was adopted.

RHOKANA CORPORATION, LIMITED

GREATER OPERATING PROFIT

The twenty-fifth annual ordinary general meeting of Rhokana Corporation, Limited, was held, on the 18th instant, in London.

Mr S. S. Taylor, C.M.G., D.S.O. (Deputy Chairman and Managing Director), who presided, in the course of his speech, said: There have been a number of changes in our investments in Rhodesian undertakings during the year. Our holding in the stock of Nchanga Consolidated Copper Mines, Limited, has been increased by £340,000. During the year we also subscribed £250,000 for half of the ordinary shares in Rhodesia Copper Refineries, Limited. The net result as compared with last year is that the figure shown for investments in Rhodesian undertakings has been increased by £950,000.

The profit on operating account is £770,000 greater than last year and the amount of £2,887,000 is carried to the profit and loss account. The amount credited in respect of the gross dividend from Mufulira Copper Mines, Limited, for the year ended June 30, 1946, is £227,500, an increase of £130,000 over the amount received from the same source in the previous year. Since the close of our financial year Mufulira Copper Mines, Limited, have declared a dividend for the year ended June 30, 1947, and we have received the gross sum of £325,000.

DIVIDEND RECOMMENDATION

The balance of the profit and loss account carried to the appropriation account is £3,221,880 as compared with £2,200,400 last year. The estimated amount for taxation on the profits for the year is £1,563,642. Your directors have decided to appropriate £600,000 to general reserve. Our policy is to provide out of profits funds sufficient to cover capital expenditure on buildings, plant and machinery, shaft equipment, etc.

Your directors recommend a final dividend of 60 per cent. representing 12s. per unit of stock. The final dividend as recommended together with the amount already paid as an interim dividend on the ordinary and "A" stock amounts to 85 per cent for the year or 17s. per unit of stock. The rates of dividends paid by the Corporation do not represent true returns on the capital invested in the business. The actual rate of return on the capital invested in the business is only a small fraction of the rate paid on the nominal capital.

SHORTAGE OF COAL SUPPLIES

During the year we, like the other Northern Rhodesian Copper Companies, have suffered severely from the strike in July and August, 1946, and from the shortage of coal supplies. We venture to hope that the first of these causes of interference with production will be non-recurring, but we are still suffering from the second. We were, however, able to take steps to minimise the loss in production caused by the inability of Rhodesia Railways Limited, to supply sufficient transport for coal from the Wankie Colliery. We purchased coal in the United States and in the Union of South Africa and imported it through Lobito Bay, and we adapted sections of our plant for wood burning. We were thereby able to so reduce the effect of the lack of Wankie coal that the loss of production due to that cause was limited to 2,000 long tons. That, however, is a substantial amount. If we had been able to produce it it would have brought us in considerable profit at the prices of copper prevalent last year. Further that copper if produced would have been delivered to the Ministry of Supply under our contract and would have saved expenditure of dollars on the corresponding amount of copper from sources outside the sterling area.

The report was adopted.

BRAZILIAN WARRANT COMPANY, LIMITED

COFFEE OUTLOOK

The annual general meeting of the Brazilian Warrant Co., Limited., was held, in London, on the 12th instant.

Mr Archibald K. Graham, the chairman, in the course of his speech, said: I have a letter from Mr Whitworth, who has been unavoidably prevented from being with us today. The figures before you belong entirely to the period when he was in the chair, and I had hoped to stress this fact in his presence as they provide a better tribute to his care of your business than any words of mine. The real position is even better than what appears on the surface, as during that period profits unremitting from the branches in Brazil or undeclared in dividends from the subsidiaries have been ploughed back and fully used in the interest of the business.

It is estimated that the stocks of coffee amount to over 13 million bags, and that the 1947-8 crop will probably only yield some 15 million bags. The reason for this poor outturn is a combination of bad harvesting weather and the alarming spread of the "broca." The power of the consuming markets is difficult to assess. Taking a long view, we know that Europe is urgently in need of coffee, and it is surely not unduly optimistic to look for a revival from the trend of 1947 to a pre-war activity.

As regards cotton, on the consumption side the statistical position appears to be very strong as figures published have given a world production of not more than 21½ million bales with an average pre-war consumption of 28½ million bales, so that the Brazilian crop, whatever it is, should find a ready market at a remunerative price.

The report was adopted.

LONDON AND RHODESIAN MINING AND LAND COMPANY, LIMITED

IMPROVED REVENUE

The ordinary general meeting of The London and Rhodesian Mining and Land Company, Limited, was held, on the 16th instant, in London, The Rt. Hon. Viscount Elibank, D.L., the chairman, presiding.

The following is an extract from his statement circulated with the report and accounts for the year to June 30, 1947:—

In a period when expenses on all sides show a persistent tendency to rise, it is particularly satisfactory to record an appreciable reduction during the year under review in our administration costs, while at the same time revenue has markedly improved due to the larger profit obtained on realisation of investments, which, however, is not likely to be repeated during the current year.

As a result the profit of £97,391 earned this year exceeds that in the preceding period by £17,373. The dividend was maintained at 5 per cent. and, after making the substantial provisions of £50,000 for taxation, £8,757 for depreciation and £10,750 to write down the book values of certain investments, we are enabled to carry forward £37,437.

Our ranching business has again given satisfactory results this year. The cattle have increased in numbers and the policy of improving the strains by importation of pedigree British bulls has been continued.

Southern Rhodesia is today going through a degree of publicity which must have tremendous repercussions on the Colony's future. If, however, its economy is not carefully guided—and guarded—and if the inflationary tendency of rising costs and wages is not restrained, it may lead to a situation similar to that in which we are placed in this country, namely a vicious spiral.

The report was adopted.

SCOTTISH AUSTRALIAN COMPANY, LIMITED

LARGER PROFITS AND DIVIDEND

The annual general meeting of the Scottish Australian Company, Limited, was held, on the 16th instant, in London.

Mr J. Norman Eggar, the chairman and managing director, in the course of his speech, said: When I addressed you a year ago I had just returned from visiting all our properties in Australia. It must be a source of satisfaction to all of us that the hopes I expressed as to the immediate future have been realised, and that we have been able to increase our profits and our dividend.

GOOD RAINS AT ALL STATIONS

At the end of June last our total of sheep was 8,994 stud and 368,217 flock, and our wool clip, scoured and greasy, was only 8,904 bales, compared with nearly 12,000 bales in 1942. This diminution of sheep numbers has caused us no little anxiety, and I am therefore very thankful to be able to tell you that as a result of good rains just at the right time almost all our stations report a very good recovery. Indeed, we have just had advices of quite remarkable lambings at Fernlee and Corrella-Warraweena, and other stations, so that I hope I may say with confidence that the long period of constantly diminishing numbers of sheep is over, and that the process of building up our flocks has begun. It is indeed fortunate that the lambings have been good, for the cost of purchase would be exorbitant.

The quality of our wool has been maintained at a high level. The London wool auctions were resumed in September, 1946, and in the year I am reviewing we were able to ship most of our New South Wales wool here, and very good prices were realised; of the wool from our Queensland properties, the bulk was sold or appraised in Brisbane and also sold very well. In fact, the proceeds from the sale of wool have been £66,000 more than in the previous year, despite the reduced clip.

This current year practically all our wool has been shipped to London, and, on the advice of our brokers, wool which was free from burr and seeds was scoured locally, and the result has been eminently satisfactory. The reduction in the contributory charge on wool from 5 per cent. to 3 per cent. will make a considerable difference to us.

THE CURRENT YEAR

As to the current year, I can only tell you that weather conditions everywhere are far better than we have had for years. Lambings are good, wool prices are excellent, and the revenue from sales of cattle should be very steady. The price of wheat is bound to be higher than in previous years in view of the acute world shortage. The immediate outlook is, therefore, encouraging.

Referring to the profit and loss account, you will see that an increase of £67,000 on wool and livestock account has been the main source of the very satisfactory increase in our profit. In point of fact, the wool proceeds were almost entirely responsible for this increase, the livestock account having returned only a few hundred pounds more than last year. Lambings were down by 23,000, but as I have said, we anticipate an improvement in this respect during the current year.

Receipts from wheat and other crops reflect the failure of the wheat crops, but in addition to the back payments from the Wheat Board, revenue under this heading was greatly assisted by the excellent hay and lucerne crops harvested at Texas.

The report was adopted and a dividend of 7½ per cent. on the Consolidated Ordinary stock, less income tax, was approved.

J. BROCKHOUSE AND COMPANY, LIMITED

FURTHER PROGRESS

The fiftieth general meeting of J. Brockhouse and Company, Limited, was held at West Bromwich on the 17th instant.

Mr E. B. Burton, the chairman, said that the company continued to make satisfactory progress notwithstanding serious obstacles; in fact, it had been a year of difficulties on a scale previously unknown, and it was with feelings of satisfaction that the directors placed before the shareholders accounts showing a successful year's trading. The fuel crisis had seriously affected their production plans; several of their factories had been closed, some for several weeks.

Certain of their products were exported directly, and they were making every effort to increase that portion of their trade. Their order book was in a very satisfactory state; in fact, at an all-time peak. New products referred to at the last meeting had been well received.

The trading profits had increased from £219,897 to £556,371, a very remarkable increase in view of the difficult times.

Mr J. L. Brockhouse, M.A. (managing director), said that he did not think that it was always appreciated what an additional burden the circumstances of the times placed upon those engaged in industry. Planning was a continued nightmare of disappointments and frustrations shared by the staff and the workpeople. In this company they had pursued a forward policy, building all the time for the future; indeed, they might be criticised for sacrificing present profit for future business.

The report was adopted and the proposed final dividend of 12½ per cent., making 20 per cent., less tax, for the year, approved.

BIRMINGHAM SMALL ARMS COMPANY, LIMITED

PROGRESS DESPITE DIFFICULTIES

The annual general meeting of the Birmingham Small Arms Company, Limited, was held, on the 18th instant, at Birmingham.

Sir Bernard Docker, K.B.E., the chairman, in the course of his speech, said: In spite of abnormal trading conditions and unprecedented difficulties in the supply of the raw materials of our industry, we have earned a trading profit of £497,796. We have also received £291,493 in respect of E.P.T. recovery. We are able again to recommend the payment of a dividend of 7½ per cent. on the ordinary stock.

Cycle and motor production continues to be hampered by shortages of material and labour, but the output for the period under review is higher than for any period prior to 1940.

The Daimler Company and the Lanchester Motor Company are still severely hampered by shortages of materials and supplies. Although the motor trade is making a notable contribution to the export trade of the country, it is granted no priority for staff, materials or other essentials. We are making every effort to meet orders as quickly as possible, but the delays and restrictions to which we have to submit make trade difficult and depressing.

Our Jessop-Saville Company, producers of the highest-grade steel, have maintained output at a higher level than in the previous year. The pre-eminence of Jessop gas turbine steels is attracting the attention of engineers and designers. For the Tool Group the year has been one of reorganisation and progress.

Your company is fully equipped to take advantage of the vast opportunities which should present themselves, but this depends upon controls, restrictions, orders and the like, over which we have no control.

The report was adopted.

JOHN I. THORNYCROFT AND COMPANY, LIMITED

SATISFACTORY RESULTS

The forty-sixth annual general meeting of John I. Thornycroft and Company, Limited, was held, on the 10th instant, in London, Sir John E. Thornycroft, K.B.E. (governing director and chairman), presiding.

The following is an extract from his statement circulated with the report: The total dividend recommended this year on the ordinary shares amounting to 22½ per cent., should be divided by approximately four, to obtain the true rate of interest on the shareholders' investments, and we trust all shareholders will refute any statements (made with a view to mislead) that they are receiving an unduly high rate of dividend. The Chancellor of the Exchequer's disapproval of the issue of bonus shares prevents this position being rectified; in fact, the reputed high rate of dividend is used as an argument by responsible Ministers as a reason why consideration cannot be given to just claims in settling war contracts.

Addressing the meeting, the chairman said that shipbuilding, with present difficulties in obtaining materials and equipment when required, could only be described as heartbreaking, and there were no signs yet of any improvement.

With regard to the commercial vehicle business, during the year all outstanding contracts had been agreed with the Ministry of Supply, and the final settlements had been brought into the accounts. August 1st there were sufficient orders in hand which should utilise the full capacity of the works for at least 18 months.

From the Marine and Industrial motor and small craft section of the business over 75 per cent. in value of the new work output has been for export.

The report was unanimously adopted.

TRINIDAD LEASEHOLDS, LIMITED

BRIG. R. S. G. STOKES' REVIEW

The thirty-fourth ordinary general meeting of Trinidad Leaseholds, Limited, was held in London, on the 11th instant, the chairman, Brig. R. S. G. Stokes, C.B.E., D.S.O., M.C., M.Inst.M.E., presiding.

The following is extracted from the chairman's statement circulated with the report and accounts for the year ended June 30, 1947: Since the issue of my statement to shareholders, dated December 5, 1946, accompanying the last annual report, considerable changes have occurred in the affairs and outlook of the company. The scale of refinery operations has advanced substantially, through the processing of additional imported crude for account of another company; operational charges in the field have been increased owing to the heavier royalty payments imposed in 1946; we have benefited from a series of increases in the market price of oil products; company control has been reorganised in preparation for a return to unit company marketing while preliminary arrangements have been completed for the strengthening of trading position in the United Kingdom.

The throughput of our refineries for the year totalled 15,306,205 barrels, of which 11,340,097 barrels were Trinidad oil. Compared with the previous year, the total throughput shows an increase of approximately 2,000,000 barrels, due to the processing of imported crudes on behalf of the Texas Petroleum Company. This class of business, the acquisition of which is contingent on long-term relief from import duties on crude oil, represents a dollar-earning activity of considerable importance.

The report and accounts were adopted. At a subsequent extraordinary general meeting resolutions to subdivide the share into shares of 5s. each and thereafter to convert them into stock were carried.

GOVERNMENT RETURNS

For the week ended December 13, 1947, total ordinary revenue was £48,948,000, against ordinary expenditure of £36,555,000 and issues to sinking funds £160,000. Thus, including sinking fund allocations of £10,869,891 the surplus accrued since April 1st is £208,499,123 against a deficit of £556,762,917 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1947-48	Receipts into the Exchequer (£ thousand)			
		April 1 to Dec. 14, 1946	April 1 to Dec. 13, 1947	Week ended Dec. 13, 1947	Week ended Dec. 13, 1947
ORDINARY REVENUE					
Income Tax	108,600	503,696	482,302	4,378	8,391
Sur-tax	80,000	21,947	25,405	825	1,100
Estate, etc., Duties	155,000	102,689	115,079	4,140	2,500
Stamps	57,000	23,744	36,530	500	1,250
N.D.C.	206,000	24,927	24,420	410	400
E.P.T.	206,000	254,010	182,485	6,181	4,400
Other Inland Rev.	1,000	168	120	...	...
Total Inland Rev.	158,500	930,781	866,341	16,434	18,041
Customs	742,460	431,132	560,887	13,848	15,529
Excise	668,540	400,200	418,100	3,200	3,700
Total Customs & Excise	1411,000	831,332	978,987	17,048	19,229
Motor Duties	50,000	12,957	13,329	138	100
Surplus War Stores	95,000	88,314	132,400	1,114	1,059
Surplus Receipts from Trading	55,000	40,000	40,175	10,000	10,000
Post Office (Net Receipts)	...	6,150	4,980	350	250
Wireless Licences	11,000	5,270	6,370	...	...
Crown Lands	1,000	650	670	...	...
Receipts from Sundry Loans	21,000	22,145	19,249	895	77
Miscell. Receipts	270,000	29,303	194,039	426	192
Total Ord. Rev.	3449,000	1966,913	2256,539	46,405	48,948
SELF-BALANCING					
Post Office	144,230	85,000	94,200	1,900	1,850
Income Tax on E.P.T. Refunds	49,000	132,747	16,219	1,947	274
Total	3692,230	2184,660	2366,958	50,252	51,072

Expenditure	Estimate, 1947-48	Issues out of the Exchequer to meet payments (£ thousand)			
		April 1 to Dec. 14, 1946	April 1 to Dec. 13, 1947	Week ended Dec. 13, 1947	Week ended Dec. 13, 1947
ORDINARY EXPENDITURE					
Int. & Mail of Nat. Debt	525,000	347,227	357,957	2,645	2,555
Payments to N. Ireland	23,000	11,986	14,540	...	...
Issue to Nat. Land Fund	...	50,000	...	...	...
Other Cons. Fund Services	8,000	4,004	3,878	...	...
Total	556,000	413,216	376,375	2,645	2,555
Self-Balancing	263,511	200,982	166,079	45,800	34,000
Total	819,511	614,198	542,454	31,445	29,555

After increasing Exchequer balances by £367 to £3,098,259, the other operations for the week decreased the gross National Debt by £3,095,771 to £25,969 million.

NET RECEIPTS (£ thousand)		Totals	
Dec. 7, 1946	Dec. 6, 1947	Dec. 7, 1946	Dec. 6, 1947
Savings Certificates:—			
Receipts	3,400	5,500	151,650
Repayments	2,850	2,500	99,250
Net Savings	550	3,000	52,400

DEFENCE BONDS:—		Totals	
Dec. 7, 1946	Dec. 6, 1947	Dec. 7, 1946	Dec. 6, 1947
Receipts	4,525	1,705	51,670
Repayments	694	784	27,647
Net Savings	3,831	921	24,023

P.O. AND TRUSTEE SAVINGS BANKS:—		Totals	
Dec. 7, 1946	Dec. 6, 1947	Dec. 7, 1946	Dec. 6, 1947
Receipts	16,357	16,022	463,726
Repayments	14,653	12,630	430,931
Net Savings	1,704	3,392	32,795

NET ISSUES (£ thousand)		Totals	
Dec. 7, 1946	Dec. 6, 1947	Dec. 7, 1946	Dec. 6, 1947
P.O. and Telegraph	...	...	550
E.P.T. Refunds	...	...	336
Local Authorities Loans Act, 1945, sec. 3 (1)	...	...	6,650
Finance Acts, 1946 and 1947, Post-war Credits	...	...	1,476
Overseas Trade Guarantees Act, 1939, sec. 4 (1)	...	...	40
New Towns Act, 1946, sec. 12 (3)	...	...	100
Total	...	...	9,152

Statistical Summary

CHANGES IN DEBT (£ thousand)		NET REPAYMENTS	
NET RECEIPTS		3% Def. Bonds	Other Debt
Nat. Savings Certs.	2,500	3,992	...
2½% Def. Bonds	1,047	...	...
Tax Reserve Certs.	3,182	...	...
Other Debt:—		Internal	58
External	27,295	Treasury Deposits	5,000
		Treasury Bills	12,825
		Ways and Means Advances	15,245
	34,024		37,120

* Including £3,429,000 paid off on maturity.

FLOATING DEBT (£ million)

Date	Treasury Bills		Ways and Means Advances		Treasury Deposits by Banks	Total Floating Debt
	Tender	Tap	Public Depts.	Bank of England		
1946 Dec. 14	2090.0	2477.8	388.6	2.75	1729.0	6688.1
1947 Sept. 6	2190.0	2466.4	369.6	4.75	1304.0	6334.8
" 13	2190.0	2499.9	357.1	4.25	1296.5	6347.7
" 20	2190.0	2533.0	327.7	8.0	1299.0	6357.6
" 26	2190.0	2557.1	322.3	...	1292.5	6361.9
Oct. 4	2200.0	2534.8	363.9	19.8	1267.0	6385.4
" 11	2220.0	2561.7	343.2	20.5	1255.5	6398.8
" 18	2230.0	2584.7	362.8	2.0	1253.0	6432.5
" 25	2230.0	2561.5	332.6	...	1252.5	6376.6
Nov. 1	2240.0	2543.4	354.8	1.75	1252.5	6392.5
" 8	2250.0	2539.3	337.7	...	1252.5	6379.4
" 15	2250.0	2527.5	346.7	13.5	1292.5	6430.2
" 22	2250.0	2579.7	338.1	6.8	1317.5	6493.1
" 29	2250.0	2561.0	338.6	...	1337.5	6487.1
Dec. 6	2250.0	2582.2	340.3	...	1372.5	6545.0
" 13	2250.0	2569.5	325.1	...	1367.5	6512.1

TREASURY BILLS (£ million)

Date of Issue	Amount			Average Rate of Allotment %	Per Cent. Allotted at Min. Rate
	Offered	Applied for	Allotted		
1946 Dec. 13	170.0	295.8	170.0	10	0.14
1947 Sept. 12	170.0	269.7	170.0	10	2.85
" 19	170.0	255.5	170.0	10	3.10
" 26	180.0	277.4	180.0	10	2.66
Oct. 3	190.0	299.9	190.0	10	1.39
" 10	180.0	291.3	180.0	10	1.36
" 17	170.0	268.9	170.0	10	1.87
" 24	170.0	285.0	170.0	10	1.52
" 31	170.0	289.3	170.0	10	1.38
Nov. 7	170.0	285.4	170.0	10	1.49
" 14	170.0	270.1	170.0	10	1.85
" 21	170.0	271.2	170.0	10	1.70
" 28	170.0	269.2	170.0	10	3.02
Dec. 5	170.0	300.6	170.0	10	2.26
" 12	170.0	299.8	170.0	10	2.66

On December 12th applications for bills to be paid on Monday, Tuesday, Wednesday, Thursday, Friday and Saturday were accepted as to about 45 per cent. of the amount applied for at 99 17s. 5d. and applications at higher prices were accepted in full. £170 million (maximum) of Treasury Bills are being offered for December 19th. For the week ended December 20th the Banks will be asked for Treasury deposits to an amount of £60 million (maximum).

NATIONAL SAVINGS (£ thousand)

	Week Ended		Totals
	Dec. 7, 1946	Dec. 6, 1947	Mar. 31 to Dec. 6, 1947
Savings Certificates:—			
Receipts	3,400	5,500	151,650
Repayments	2,850	2,500	99,250
Net Savings	550	3,000	52,400
Defence Bonds:—			
Receipts	4,525	1,705	51,670
Repayments	694	784	27,647
Net Savings	3,831	921	24,023
P.O. and Trustee Savings Banks:—			
Receipts	16,357	16,022	463,726
Repayments	14,653	12,630	430,931
Net Savings	1,704	3,392	32,795
Total Net Savings	6,085	7,313	109,218
Interest on certificates repaid	499	450	18,865
Interest accrued on savings remaining invested	2,230	2,290	76,899



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Why the Aga Cooker and Water Heater is *not* a luxury, for the family or for the nation

THE AGA COOKER was the revolutionary engineering invention of Dr. Gustaf Dalen, the Swedish Physicist and Nobel Prizewinner. To-day it is wholly British made, and embodies many improvements. Like for like, the Aga Cooker and Water Heater cooks more food and heats more water to each cwt. of fuel than any other appliance. Though it burns continuously and is therefore ready for immediate use day and night, the Aga is guaranteed not to exceed a certain maximum consumption of fuel. Moreover, the Aga is the most labour-saving

cooker and water heater on the market. These facts should dispel any lingering impression that the Aga is a luxury product for the well-to-do. The Aga conserves the nation's fuel, relieves the load on gas and electricity undertakings, reduces the family's fuel bill and saves labour.

THE AGA FOR EXPORT

In the national interest Aga Heat Ltd. have decided that until further notice their entire production of Heavy Duty Cookers will be exported, as well as an increasingly high percentage of the

production of domestic models. Aga Heat Ltd. have recently opened a second works at Ketley in Shropshire, exclusively to serve the export trade.

THE AGA HOME PRIORITIES

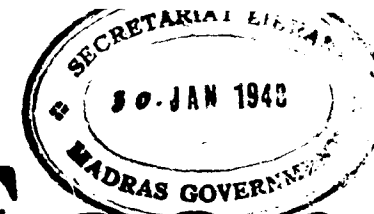
(1) Farmers (2) Doctors

In production allocated to the home market, Aga Heat Ltd. have decided to give absolute priority to Farmers and Doctors, who in Aga's opinion most urgently require in the national interest the saving of fuel and labour as well as the domestic convenience which the Aga affords.

AGA HEAT LTD. (Proprietors: Allied Ironfounders Ltd.)

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To Men of Good Will

THE Christmas present which President Truman has given the world—a Bill proposing that over \$17 billion should be spent on European recovery in the next four years—deserves, more than many actions which have been so described, the epithet of "the most unsordid act in history." As the elected head of the most powerful and—in many senses—most impregnable nation on earth, he has asked his people to forsake all narrow views of their own security and prosperity and, at the height of their post-war flood of spending, to forgo many immediate benefits in order to make sure that the recovery of their neighbours will not lag too far behind their own. Moreover, he has proposed that a great part of the assistance thus offered should not take the traditional form of loans but should be grants-in-aid on an unprecedented scale. All this may indeed be enlightened self-interest, but the degree of enlightenment is so infinitely in advance of any yet shown by a great nation in time of peace that it may well be questioned whether it comes into the category at all. It is true, of course, that a Presidential Message is not an Act of Congress and the chances of the Bill's emasculation as it goes through both Houses and their Committees are great. But this possibility makes it all the more necessary that the European nations should recognise the generosity of the Administration's project and respond to it with a readiness for action as keen and radical as the American initiative is bold.

The President's proposals appear to be sane and generous throughout. The actual figures proposed—\$6,800 million for the first fifteen months and \$17,000 million for the four year period—appear lower than those proposed in the Paris Report, which were \$8,050 million and \$22,440 million respectively. But the difference is not so great in practice, for the President estimates that, in the first period, \$1,285 million can be found—from such sources as unexpended balances with the Export-Import Bank—without resort to the United States Treasury; during the four years, the dollars available from other sources (including the International Bank) are estimated at \$4,100 million. A part of the allocations for Germany, amounting to \$822 million, which would in any case have to be met by the occupying Power, has also been excluded from the sums specifically requested by the President for the European Recovery Programme. Moreover, the Message proposes that if at any time during the four year period the estimates prove inadequate, he will return to Congress and ask for more. This is only one example of the very sensible degree of flexibility which runs all through the proposals. Another instance is the decision to ask Congress to allow the dollars made available by the Bill to be spent, up to a certain percentage, in countries other than the United States.

The same flexibility and good sense mark the proposals for the administration of the Plan. The President has rejected both the proposal that the administration should be in the hands of a bi-partisan Board representing Congress and also that it should be entrusted to some established Government department. An entirely new Agency will be set up, the Economic Co-operation Administration, which, headed by an Administrator with a deputy, will work independently of other agencies.

except in so far as its decisions impinge on American foreign policy—in which case it will act under the direction of the State Department. Since most of its activities will in fact closely affect American foreign policy, it is likely that the Agency will be under the fairly continuous review of the Secretary of State. An Ambassador-at-large is to be the responsible official in Europe, and he will act as the United States representative for any agency the European nations may set up. The President clearly believes that in the actual working of the Plan much must be left to the discretion of the new agency's Administrator. For instance, he does not feel that it would be wise on Congress's part simply to vote allocations of dollars to the different nations, to earmark supplies in America, and to leave the Sixteen in a competitive scramble to get the best share they can of those supplies. The President clearly sees the Administrator as the rationing agent who will marry supplies to demand and therefore presumably establish priorities and secure allocations. This work is too detailed and variable to be fixed by Congressional legislation. Thus it seems that one of the most delicate activities in the whole Plan will be the Administrator's sole responsibility. The actual method of allocating particular sums to particular nations has not yet been definitely laid down, but it will presumably follow the pattern established in connection with Interim Aid according to which separate allocations for each nation were proposed by the President to Congress, which then passed them with some modifications. But even if the general framework within which the Administrator has to work is fixed for him by Congress, his responsibility to prevent competitive buying and to secure orderly allocations will clearly give him a determining role in this, the crucial sector of the Plan.

The importance of this work is enhanced by the fact that some of the supplies most urgently needed in Europe are scarce there and particularly scarce in the United States. The President holds out no hope of satisfying the demands put forward in the Paris Report for such vital commodities as wheat, scrap and semi-finished steel, agricultural machinery and fertiliser. Part of the European demand must remain unsatisfied and the urgent question will be which claimants should be satisfied first and with what amount. This question—vital to the smooth working of the whole plan—will be the Administrator's responsibility in the first place and he will presumably work out his priorities with the European governments separately or through any organ of co-operation they see fit to set up on their side.

This problem of the supply and allocation of inevitably scarce materials is the central issue of the Plan and offers far more difficulty than any of the much discussed and much-feared "conditions" which the United States Government was expected to impose. The conditions actually proposed by the President are almost entirely non-political. There is no question of banning Socialism or arresting plans for nationalisation. The general conditions—which may be brought together in a single Act to be signed by all the participating nations—are simply those which the sixteen nations adopted as their aims at Paris. No one should shrink from commitments to increase local production to the maximum, to make the best use of national resources, to reduce tariffs and increase inter-European economic co-operation and to secure the stabilisation of local currencies. Two provisions, however, need closer examination. The first is that the nations should be ready to create stock piles of strategic raw materials for later sale to the United States. There should be no difficulty about this proposal in its present form, which clearly provides that any materials so delivered to the United States shall be paid for in dollars. The Sixteen will not thereby suffer any reduction in their capacity to earn dollars. On the contrary, steady purchases of raw materials by the United States might be one factor in stabilising world trade when the four years of the Plan are over.

The second provision is that in return for outright gifts of food and other supplies from the United States, each Government should pay equivalent amounts of its own currency into a special account, which would be spent on objectives to be agreed between the United States and the Government concerned. This proposal needs more careful scrutiny than can be given it in a general article. Wrongly conceived, it might lead to a potentially dangerous degree of direct American intervention in the affairs of other countries. It is true that the President makes no mention of the American "trustees" to oversee the use of the funds which were proposed at one point by the Herter Committee. It is also true that among the objectives proposed are the wholly laudable ones of reducing the currency in circulation and retiring the internal public debt of the country concerned. But this provision is clearly more controversial than the others and its implications need to be closely examined both in the United States and Europe.

*

The President has offered Congress and the World the outline of a good, workable scheme. He has avoided rigidity. He has realised that in an adventure on this scale, it is essential to leave scope for national growth, for developments which spring from the problems themselves and for flights and expansions beyond the goals now set which may be achieved by men's energy and inventiveness and vision once the scheme is fairly launched. The question which the European nations must ask themselves now is whether their own performance is likely to match the courage and generosity shown by the American Administration.

It is no use postponing this question on the grounds that Congress has not yet spoken and that the Sixteen must therefore wait and see. The problem is not static and the attitude of Congress is something which the European nations themselves can influence profoundly in the next three or four months. At present, the Americans most committed to the idea of a Marshall Plan and ready to support it most warmly are growing perturbed at the apparent inactivity in Europe. Since the Paris Conference ended, it looks in America as though nothing more had been done by the Sixteen. There has been no publicity on either side of the Atlantic for the work the technical experts are supposed to be doing on such vital matters as a Customs Union or the stabilisation of currencies and the little that has leaked out has been on the whole discouraging. Now that the President's Message has appeared, the time for inactivity, real or supposed, has passed, for there are now a number of specific points which the Sixteen can and should consider together.

The general figure of the aid likely to be available is known. The shortages which will appear in certain categories have been notified. The method of negotiation and the type of administration to work the Plan have been laid down, and the nature of the conditions outlined. It is now almost a matter of the European nations' own choice whether the scheme which finally emerges has within it the seed of a more co-operative European order or simply repeats the nationalist formulas of the past. The very flexibility of the American scheme is an invitation to activity and initiative in Europe. The reasons for hesitation are, of course, obvious. Since there is not enough to go round, all nations must sacrifice something of their full demands and they are all apparently certain that they can obtain more and safeguard their own plans better if they do not attempt to work out and impose upon themselves a rationing system but wait for the Americans to impose it for them. But surely this view, which in any context would be an act of abdication, is rendered really fantastic by the fact that for two years after the end of the war a rationing body in the shape of the European Coal Organisation was able to function effectively even though it included nations from the "Eastern fringe." It would be a deplorable confession of failure if the sixteen supposedly like-minded participants in the Marshall Plan were to demonstrate

that, faced with the need to fix new priorities, they were incapable of agreement among themselves. Indeed, if they cannot achieve at least this, one can abandon straight away any hopes that the development of the Plan will carry them towards a more co-operative ordering of Western society.

Above all, inactivity at this point in Europe, slowness, a waiting on events, will affect the whole course of the discussions in America. If Mr Bevin had not acted immediately after Mr. Marshall's speech at Harvard, there might have been no Plan. If at this point the entirely new and generous initiative of the

Interim Progress Report

BEFORE the event, rumour had said that Sir Stafford Cripps was preparing for last Thursday's debate on the capital White Paper a speech designed to raise the alarm about the rate at which the country's last reserves of gold and dollars are running out. But report also had it that his speech had been discussed in Cabinet, and it may be that there is more than a grain of truth in Mr Lyttelton's remark that Sir Stafford had been persuaded to toe the current line of modified optimism. In any event, though the speech had all the accustomed lucidity, it contained nothing that was new, except for some fresh additions to the statistical collections (which are commented on elsewhere in this issue). It was an interim report, with just enough items of good news to be an interim progress report.

Sir Stafford followed conventional practice in dividing his remarks into two separate sections, on home and foreign economics. On the home front, the speech was definitely disappointing, in spite of the fact that it is in this section that there is cheering news to report from several industries, and most notably from coal. The speech was disappointing because once again the opportunity was missed to relate the various fragments of policy to a coherent whole. It is a remarkable fact that Labour, the party of planning, has been less ready to set the whole of its economic policies into a coherent framework than was the Coalition Government, when Keynes's influence was paramount at the Treasury and spoke through the mouths of Sir Kingsley Wood and Sir John Anderson. The wider economic horizons have vanished from Budget speeches since the General Election, and they have not effectively reappeared anywhere else. The "Economic Survey" of last February was an ineffective document at best, and the basis on which it was composed was immediately undermined by the fuel crisis.

The Government are still dodging the fundamental economic issue. Reduced to its simplest terms, this is whether the community is or is not trying to do too much and letting a number of mutually incompatible programmes jostle each other out of

American administration is not matched by a gesture as radical and courageous in Europe, the psychological impulse, the *élan*, the movement of hope which will alone carry through so great an undertaking to its conclusion will be lacking, and it needs very powerful wings indeed to carry a body such as Congress towards the heights. The "peace on earth" which the Marshall Plan begins to make possible is not a peace for the laggards or the envious, or the selfishly-nationalist. It is a peace which can be wrung from destiny only by "men of goodwill." And this Christmas, the greatest question for Europe is whether in fact it can produce such men.

achievement. There were signs in the debate that the Labour Party is aware of the issue and is rendered uneasy by the virtual unanimity with which the economists of the country—those of them that are not committed to any party—answer the question. This uneasiness was shown by the repetition from the Labour benches of remarks to the general effect that "the economists are always wrong"—a generalisation for which there is considerably less evidence than for the view that "politicians are always afraid of the truth." The economists may, indeed, be wrong. But they will not be proved wrong by simply ignoring their contentions in public and half-admitting them in private. It is no answer to take an oratorical tour, as Sir Stafford did, round the different departmental policies, to explain each within its own context, to establish that there is some liaison between them and then to assert that they add up to a policy. The questions to be asked and answered are these: are the demands being made upon the nation's productive resources larger than they can supply?; if so, what can best be dispensed with?; and if not, is the distribution of demands the best that can be achieved? Not until these questions have been convincingly answered can the Government be acquitted of the charge that they lack an economic policy. So far as the public knows, their only reliance for any improvement of the present state of affairs is on increased production. That is why any evidence of increased output is seized on with such glee. That the production of coal, of steel, of several textiles and engineering products is going up is very gratifying. But it is very difficult to believe that output can possibly increase enough to solve the national economic problem. It will run into one of the limiting factors long before that—into a shortage of manpower, or of transport, or of imported raw materials. The truth is that, with one or two glaring exceptions, it is not shortfalls in supply that are chiefly responsible for the present distortions but excesses of demand. Why should it be so easy to see that inflation is rampant in every country, and so difficult to admit that it is also at work here?



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On the external side, Sir Stafford was far more grim, but far less open to criticism. In domestic affairs, there is, after all, an alternative policy, and criticism is valid until the Government have at least met its claims. But in external affairs, where the dangers are far more threatening, there is no alternative policy that differs more than in shades of emphasis from the policy the Government are pursuing. The shades of emphasis nevertheless have their importance. They are all grades of anxiety—the facts prevent them from being anything else—and if there is any criticism of this part of Sir Stafford's speech it is that, while he presented all the raw material for an alarming conclusion, he forbore to draw it, in deference either to the Christmas spirit or to a Cabinet resolution. The figures are easily summarised. The country will enter 1948 with gold and dollar reserves of £500 million, to which Sir Stafford could see early accretions, all from borrowings of different kinds, of £250 million, making a total of £750 million. Of this total, however, at least £250 million must be set aside as the irreducible minimum working balance without which Britain cannot conduct her own trade or serve as banker to the sterling area. The available resources are therefore £500 million at the most. The rate of exhaustion of these reserves has lately been running at about £60 million a month. Even if all the targets are achieved, it will still be running, by the end of 1948, at the rate of £25 million a month. In other words, at the present rate, the available reserves will all be gone by September. Even if the rate forecast for the end of the year could be attained at once, the available reserves would all be gone by the summer of 1949. This more optimistic forecast can really be dismissed. It would require the export targets not merely to be attained, but to be attained a year early. It would require a perfect degree of forbearance and self-control on the part of the countries of the sterling area. It would require an assurance—which cannot be given—that no capital will leak out of the sterling area at the seams. It is much nearer the truth to say that the Government's plans deliberately envisage the exhaustion of the available

reserves by the end of 1948—and if anything goes wrong with the plans, the date of exhaustion will come earlier.

What then? It seems probable that there will be Marshall dollars for Britain in the period that ends on June 30, 1949, though it is by no means certain. What is certain is that they will be smaller in amount than the £650 million or so entered in the Paris Report. But in 1949 the dollar deficit will still be running at £25 million a month, that is, at \$1,200 million a year. Where are all these dollars coming from, and for how long? When and how will independence be reached? There may be no alternative to the policy the Government are pursuing, or at least no very different alternative. It may be the only possible policy to wait and see what results from the great debate in Congress. But at least the Chancellor of the Exchequer ought to make it very plain to the public that he is gambling on Marshall aid (for all his protestations to the contrary) and that the stakes are very high indeed.

There is one matter on which it would be reassuring to see some action being taken. This is a matter which occurs in every Ministerial speech, tucked away in some corner. Last Thursday, Sir Stafford gave it three sentences

We have either reached, or are reaching, a buyers' market condition in many lines of goods. This means that the price factor becomes more and more important. We are already losing sales overseas in some of the most desirable markets because of our price-level, and we must, therefore, do everything in our power to prevent it rising and, indeed, to bring it down.

These are strong words—but every time Sir Stafford speaks to this effect prices take another upward jump. The prices of British exports have risen by one-sixth in a year, and the latest rise of 2s. 6d. a ton in the price of coal will push them up still faster. What does Sir Stafford think puts prices up at this rate? Lack of patriotism? Or lunar suction? They are being driven up by inflation and by little, or nothing, else. Does Sir Stafford really mean it when he says "we must do everything in our power" to bring prices down?

Canada's Problem—I

Canada's Exchange Controls

(From Our Canadian Correspondent)

THAT Canada could not avoid being critically involved in the world financial crisis should have been obvious to all, at least since the suspension of the convertibility of sterling in August. Nevertheless the measures taken by the Canadian Government in the middle of November came as a considerable shock to the public. The new dollar-saving programme was announced on the radio by Mr Abbott, the Finance Minister, on November 17th. On December 5th Parliament assembled in special session; the session had ostensibly been called to consider the new trade agreements, but everybody knew that the chief item of business would be the new controls.

Mr Abbott's programme for strengthening the country's dollar position consisted of eight points:

- (1) A loan of \$300 million has been arranged from the Export-Import Bank of the United States, maturing in from three to five years.
- (2) Canadian residents who wish to travel for pleasure in the United States are limited to \$150 a year.
- (3) A long list of goods is placed under an import ban.
- (4) A number of the same goods, which happen to use substantial quantities of materials or components from the United States, are subjected to a 25 per cent excise tax when manufactured in Canada.
- (5) Taxes are reduced on tea, coffee, sugar, electricity and gas—these reductions are not part of the dollar-saving pro-

gramme, but were introduced at the same time in order to lower prices in these fields and thus to make the higher prices in other fields more acceptable.

(6) Four groups of commodities are placed under import quotas.

(7) All metals and all metal products not included under the foregoing restrictions are to be subjected to individual import permits, and the same permit system is to be applied to moving picture films.

(8) A bonus of \$7.00 an ounce on additional gold mined in Canada was announced (but never came into effect).

Several of these measures need little explanation or comment. The loan from the Export-Import Bank was not easy to arrange; borrowing from the United States—perhaps from any creditor surrounded by would-be borrowers—is only easy so long as one does not need the money. The restrictions on pleasure travel have approximately restored the position that existed immediately after the war; during the war no pleasure travel at all was permitted, but such a stiff control is very unpopular both in the United States and in Canada, and it was relaxed immediately after the end of the war; later it was rescinded altogether.

The most important immediate savings in US dollars are to come from the banned imports. The list is long and varied, but most of the items can be brought under the following headings:

toilet articles; kitchen ware; plumbing supplies; household appliances and fixtures; radios; cameras; automobiles (later placed on the import-permit list and still later to be put under import quota); furniture and pianos; dressed furs and fur coats; jewellery; most pulp and paper products; and fresh fruits and vegetables (other than certain staples placed on the quota list). Imports of all these articles from all countries are banned. The Minister of Finance explained the cutting off of imports from non-dollar countries as well as from dollar countries as follows:

The plan does not involve discrimination against imports from some countries in favour of the same goods imported from other countries. Prohibitions apply to imports from all countries. . . . In selecting items to be restricted we have, of course, endeavoured to pick those which we must pay for in US dollars and we have tried to interfere as little as possible with the export trade of those countries which are short of gold and foreign exchange.

The principle of non-discrimination, which is perhaps all too familiar to the British public, is quite new to the Canadian public, although it has been mentioned in speeches about the international trade talks at Geneva and the proposed International Trade Organisation. Hence the exclusion of goods coming from Great Britain and other non-dollar countries has come as a shock and there have been vigorous protests. In reply, the Government originally indicated that less than \$10 million worth of goods from non-dollar countries was affected, and later they transferred a number of articles from the banned list to the quota list, which permits imports from non-dollar countries. Apart from automobiles, most of the commodities thus transferred are foods such as coffee extracts, canned fruit, dry vegetables, jelly powders, candy and chewing gum, etc. Nevertheless, the list of goods subject to import ban still shows some anomalies both in what it does contain and in what it does not. For instance, small imports of American whisky are still coming into Canada because the Government obviously does not want to ban the much larger imports of Scotch whisky. The Government has indicated that it is willing to consider softening the blow of banning imports from all countries by private traders, either, as indicated above, by putting the goods on quota, or by making Government bulk purchases from non-dollar areas. For example, tomatoes from the Bahamas are to be brought in under special arrangements.

If it were not for the administrative difficulties involved, the Government would, no doubt, have been happy to put more goods on the quota list and less on the banned list. The quotas, fortunately, allow ways and means of discriminating against imports from the United States in a non-discriminatory rather than an indiscriminate manner. The trick lies in choosing a pre-war period as a base for the quotas. Four groups of goods are put on quotas, the first three at 200 per cent of the value of pre-war imports, the last (textiles) at 400 per cent. Since the soft currency countries are not able to ship enough goods to fill their quotas, they are not restrictive and no machinery is being set up to implement them. On the other hand, imports from the hard currency group are severely restricted because the value of their post-war sales to Canada has been far more than double their pre-war sales. For example, in the textile and clothing group, it is quite out of the question for the United Kingdom and other soft currency countries to fill their quota—even at post-war prices. Arrangements have recently been going forward to secure a great increase in Canadian imports of British textiles; in 1946 the yardage of cotton goods shipped to Canada was scarcely one-tenth of the pre-war amounts. On the other hand, each importer from the United States has been told that for the coming year his imports must be cut down to slightly less than a third of his imports in the year ended June 30, 1947.

The new 25 per cent excise tax was imposed on a number of goods that can no longer be imported: on electric appliances, on electric refrigerators, on electric or gas stoves (it was later

removed on the stoves, and it was never placed on electric washing machines because they were considered "necessaries" under present conditions), on a wide range of sporting goods, and on musical instruments. A graduated tax on motor-cars was announced, running from 25 per cent on cheaper cars, with small amounts of American content, to 75 per cent on expensive cars. In announcing the new excise taxes the Minister of Finance said they were designed to prevent an expansion in the domestic production of these goods, imports of which from other countries had been banned. Expansion of production would involve imports of materials and components and would, therefore, to some extent, nullify the Government's attempt to conserve US dollars. This explanation was not entirely convincing because some of the goods concerned, and some of the manufacturers concerned, used practically no US imports. It then emerged that the Government was also interested in "mopping up" excess purchasing power; but this scarcely makes sense when applied to such a narrow group of goods. Finally, it is rumoured that the Government put on the tax to save the feelings of US exporters who find their Canadian market cut off, and who dislike the idea of the Canadian competitors being free to take the whole of it. This makes even less sense. The new excise tax is undoubtedly going to run into trouble in Parliament.

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The import quotas and the import bans, together with the associated excise taxes, can be regarded as temporary interferences with imports to bring trade between Canada and the United States more nearly into balance in the immediate future. The two remaining items on the Government's agenda have longer-run significance. They are designed to remould trade into a position where the temporary restrictions and interferences can be removed.

The first of these two measures is the assistance to the gold mining industry. The Government originally announced that they intended to introduce a subsidy of \$7.00 an ounce on additional gold mined over and above the current rate of production in each mine. This brought down two storms of protest: one was from the gold mining industry which claimed that the subsidy was not enough to bring much increase of production; the other was from Washington. The US authorities are troubled by heavy gold imports which they have not been able to "sterilise" and the International Monetary Fund dislikes anything that savours of tampering with the price of gold. In the face of these storms the Government have taken back their original proposal and have now announced a new one. They will subsidise each Canadian gold mine to the extent that its production cost exceeds two-thirds of what it was in the year ending June 30, 1947, and to half the extent that its cost of production exceed \$18.00 an ounce. The new plan has been approved by the International Monetary Fund.

The final item on the Government's agenda is its proposal to restrict imports of metals and metal products not otherwise affected by the programme (also moving picture films). While this is another restriction, it is intended to be used in a more positive fashion. No controls under this item are as yet in force. The Minister of Reconstruction, Mr C. D. Howe, will introduce them gradually, industry by industry, after consultation. He intends to introduce restrictions which, while not interfering with capital developments that are nearly completed, will postpone other developments which are largely dependent on US dollars and will divert capital expenditures to Canadian rather than American channels. In these discussions he will bring strong pressure on the industries concerned not only to reduce their imports from the United States but also to increase their exports to the United States.

There is nobody in Canada better fitted than Mr Howe to make this sort of approach to Canadian-American industry—persuasion with a threat of government controls held in the back-

ground. During the war his Department of Munitions and Supply was not only successful in mobilising a prodigious industrial effort in Canada but it was also successful in "integrating" the Canadian war production programme with the American and in persuading the American authorities, under the so-called Hyde Park Agreement, to buy a lot of goods in Canada, thereby relieving its wartime stringency of US dollars. On the other hand Mr Howe was not uniformly successful during the war in purely domestic controls and restrictions.

His wartime control of new construction, in many ways, resembles his proposed control on the use of capital goods; and not long after the end of the war it broke down. There were no general rules. Each applicant was considered on his own merits and this led to all sorts of anomalies both between individual firms and between different parts of the country. Mr Howe's proposed operations should be viewed with mixed feelings.

(This is the first of three articles)

The Rate for the Job

Whoever is Heir or Heiress Presumptive to the Throne should have the rate for the job.—The Rt. Hon. Arthur Greenwood, M.P., in the House of Commons, December 17, 1947.

THE trouble all started when the Labour Party, returning to office in 1955 under a new Prime Minister, after five years in opposition, decided to cut the Civil List to a quarter of what it had hitherto been. The events of 1947 had been carefully noted at Buckingham Palace and in particular the sentence from Mr Greenwood's speech, which has been printed at the head of this article, had given rise to many reflections. Indeed, it is not too much to say that it had opened up a whole new line of thought. The rate for the job? Why not, indeed? And why not secure it in the orthodox manner, sanctified by a century of trade union struggle and beloved of the Labour Party itself? In private, resolutions had been made and plans laid.

So when the attack was resumed in the House of Commons, everything was ready. The first step was to organise. A meeting was called and, with complete unanimity and great enthusiasm, the National Amalgamated Society of Operative Monarchs, Princely Houses and Regal Assistants (NASOMPHRA) was set up. From the start it was recognised that solidarity is the essential strength of any form of direct action, so steps were taken to organise a branch of NASOMPHRA in every Palace or Castle, with a Shop Stuart in charge. When this had been done, the demands of the union were formulated. The first was for prewar rates of pay with a Cost of Reigning bonus and Royal Family Allowances. The second demand was for a 40-hour week. Overtime at the rate of time-and-a-half was to be paid for all hours in excess of 40 per week. Moreover, double pay was demanded when Royalty were compelled to work on Public Holidays, such as Coronations, Royal Weddings and the like. Thirdly, crowns, orbs, sceptres and other tools of the trade were to be at the cost of the employer. These demands, it will be noticed, contained nothing extraordinary or immoderate; indeed, they were the ordinary stock-in-trade of the trade unions. Only one of the usual demands was omitted—for promotion by seniority—since this was already the custom of the trade.

Moderate though they were, the demands were refused outright by the Cabinet, on the ground that they did not recognise the union. If this particular trade wished to organise, they said, it would be welcomed into the Transport and General Workers Union; there was no need for a breakaway organisation, and trade union discipline must be preserved. This reply had, however, been anticipated by NASOMPHRA, which responded by calling on its members to refuse to work overtime. At first, this had comparatively little public effect. There was considerable delay at the Palace in dealing with documents, but the public had been so little used to anything but delay in dealing with documents in other parts of the administrative machine that a bit more attracted no notice. The first time that the ban on overtime excited any general comment was at the ceremonial opening of Parliament. The lunch hour being reached in the

middle of the Gracious Speech, His Majesty immediately stopped reading, pulled out a packet of sandwiches and asked that somebody should switch on "Workers' Playtime."

It became apparent, however, that the overtime ban was not succeeding in its object, so strike notices were handed in. This was a very different story. From zero hour onwards, no documents were signed. Parliamentary Bills neither received, nor were denied, the Royal Assent. Appointments were not confirmed; commissions were not sealed. Exhibitions remained unopened; factories uninspected; prizes undistributed. A Royal Personage persisted in getting married at a registry office, without notifying either time or place. The sudden cessation of the flow of authorised biographies threatened to ruin half the publishing trade. The King, however, in his inexperience of these affairs, did commit one grave blunder. He had very properly refused to open all written communications from his Ministers, holding that this would be blacklegging. But when the Prime Minister presented himself at the Palace, he was not refused admittance, the King confining himself to refusing to receive him royally but merely asking him in for a drink, as man to man. This gave the Prime Minister the chance he had been looking for, to proffer some advice, which the King could not constitutionally reject. And advice was what the Prime Minister proffered, with all his Welsh eloquence and with considerable embroidery. The King was almost overwhelmed, as the House of Commons so regularly is. All he could do was to say that he was not rejecting any advice, he would think it over—if the Prime Minister would let him get a thought in edgewise.

Clearly another such interview had to be avoided at all costs. It was decided to throw a picket line round the Palace. Reinforcements were summoned from the princely houses of Europe. The Society of Authors declared a sympathetic strike, saying that if royalties were at stake, they could not stand aside. The comradeship solidarity was most impressive and next time the Prime Minister's car was seen approaching, a minor Italian prince lay down in the road to prevent its entry. The Prime Minister, remembering the old proverb "let sleeping dogs lie," was forced to retreat.

Gradually the strike had its effect. What finally brought it to an end was the fact that the Government could make no appointments and distribute no patronage. Trade Union leaders could neither be ennobled nor dispatched to govern colonies. In short, the whole fabric of Labour government was in danger of dissolving. The Cabinet gave way all along the line, saving their faces only by the condition that the NASOMPHRA should be affiliated to the Trades Union Congress. This was done willingly. His Majesty, as President of NASOMPHRA, has now sat for some years on the General Council of the TUC and when the Congress meets next year at Brighton, it will be his turn to be Chairman. The Speech from the Dome is looked forward to with keen anticipation; the title has been announced as "What a Rate! What a Job!"

NOTES OF THE WEEK

Parliament Adjourns

The Christmas recess will provide a short but welcome breathing-space for the overburdened legislator. Though the pace has not been quite so desperately hot as during last session, private members' time has again been sacrificed, and the amount of legislation that has gone through the various stages during the past two months is voluminous enough to satisfy all but the most extreme appetites. Apart from the Budget, the only piece of new legislation of a really controversial nature introduced to date is the notorious Parliament Bill which has gone through the full procedure in the Lower House, and now remains to meet whatever fate lies in store for it elsewhere. But the continuation of war legislation conferring upon the Government far-reaching emergency powers, including that of the direction of labour, has caused some searchings of heart not only among the Opposition, but also among the Labour benches. And over the Royal allowances in a free vote, the party followed not the Prime Minister, but its own chairman, leaving the Government in the very undignified position of carrying its proposals by the Opposition vote.

Though some useful but by no means perfect measures have made good progress towards the Statute Book, like the Overseas Resources Development Bill, which has concluded its committee stage in the Commons, and the Local Government Bill, the National Assistance Bill and the Criminal Justice Bill, which have reached the committee stage, the session in general has not added greatly, if at all, to the Parliamentary reputation either of the Government or of the Opposition, with one notable exception. In the debate on the lamentable Garry Allighan affair, the level on both sides of the House sometimes rose above the pedestrian mediocrity to which the public has now become accustomed; but the only figure who has really stood out and undoubtedly succeeded in gaining the respect of the Opposition no less than that of his own party is Sir Stafford Cripps. The new Chancellor of the Exchequer has shown both insight and courage in refusing to prophesy smooth things. Inheriting a Budget from his predecessor in the most unexpected circumstances, he was faced with an exceedingly difficult situation, and it was hardly to be expected that at this stage he would even hint at any variation of policy from that of his predecessor. But the fact that he is now responsible for the co-ordination of the Government's economic and financial policy is certainly to be welcomed. Whether he will be able to grasp the nettle as firmly as the country's situation demands still remains to be seen.

Meanwhile, of the chief measures forecast in the King's Speech for the present session, all but three have now seen the light. There remain to be produced those dealing with Deprived Children, Electoral Reform and the nationalisation of the gas industry. The first of these, which will presumably embody the recommendations of the Curtis Report, should be greatly welcomed, nor will the abolition of plural voting, which is expected to be contained in the second, arouse very deep controversy—except in the case of the University seats. For the nationalisation of the gas industry, it is, of course, possible to make out in theory a respectable case; but would not the Government be well advised to make a success of coal and transport before adding another item to its already overcrowded plate?

Glad Food Tidings?

The abundance of food in the shops, extra rations of meat, sugar and sweets over the Christmas period, and the timely announcement of the restoration of the cuts in butter and bacon in the New Year may instil a spirit of optimism in the British people. Have they, moreover, not been told by Mr Herbert Morrison that they are rounding Recovery Corner? Have they not learnt that coal exports are being increased, and that even the domestic consumer is to receive a little more?

It is unseasonable to sound a note of warning this week, but it is unfortunately still far from certain that, so far as the home consumer is concerned, rock bottom has been reached and left behind. As regards food, which touches the people most nearly, it cannot be assumed that the present and prospective rations are likely to be maintained. To take the Canadian agreement first—the negotiations hinged on the question of which country's dollar reserves should take the strain, Canada's or Britain's. The British Government wanted to prune its dollar purchases of less essential

foodstuffs such as beef, bacon, cheese and eggs. But British purchases from Canada earn American dollars for Canada. In Canada's interests the British stomach has been spared, and the Treasury has agreed to maintain the contracts. The burden of the new agreement has been shifted to Britain's all too slender dollar and gold reserve. Not only have British food purchases not been pruned, but only £11½ million can be paid out of the Canadian loan in the next three months; the remainder (estimated at £25 million) is to be met in either US dollars or gold or by increased exports. Hitherto, one half of Britain's trade deficit with Canada was financed by the Canadian credit. No solution to the basic question has been discovered; the new agreement merely gives a three months' breathing space.

The expansion in Australian agricultural output looks promising. Britain has purchased 80 million bushels of wheat from this year's bumper crop—discussed in a Business Note on page 1056. Probably less than a quarter will be available for the current season's consumption, but it effects a significant economy in dollar expenditure. Greater quantities of eggs, meat and dairy produce are also anticipated from the southern dominions, but apart from eggs, British rations are unlikely to be affected. The problem of feeding Britain is partly one of fitting in supplies from the northern and southern hemispheres to maintain a steady flow. Will there be Danish supplies of butter when the New Zealand supplies begin to tail off, or will the ration be allowed to jump back to two ounces? The need to find European food supplies is obvious. If enough coal is available as a medium of exchange, this should be easier. And the British Government can no longer quibble about prices, unless export prices of coal are also brought into the discussion.

Bargaining with Coal

The prospect of coal being used as a barter commodity for bilateral trade negotiations in Europe will certainly strengthen Britain's bargaining power. Some 10 million tons are expected to be available next year, and of this quantity six million tons will be earmarked for the 16 countries participating in the Marshall Plan. The surplus-producing area in Britain is at the moment the North-East Coast, so that the countries of North-West Europe are likely to benefit first. With Ruhr output well below its prewar level, European demand will for some time greatly exceed British supply, and the only rival suppliers in reasonably large quantities are the United States and Poland.

The official export price, ranging from 75s. a ton according to quality, is indeed high; but, with freight charges added, it is still cheaper and of better quality than American coal delivered to Europe. Moreover, Britain is not asking for payment in dollars, but in indigenous products such as timber and woodpulp from Sweden; flax, steel, zinc and copper from Belgium and the Belgian Congo. Exchange of these commodities for coal would represent a saving in dollars both for Britain and for the other negotiating countries.

Next month, Denmark will probably be made an offer in return for food, and so, too, will the Netherlands. The quantities available to each, and no doubt the actual price, will depend on the quantity and price of the goods offered in return. If British coal supplies are restricted to Western Europe, half prewar quantities could be offered—in any case, the minimum quantity is theoretically in the region of a third of the figure for 1938.

The problem confronting the British Government is how to choose between the various commodities offered, such as 10,000 tons of woodpulp from Sweden and 50,000 tons of butter from Denmark. It is easy enough to pick out the more basic requirements to be met, but at what stage will raw materials give way to food? Is the Planning Board really constructing indifference curves to ensure optimum satisfaction?

Some countries in Europe have, of course, already purchased several months' supply of American coal, and others have entered into trade agreements with Poland. In either case, their demand for British supplies will not be effective until stocks need replenishing or the agreements renewing. Apart from the gain to its prestige, the main advantage to Britain from the resumption of coal exports lies in the possibility of reopening more normal trade relations with Europe and at the same time contributing to its recovery. As Europe's largest single market, Britain is in a position to improve the prospects of multilateral trade by means of bilateral negotiations.

Communists versus Socialists

Heresy-hunting is never a very dignified or productive sport, and it might be disastrous for its electoral prospects if the Labour Party were to switch all its venom from the Conservatives to the Communists. Yet Mr Pollitt has certainly asked for it, and Mr Morgan Phillips, who has called on all Labour Party members to "go out on a great campaign against Communist intrigue and infiltration inside the Labour movement," had no alternative but to accept the challenge.

In the new line, announced by Mr Pollitt a few days ago, the British Communists are, somewhat belatedly, falling in behind the Cominform, Thorez and the Moscow radio. The effect will be to damage the Government where it is most vulnerable—in the rank and file of the trade unions. Thus the Communists threaten to fight for immediate wage advances, at a time when the Government is endeavouring to stem the tide of inflation. They will "organise more effective mass work in the factories and working-class organisations than ever before" to "rouse the workers to a consciousness of the dangers that face them." In other words, through the shop stewards and union officials, they intend to encourage strikes and damage production since, in Mr Pollitt's own words,

the production increases will not be utilised for the benefit of Britain or the people, but will be subordinated to the general aims of the Marshall policy . . . to force Britain to its knees.

Mr Phillips, in his manifesto, points out that the Communists carry no weight with the electorate, but that they can do damage within the trade unions. So far, the Communists, especially among the miners, have been "good boys" and have discouraged strikes and encouraged production. The miners are apparently, though somewhat illogically, to be exempt from the general Moscow orders to make trouble, but the Communists are fairly strong in the engineering industry and in transport, and can have more than the nuisance value to which their numerical strength entitles them. This raises the question which has already become a practical issue in two other countries, whether the trade union movement can in fact tolerate a Communist element in its bosom any longer. In France the CGT has recently split on this very issue, and in the United States Mr Walter Reuther, head of the United Automobile Workers, has swept the board of Communists. Will Moscow or Mr Pollitt in the end force the British trade union movement to follow suit?

Last Chance for France's Moderates

One factor often forgotten in the recent troubles in France is the extent to which the workers and the poorly-paid salariat—in other words, all sections of society below the line of the comfortable *bourgeoisie*—have borne the brunt of France's economic disasters. The rise in prices which has ruined them has made the fortune of peasants and landowners, business men and speculators, and one reason why Communist propaganda fell on ears so ready to listen was that day by day in town or in the countryside the impoverished workers and petty *bourgeois* could see the flaunting wealth of those whom their miseries made richer every day.

It says much for the moderation and good sense of the French working class that, even against this background, the extremism of Communist tactics has been recognised and rejected. M. Léon Jouhaux has split the *Confédération Générale du Travail* and has taken his *Force Ouvrière* out into the wilderness of a fund-less and office-less existence. It will, of course, take months for the new independent movement to gather strength and to organise itself, since the levers of power lie with the CGT, but the first reactions of the workers have not been unfavourable. The white-collar workers in particular may be expected to follow M. Jouhaux's lead. Nevertheless, the extent to which the *Force Ouvrière* can establish itself as a genuine, independent and moderate centre of working-class strength depends less upon M. Jouhaux's leadership than upon events beyond his control.

The decisive event will be quite simply whether anything can be done to stabilise the cost of living and reduce the price of food. The workers, under great provocation, have shown capacity for statesmanship. The question is now whether a similar steadiness and moderation will be shown by the French *bourgeoisie*. The omens are not favourable. The selfishness and shortsightedness which have been shown in the last two years

by all those in France who have been profiting by the abnormal condition of the French economy gives little hope that a sudden change of heart will put an end to their possibly unconscious, but nevertheless perpetual, sabotage. M. René Mayer, the Minister for Finance and Economic Affairs, has, however, now directed his challenge straight at them. The proposals which he has put forward for stabilising the French economy are discussed in detail in a Note on page 1054. Their essence is that all who have profited by the inflation—business men, speculators, peasants, landowners—should now disgorge, either by heavy taxation or by contributions to a new 3 per cent loan. It is estimated that these steps will withdraw one-sixth of the present purchasing power from circulation and help to produce a budget balanced at 900,000 million francs.

But will the new taxpayer pay? The reaction of the Gaullist group, representing the extreme element, has been significant. They demanded a dissolution and new elections, doubtless to allow the potential taxpayers to express their refusal to pay at the ballot-box. But if this reaction proves typical of the whole mass of enriched French men and women, then there is no hope at all for moderate government in France.

Poland's Socialists Stand Fast

The tenacity of Europe's Social Democrats in the most unfavourable political situations, so notably demonstrated in the chronic French crisis, was shown again at the 27th Congress of the Polish Socialist Party (PPS) last week in Wrocław—once known as Breslau.

It will be remembered that the Polish Socialists, in return for a pact of unity and common electoral lists, obtained almost an equal share with the Communist Polish Workers' Party (PPR) in the government formed last February, its Secretary-General, Mr Cyrankiewicz, becoming Premier. The success of Socialist-consolidation of the PPS organisation, alarmed the Communists, who publicly demanded the formation of a single workers' party. When, in his May Day speech, Mr Cyrankiewicz firmly rejected the idea of fusion, the Communists made a series of indirect attacks on the Socialist position. For example, a prolonged campaign was conducted against inefficiency in the Socialist-dominated co-operative movement; and the Socialist Youth was made to join a national youth federation under Communist leadership. Indirect pressure of this type has achieved some successes, but attempts to infiltrate the party itself or to suborn its leaders were frustrated.

In other East European countries similar Communist tactics had produced various results during the last few months. The Hungarian Socialist Party was reduced in influence by electoral fraud; in Rumania the Socialists are completing arrangements for fusion with the Communists; in Czechoslovakia the replacement of Mr Fierlinger by Mr Lausman at the Brno Congress was a decisive and public rebuff to the Communists.

It was in this atmosphere that the Polish Socialists met last week. Mr Gomulka, the Communist Vice-Premier, as the fraternal delegate of the PPR, told them that, although opposition to fusion remained firm among the Socialist leaders, those leaders must be prepared to surrender to a clear demand for fusion from their own rank and file—a statement oddly recalling the strategy of the "United Front from below," which enjoyed its little hour of Comintern favour twenty years ago.

The congress debates can have afforded Mr Gomulka little comfort, for the rank and file did not oblige. Greatest applause greeted Mr Cyrankiewicz's assertion that the PPS is and will be indispensable to the Polish nation, and that his party will not play the moon to somebody else's sun. Speaking on economic affairs, Mr Rapacki claimed that both parties made unique and complementary contributions—the PPS providing the humanism and regard for the individual, the PPR providing the revolutionary élan. Both in the congress and the press conferences, the Socialist leaders emphasised by omission their desire to retain the friendship of western Socialists, though their interpretation of events in France has confirmed their conviction that collaboration with the Communists is the right policy.

Indeed, while the strong affirmation of the Socialist Party's independence may have impressed Western observers more than anything else, it is important to appreciate the sincerity with which its leaders justify their policy of the united front. To them it is correct in principle, not merely an opportunist response to Communist pressure or geopolitical isolation. In an international situation with possibilities of war Poland and the Soviet Union,

and Socialists and Communists in Poland, sink or swim together. If the leaders of the Polish Communists realise that this conviction dominates the attitude of their Socialist colleagues, the PPS may manage to survive the "cold war."

Health Service Negotiations

Almost a year of negotiations between the medical profession and the Minister of Health has apparently only left the position exactly where it was when the results of the British Medical Association's plebiscite of doctors became known last December. The main points then at issue were (1) the abolition of the sale and purchase of medical practices; (2) the right to refuse to allow doctors to join the public service in an area considered to be over-doctored; (3) the salaried element in a general practitioner's remuneration; and (4) the right of a doctor to have an independent hearing in the event of his dismissal from the public service.

When negotiations were resumed last February between the Minister and the profession, Mr Bevan did not refuse all possibility of amending legislation. Yet the upshot of the negotiations is that he has refused to give way on all the four main points at issue. It should be noted that the first three concern general practitioners only. On the objections raised by specialists to the Health Service Mr Bevan showed himself far more willing to make concessions, both when the National Health Service Bill was proceeding through Parliament and in the negotiations that have since been taking place. Thus he now agrees that there should be no limitation on specialists' fees for private patients in at least some of the private beds available in state hospitals. On the other hand, he cannot agree to the BMA's wish, incorporated in a House of Lords amendment but later turned down by the Commons, that the payment of a basic salary to a general practitioner, instead of capitation fees only, should be the exception, depending on the Medical Practices Committee's view of local and individual circumstances, rather than the rule.

There is little wonder, therefore, that the BMA leaders are feeling somewhat sore. If only Mr Bevan had reserved his firmness for the first two points at issue, on which he has a stronger case than has the BMA, and relented over the basic salary and over the proposal that a dismissed doctor should have the right

to appeal to the court, instead of to a tribunal of the Minister's own creation, he might have won the BMA over—at least part of the way. As it is, its Council, which will shortly take another plebiscite of doctors to find out how many are willing to join the Health Service, is advising them to refuse. The result of last year's plebiscite (54 per cent against negotiations with the Minister) was inconclusive, and it may be that the proposed remuneration of general practitioners, now announced and by no means ungenerous, will win over some waverers to the Minister. As against this, Mr Bevan has in the course of the last year become clearly identified as the leader of the pro-Socialist group in the Cabinet, which lends weight to the BMA's claims that, his protestations and reasonableness notwithstanding, he wishes eventually to introduce a full-time salaried state medical service. Neither party to the dispute shows up well after all these months of discussions and only six months before the health service is due to begin.

The LCC's Health Services

Since last summer the local health authorities—county councils and councils of county boroughs—have been drawing up schemes for the health services for which they will be responsible when the National Health Service Act comes into force next July. Unfortunately, they have to a large extent been planning in the dark, for the two other parts of the Health Service—the hospital and specialist service and the general medical service—are also unorganised, and it is impossible, so essential is it that the three parts should be closely co-ordinated, for one part to be completed without those responsible for it knowing how the other services will turn out. For instance, how can local health authorities complete their plans for a maternity and child welfare service without knowing what specialist services and how many maternity beds will be provided by the regional hospital boards? How can they plan health centres, when they do not know either what sort of health centres they are expected to set up or how many general practitioners will be willing to work for them? How can they estimate the demand for the services to be provided, now that a free health service is to be substituted for one in which payment is roughly according to means?

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All these gaps in the data are very apparent in the London County Council's plan. The Council's area is to be divided into nine main divisions, which in their turn will be sub-divided into about 165 health service areas. These will have about 225 health centres from which it is hoped that eventually all the personal health services to be provided by the LCC will be run. At about 170 of them provision will also be made for group practice by general practitioners. But the concentration of the health services in health centres is a very long-term plan. In present conditions the LCC is, probably wisely, remaining content for the most part to use the existing facilities provided by the boroughs and voluntary organisations, supplementing them by new provision where they are clearly inadequate. Even so, the annual cost of the interim plan is estimated at £2,000,000 for a full year from next July. The total for all local health authority services was originally estimated at £12 million. Thus London County, with a population of only 3,000,000, is taking up one-sixth of the estimate for the whole of England and Wales. It looks as if the £12 million was a serious under-estimate, and that the net annual additional expenditure to be borne by the Exchequer in respect of the whole national health service will be far more than the £95 million originally contemplated.

* * *

Oil Warning

The warning from the Ministry of Fuel and Power that last season's coal crisis may be matched this winter by an oil shortage is qualified as nothing to get "unduly alarmed" about. To advise those industrialists who already have the necessary permits to hold up conversion from coal to oil, or to review current authorisations, is not, says the Ministry, "panic action," but mere reasonable precaution. All should be well. This may be so, but once bitten, twice shy—"undue alarm" about coal was being similarly deprecated a twelvemonth ago. The Ministry has, this time, considerably more excuse for any miscalculation it may have made. Coal is a domestic matter; information about output, stocks and transport is under the Ministry's eye and consumption under its control. Oil, decidedly not a domestic product, has a less readily ascertainable output, and the Ministry must compete for supplies—and for the all-important tankers to carry them in—with the whole world, and notably with America, whose recent shift from the ranks of the exporters to those of the importers may in the long run ease the world's dollar problem, but in the short run piles fresh difficulties on the struggling economies of Europe.

But if there is excuse for miscalculation there is, none the less, reason for misgiving. With all its faults, the old competitive system did have the priceless advantage of averaging out errors. Those private businesses which overestimated the probable future availability of fuel would be matched by others which underestimated it, and the net error either way would be consequently reduced. In the semi-directed economy of today, any lack of information or error of judgment on the part of a very small group of public officials—who have not even, as the private business man had, the free movement of prices to serve as a pointer—can be diffused throughout the country's economic life either by direct orders and prohibitions or by a more or less strong advisory pressure. The averaging effect is lost. In a comparatively small way, and, it may be hoped, only to the extent of a warning, last week's announcement confessed and exemplified the chief weakness of an over-centralised economic system. But it is probably too much to hope, that the Government may take it as an indication that they, too, should possibly reconsider some of their conversion plans.

* * *

Threat to the Sudan's Future

The Egyptian Government is doing all it can to delay the association of the Sudanese with the government of their country. It has presented a number of amendments to the proposals of the Sudan Administration Conference and, in his covering letter to the Governor-General, the Egyptian Prime Minister states that his government will not agree to the Sudanese proposals unless the amendments are accepted.

The Sudan Administration Conference proposed—and Britain agreed—that the present northern advisory council and the Governor-General's Council should be replaced by a Legislative Assembly, containing 60 elected and 10 nominated members, and an Executive Council of which at least half should also be Sudanese. The powers of the Legislative Assembly were to be limited for the first three trial years to debating legislation

initiated by the Executive Council. The Governor-General was to retain the full power of veto, and in particular the power to resolve disagreements between the Legislative Assembly and the Executive Council. The appearance of these proposals, which were thoroughly practical and took into account the lack of trained Sudanese administrators and legislators, put the Egyptian Government in an awkward position. It had either to show itself opposed to Sudanese development or to agree to measures which will strengthen the anti-Egyptian Independence Party (the *Umma*).

The amendments which Egypt proposes are briefly—full electoral rights for all Sudanese, regardless of education or political development; a demand for Egyptian representation on the Executive Council; the extension of the Legislative Assembly's powers to enable them to suspend for one session Government legislation with which they disagree; complete control by the Legislative Assembly of the budget; the Governor-General's powers to be drastically curtailed; and all legislation to be submitted to the British and Egyptian Governments for approval.

Egypt has thus got round its difficulty by agreeing in principle to the development of Sudanese self-government, while at the same time insisting on more liberal measures, some of which are so impractical as to make the new constitution unworkable. They would, in fact, bring the Sudan more closely under the control of the Egyptian Crown.

* * *

Yet one or two of the Egyptian amendments are sensible and should be favourably considered by both the British and Sudan Governments—particularly that which gives the Legislative Assembly the power to suspend legislation for one session. This is a moderate suggestion, which would lift the Legislative Assembly above the level of a rubber stamp, and which should instil a sense of responsibility from the beginning. But the amendment which insists that all legislation should be referred back for approval to the two condominium Powers, rather than to the Governor-General, would strangle efficient administration. It would also discredit the authority of the Legislative Assembly and tighten foreign control over the country.

So far commentary in the Sudan on the Egyptian move has been subdued. The pro-Egyptian Party (*Ashigga*), on the whole, consider that the Egyptian Note does not go far enough—though towards what is not made clear; while *Sayed Sir Abdel Rahman el Mahdi Pasha*, the leader of the Independence Party (*Umma*) and son of the Mahdi, has not yet committed himself.

Neither Britain nor the Sudan can accept the Egyptian amendments without further discussion, and it is unfortunate that the rumours of a conference between Sudan, Britain and Egypt have not yet been confirmed. They should, in any case, be referred for comment to the northern advisory council, the only authoritative body of Sudanese at present in existence. But this means still more delay, and it is a pity that Egypt did not agree to the original Sudanese proposals, at least as an interim solution. As it is, the tactics of the Egyptian Government and its continued claim to rights over the Sudan belie its avowed good intentions. Meanwhile, the Sudan Government would be well advised to carry on with its preparations for the new constitution. Any further delay arising from British attempts to propitiate the Egyptians may provoke the Independence Party into a premature attempt to set up a government of national resistance, equally unfriendly to London and Cairo.

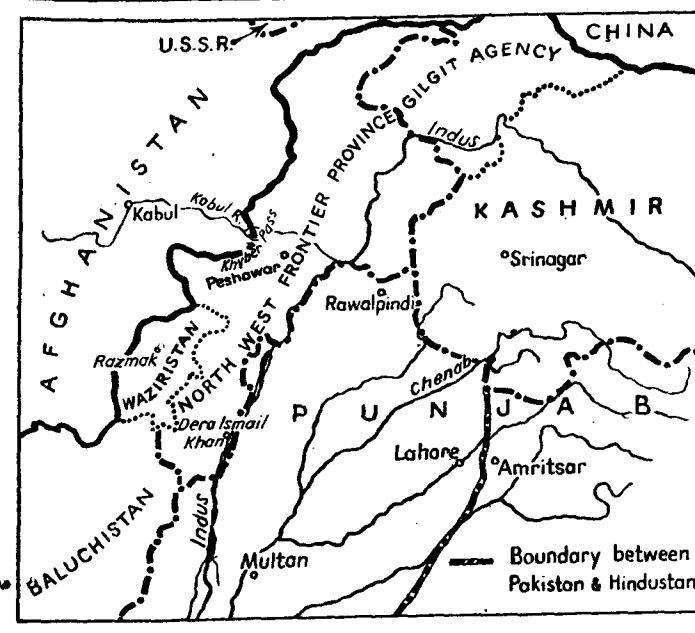
* * *

India's Whitest Elephant

The withdrawal of the Pakistan garrison from Razmak, the fortified camp in Waziristan, removes the grip of large-scale state authority from one of the most intractably barbaric and turbulent regions of the world. The maze of rugged, barren, mountains which lies to the west of the middle Indus is not economically an attractive possession for anyone, and the tribes that inhabit it have such a fierce love of independence that it might seem neither expedient nor morally justified for any external power to interfere with them. Unfortunately the peoples of the frontier are hardly capable of enjoying independence within definite boundaries; the poverty of their highland valleys and the immemorial traditions of freebooting in the plains of India debar them from being good neighbours if merely left alone, and their own internal factions invite foreign intrigue.

British policy in India has vacillated between the idea of containing them by a defensive line in the plains and the alternative

of controlling the tribes by advanced garrisons far up in the hills. Lord Curzon as Viceroy favoured the former course, but it is the latter which has prevailed for the last two decades, and Razmak was the most striking symbol of it—a fortress so isolated that its normal provisioning involved armed convoys on the scale of active warfare. In evacuating it Pakistan has gone back to the Curzon policy; got rid of a military commitment which would be a great strain on its limited resources, and incidentally increased the mobility of its armed forces in case of trouble on its eastern boundary—which the Karachi Government, even with its agreements for military co-ordination with India, cannot yet regard as completely safe. The question is whether the process of taking the lid off the Frontier is one which can be halted at



any predetermined point. Its effect must be to produce among the tribes an impression that the Pakistan regime has not inherited the strength which has so long held them in check and to encourage them to encroachments threatening Pakistan with disintegration. In any case a zone of territory inhabited by warlike people with no constituted authority responsible or recognised in international law can easily become a threat to peace, even to world peace.

* * *

In the long run there is no reason why Pakistan should not have a viable economy and be able to support an efficient military force. But at present it faces great economic difficulties, even more serious than those of India, which are far from negligible. Both Dominions have recently held industrial conferences to work out overall plans for the future of industry in their respective territories. For India this is largely a question of restoring the rate of growth of an industrial system which has fallen into a decline during the last two years; for Pakistan it means creating

industries almost from scratch in what have hitherto been primary producing areas, and creating them with the primary aim of reducing economic dependence on India—a purpose in which India can hardly be expected to co-operate with much enthusiasm. As far as the North-West Frontier is concerned, however, there have been signs that Delhi recognises its joint stake in the borderland beyond the Indus and will help to sustain a burden which may become increasingly heavy.

* * *

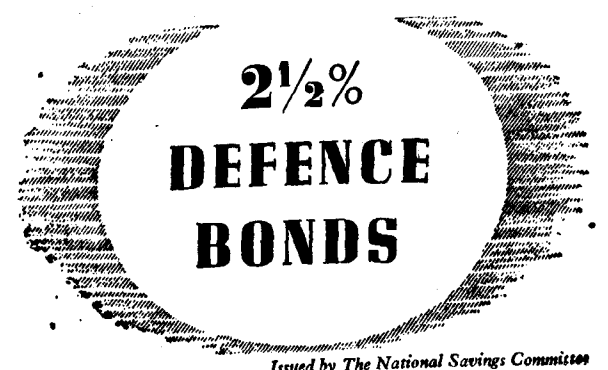
Hail and Farewell

The passing of the railway companies at the end of the year cannot fail to arouse some feeling of regret, even among those who are wedded to the dogma of nationalisation. To the "Railwayman," a peculiarly British species, the moment is particularly tragic. His Augustan age ended with the amalgamations of 1923; but ever since that date he could enjoy the variety—gradually decreasing, it is true—of the four great companies and some joint lines. But now, when even the Great Western, the London, Midland and Scottish, the Southern and the North-Eastern are to be replaced by the monotony of "British Railways," his prospects are indeed melancholy. But "Railwaymen" apart, the dead hand of uniformity is something to be dreaded by a far wider public. Though the companies according to the proverb had neither a bottom to be kicked nor a soul to be damned, they still were in a sense a spiritual entity, and *esprit de corps*—the product of rivalry rather than competition—which may so easily be lost in this merger, counts for a good deal more than the calculators, sophisters and economists of the Labour Party have been willing to reckon—a fact of which many members of the staffs of the expiring companies are today somewhat painfully aware. It is to be hoped, therefore, that the Transport Commission will not insist on imposing an abstract uniformity, even of colour and shape of rolling stock, on the main groups composing the national system.

At this moment of parting it is only fit that a due tribute be paid to that much abused personality, the railway director, who is now due to vanish from the scene and will, "like an unsubstantial pageant faded, leave not a wrack behind." Whatever the defects of the system which he represented, he played an important part in the activity of the companies, and on the whole he played it well. His departmental committees provided a valuable check on what the French call the "professional deformation" of the technician, and it is by no means certain to what extent the Transport Commission or the Railway Executive, as they are now constituted, will be able to find an effective substitute to perform this valuable function. It is in many ways regrettable that no members of the old railway boards have been called on to participate in the activities of the new national organisation, and though from the political point of view this is understandable, it is surely a great pity that the wealth of experience which they represent should be so wholly wasted.

Last, but not least, the railwayman will certainly miss the directors' personal touch, and their interest in the innumerable non-professional activities which go to make up his social life. In this connection it is pleasant to record that the boards of two of the companies with directors' personal funds have contributed as a parting gift a very considerable sum in donations to various railwaymen's social institutions—an admirably graceful and appropriate gesture.

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Letters to the Editor

Palestine Bloodshed

SIR,—I understand an editorial note in your current issue states "Doctor Moshe Shertok, the Haganah leader, who is suggested as Jewish Defence Minister, took a more up to date line when he was reported as having told the press in Jerusalem that 'the basic tenet of our foreign policy must be friendship with Russia'."

Please note I am neither a doctor nor a Haganah leader. The suggestion that I may become Defence Minister is absurd to anyone slightly familiar with functions I normally discharge. Finally, I have not been in Jerusalem for sometime and have never made the statement attributed to me.—Yours faithfully,

MOSHE SHERTOK

(New York—by cable.)

[We offer our apologies both to Mr Shertok and to Dr Sneh, to whom the note on p. 996 of *The Economist* referred. The name of the latter was changed during proof-correction to the name of the former, under the impression that a printer's error had been made. The remark about the foreign policy of the Jewish State should have been attributed to Dr Sneh.—EDITOR.]

Malthus in Manchester

SIR,—In your issue of December 13th on page 948 you refer to the Conservative Party as "a party which, whatever progressive elements it may contain, is too often apt to become the puppet of monopolistic vested interests masquerading under the disguise of free enterprise." Such an outmoded and unwarranted statement has little to do with the facts and is surely not worthy of *The Economist*. A feature of the Conservative Party, which is well known to anyone closely concerned with its workings, is the absence of any influence organised by corporations, interests or monopolies as such.

Moreover, an important section of the "Industrial Charter" deliberately includes specific proposals for dealing with such monopolistic evils as may exist.—Yours faithfully,

R. A. BUTLER

Conservative Research Department,
24 Old Queen Street, London, S.W.1

From *The Economist* of 1847

December 25, 1847

FREE TRADE ASSOCIATION OF BORDEAUX—FRENCH WINES.

SIR,—I . . . have to express to you my most sincere thanks . . . for the goodness you have had to publish . . . the several letters and the note which we sent to you on the subject of the wine duties in England. . . .

Agreeably to your request, I will now, and with the greatest pleasure, furnish you all the information in my power concerning French wines and the wine trade . . .

Of the different sorts of wines produced in France.—The variety of wines produced in France is almost infinite; for the difference is complete, not only from province to province, but frequently from parish to parish, and even from one field to another.

As a consequence of the difference of climate, our wines are more or less rich in alcohol, according as the places where they are grown are more or less to the south, and the climate more or less dry.

Our wines most fit for export are Bordeaux, Champagne, Burgundy, Marseilles, Roussillon, and Languedoc wines.

Of all these, Bordeaux wines are the most easy to keep, and the longest sea voyages, so far from injuring them, greatly improve their quality. In each of the descriptions of French wines very good sorts are found fit for the middle classes of our country at moderate prices, and we think that gradually, if not immediately, they might also be largely consumed by similar classes in England . . .

Burgundy is a very good red wine, possessing much flavour and delicacy, but contains a little more alcohol than Claret. It does not keep near so well, nor can it bear so well sea voyages. Marseilles wine is much warmer than Bordeaux, and red also. Very fine sorts besides (namely, Ermitage), are to be found in the vineyards of the banks of the Rhone. They keep extremely well.

Roussillon wines are extremely warm, of a deep red colour, containing much alcohol. The finest sorts are really very good, and would suit the English taste.

Languedoc wines are very warm, but of a very low quality. Their colour is red.

The superior sorts of Bordeaux, Burgundy, Ermitage wines might be, no doubt, if the duties were greatly reduced, consumed in large and increasing quantities by the middle and rich classes of England.

The lower sorts of the above, and also Marseilles and Languedoc wines, might supply the consumption of the labouring classes in your country as they do in ours. . . .

I have the honour to be, Sir, your most obedient, faithful servant,

ANO. LALANDE, Secretary.

Bordeaux, December 10, 1847.

divided: the former occupied areas (Zone One), Moscow and Leningrad (Zone Two) and the northern and Far Eastern coastal regions (Zone Three). The prices in the formerly occupied areas are the lowest; those in the coastal areas are the highest. The difference between the extremes is 10-15 per cent. Since all prices have been brought down roughly to the low "ration-level," the reform seems to be extremely favourable to consumers, especially to workers and employees with low incomes.

This, however, is only partly true. If the new prices were to be compared solely with the prices that existed immediately before the abolition of rationing, then the conclusion would have to be drawn that the standard of living of the Soviet people has infinitely improved. The essentials remain almost as cheap as, or are even slightly cheaper than they were while rationing was in force; and other consumer goods which could be bought only at "commercial" prices have now become obtainable for roughly one-third of those prices. The picture, however, appears less rosy if it is seen in the light of the very low "ration-prices" which were in force before the increase of September, 1946. A glance at the table below will perhaps make this involved comparison somewhat clearer. The first column in the table gives the present uniform prices in Government shops in Moscow and Leningrad ("Zone II") which differ only slightly from the last "ration-prices." The second column shows earlier ration-prices before September, 1946, while the last column illustrates approximately the "commercial" and "free" prices in the second half of 1946.

PRICES IN RUSSIA

Goods	New Prices in Zone II (roughly equal to the last 'ration-prices')	Ration-prices up to Sept., 1946	Commercial Prices, 1946 (approximately)
	roubles	roubles	roubles
Rye bread per Kg.	3.00	1.00	20
Wheat bread "	7.00	2.30	100
Beef "	30.00	8.00—14.00	70.00—100
Sugar "	15.00	5.00—5.60	60.00
Butter "	64.00	23.00—26.00	200.00—220.00
Milk 1 litre	3.00—4.00	6.50	20.00
Eggs, per ten "	12.00—16.00	50.00—70.00	50.00—70.00
Vodka 1 litre	60.00	60.00	60.00
Cigarettes "	6.30	3.00—6.00	20.00—25.00
Man's suit, non-worsted	430.00	300.00—600.00	1200.00—1500.00
Leather shoes	260.00	200.00	600.00

The new prices compare very favourably with those shown in the third column and very unfavourably with those shown in the second. The present reform is, nevertheless, likely to be popular. The consumer has already forgotten the very low prices for rationed goods which he paid more than a year or two years ago. He took the blow of higher prices last year and is now grateful for the relief that the reform has given him. It should be added that last year's blow was greatly softened through the stepping up of all wages below 900 roubles (per month) by 10-35 per cent, an increase which did not, however, catch up with the rise in prices. On the other hand, when the prices for rationed goods were at their lowest, often the rations were not honoured; and, consequently, the comparison between the present and the lowest ration prices is somewhat unreal.

On balance, the position of workers and employees has considerably improved, though their standard of living is still low. The prices given in the table above should be compared with the average wages and salaries of 500-900 roubles per month. If allowance is made for the value of the lodgings and the social services with which the Russian worker is provided free, or for a very low payment, then the average weekly earnings of the Soviet worker should now represent the purchasing power of £3-4 in this country. This comparison is only a rough estimate, and does not reflect the differences between the amenities available in the two countries.

It is evident that some foodstuffs, like meat and butter, and some industrial goods (shoes) are less accessible to the mass of Russian unskilled workers, even after the abolition of rationing, than they are to workers of the same category in this country. But the skilled worker and the Stakhanovite who earns up to 3,000-5,000 roubles a month may now, after the abolition of rationing, feed and perhaps even clothe better than his British counterpart.

Incentives Intensified

The general improvement in the living standard of the working class, as a whole, is thus accompanied by a widening of the discrepancy between the living standards of various groups of workers. Those with low wages will probably be able to live

slightly better than hitherto, while the earners of higher wages will be able to live much better. This is part of the Government's deliberate policy to intensify the incentives to higher production.

The whole reform explains itself in the light of the campaign, recently initiated, for the fulfilment of the Five-Year Plan in four, instead of in five, years. As the first two years of the Plan have already passed, the programmes of production for three years would have to be carried out in the next two years. The speeding-up of the tempo is in part explained by the fact that some initial targets of the Five-Year Plan had been set too low. Last March, for instance, *The Economist* suggested that this may have been the case with the targets set for the coal industry. This has been officially confirmed by Mr Malenkov. "In July, 1947," stated Mr Malenkov in his speech to the Cominform, "the USSR approached the prewar level in the output of coal, copper, aluminium, nickel, electric power, tractors, lathes and other machines. Eighteen months of work on the Plan have shown that the Soviet Union has the resources to advance a number of industries even faster than anticipated. Some initial targets of the Plan for separate industries are now being increased." However, the speeding-up of the Five-Year Plan would hardly have been possible without some sort of a "new deal" for the working classes. Anybody who has come in contact with Russian workers after the war could easily feel that they resented the peasants' wartime prosperity. This created a certain antagonism between town and countryside, which, although it was politically inarticulate, could not have been ignored by the Government.

Can Prices Be Stabilised?

The effectiveness of the latest reforms depends on the administration's ability to stabilise the new level of prices. This in its turn depends on the supply of consumers' goods to government and co-operative shops and on the degree of efficiency of the Government-controlled trade. The good harvest should have secured a steady supply of foodstuffs, provided that transport and distribution work properly. The prospects for industrial consumers' goods is less certain, though in recent months much more emphasis has been placed on the output of consumers' goods than at the beginning of the Five-Year period.

On the other hand, much has been done in the course of the past year to make the supply of goods to consumers less dependent on the *bazaars* than it had been before. One hundred thousand new state-owned and co-operative shops—many of them run by associations of war invalids—have been opened in the course of the last year. *Bazaar* trade by peasants is still permitted; and price restrictions do not apply there. It is only in the context of the currency and price reforms that the meaning of last year's persistent campaign for the revival and extension of co-operative trade has become quite clear. Only through the network of the newly opened shops can the Government hope to keep prices down. Yet, the *bazaar*-trader remains in action, a virtual competitor with the Government-controlled trade; and the level of prices in the provinces will up to a point depend on whether the Government-controlled shops or the *bazaars* are better supplied with goods, especially foodstuffs.

Between Town and Country

Much of the further outlook depends also on the peasantry's reaction to the reform. The Government has delayed the revaluation of the rouble until the end of the whole agricultural campaign, until its last phase, the delivery by the peasants of agricultural produce to the Government, is completed. If the reform had been carried out in the middle of that campaign it might have caused trouble. The measures by which the Government has sought to enhance incentives to higher output in the towns may have weakened such incentives in the countryside. The difference between the new prices in the town and in the countryside may also act as an irritant. The Government has apparently been aware of the dilemma; and it has given the peasants an emphatic assurance that their incomes from next year's harvest will not be reduced by any new conversions or other financial measures.

What has, in a sense, been impressive in all the reforms now carried out is the Government's ability to manoeuvre between the two basic classes of Russian society: the workers and the peasants. Repeatedly the Government has had to swing now to the one side and now to the other. The pro-*muzhik* policy has, as a rule, been of a rightist shade. Policies favouring the industrial workers have had a leftist colouring. At present, social policy has steered leftwards.

THE WORLD OVERSEAS

Stalin's Switch in Social Policy—II

(By a Special Correspondent)

LAST week it was argued that the latest Russian currency reform has, on balance, enhanced the purchasing power of the townspeople as against that of the peasants. The old rouble has been exchanged for the new one at the rate of ten to one. Wages and salaries have remained stationary. However, currency and wages must now be analysed in the light of the new structure of prices, which forms part of the reform.

The price structure presents a complicated and confusing picture. It should be noted, first, that the abolition of rationing in Russia does not really mean any abolition of price controls. Over a wide field of Soviet trade these remain in force. The Government controls the entire wholesale trade and most of the retail trade, too; and it fixes the prices. Part of the retail trade in foodstuffs and other consumers' goods is carried on by collective farms, individual members of the collective farms and by members of co-operatives. In that sector of the trade prices have at no time been subject to any control. It is impossible to say what proportion of the retail trade is carried out in the private sector,

except that during the war that proportion was high and that now it has shrunk considerably.

Until last week two levels of prices existed in Government-controlled trade: very low prices for goods bought on the ration and very high "commercial" prices for all sorts of goods, the unrationed ones as well as the rationed ones, if they were bought "off the ration."

Official policy since the end of the war aimed at closing the wide gap between the two categories of prices. The "commercial" prices were steadily forced down. In September, 1946, the ration prices were raised by 200-300 per cent. At present the "commercial" prices have been abolished altogether. All state-owned shops are now to sell their goods at single prices which have been fixed roughly at the level of the latest (the increased) ration prices. There will be a difference in the prices of some industrial goods that will be sold to rural consumers, about 10 per cent dearer than to townspeople. Prices of foodstuffs will also vary slightly between the three zones into which the whole country has been

The Danish Socialists Return to Office

[FROM OUR COPENHAGEN CORRESPONDENT]

YOUNG men have taken over the Government in Denmark. The third generation of Social Democrats has formed the new Cabinet. Its head is the 44 year old Hans Hedtoft. In most key posts are equally young men. No one will envy them the circumstances under which they have come to power. It is true that they gained considerably at the elections in October, but their chief opponents, the former Prime Minister, Mr Knud Kristensen's Agrarians, whom they had defeated in the Lower House through a vote of non-confidence on the South Schleswig question, also gained. The only bright spot for the new Premier is that the strength of the one party with which he cannot collaborate—the Communists—was halved (from 18 to 9 seats). But the basis for a stable coalition Government has not been found. Denmark goes from one minority Government to another. The old one was theoretically Liberal, but had to increase restrictions. This one, although Social Democrat, will certainly not be able to go in for nationalisation, nor for very much more planning than there was before. No Government in Denmark can today carry out a policy in strict accordance with its ideals. Everyday economic problems—production and export, lack of coal, feeding-stuff, raw materials for industry and agriculture—are the overwhelming questions for any Government.

Severe Test Ahead

The new Government will, if it is lucky, have just enough time to conclude a series of new trade agreements, preferably with Great Britain, but also southwards and eastwards, before the next big economic question is at its door. For on March 1st all workers' agreements expire. The trade unions have already stated their claims. With increased wages, longer summer holidays and shorter working hours, they mean an increase of roughly 25 per cent. The employers' union flatly refuses any increase. For many years before the war the Social Democrat Government, which had been in power for 15 years, always managed to get labour disputes settled through the state mediator; in emergency cases the mediator's proposal was made law. Mr Hedtoft, pressed by the Communists—who, although considerably weakened in Parliament, are still very powerful in the trade unions—will find it more difficult to interfere. Prices have definitely risen, and the workers may be entitled to some increase. But, on the other hand, too big an increase will hamper the export trade. This wage dispute will be the new Government's real test.

Immediately after the war the Social Democrats issued a programme, "The Future Denmark" (written by the present Minister of Trade, the 33 years old Mr Jens Krag), which advocated planned economy and nationalisation on the same lines as the Labour Party in Great Britain. The party lost heavily at the 1945 elections, and the programme has now definitely been put aside. The party realises that the time is not yet ripe for greater revolutions. While the leader of the Communists, the very clever politician, Mr Aksel Larsen, continues to cry: "Take it from the rich and give it to the poor," the Social Democrats have realised that there are not very many rich men in Denmark today, and that they, or at least most of them, are doing a good job for production. Increased production is the slogan now, and the Social Democrats realise what outstanding work industry has done in transforming the Danish community to what it is today. Eighty years ago Denmark was almost entirely an agricultural State. Today industry employs more than 50 per cent of the workers. There is, of course, still a difference of opinion between Social Democrats and Liberals on how the good (and evil) things are to be distributed amongst the population, but the Social Democrat Party is today more Liberal than Socialist. Denmark need not expect any great Socialist experiments—and this is not only due to the fact that it is a minority Government which is in power. The new Minister of Finance, Mr H. C. Hansen, will never follow the revolutionary line of fiscal policy which his colleague in Sweden, Mr Wigforss, took immediately after the war.

Family of Labour Governments

With the return to power of the Danish Labour Party, the three Labour Governments of Scandinavia are a happily reunited family. The old tradition from the days of Nygaardsvold (Norway), Per

Albin Hansson (Sweden), and Th. Stauning (Denmark) can be taken up again. Their efforts will now be concentrated more on showing the ability of their system to work under changed circumstances rather than on new Marxist experiments. The general Scandinavian tendency is towards further practical cultural co-operation—of limited scope and purpose. There are frequent meetings of Ministers and high officials of the Northern countries to discuss professional and economic questions. Plans have been discussed for giving citizens of one Scandinavian country the same rights in others, for providing standard university degrees and the exchange of students and teachers, and for unifying social legislation so that workers may have the right of employment anywhere in Scandinavia. A nordic customs union has also been discussed, whereas there is some difference of opinion on the idea of a west European customs union. Denmark feels that owing to its close trade relations with Great Britain its place should be within a western European union, if one comes into being. But Norway and Sweden are more reluctant. Even the idea of a nordic defence union was once on the agenda—whether it was practicable or not—but seems now to be barred owing to Russian objections.

The Scandinavian Foreign Ministers always meet before the meeting of Uno to discuss common procedure. So they did in the old days of the League of Nations. But it was rather a shock when Denmark had recently to agree to elect a member to the five-man Commission of Palestine, Norway having refused and Sweden being ineligible because it had been a member of the investigation committee. Many Danes felt that, although this had to be considered as a public duty, Denmark had already sufficient foreign problems to deal with, among which the South Schleswig question stands out. Yet the importance of this question is greater for home affairs than for foreign. It was the former Prime Minister's desire for an "active" policy on South Schleswig and his demand that the frontier question should be solved by a plebiscite that caused his downfall. Resentment at this was recently expressed in his attack on the efficient Foreign Minister, Mr Gustav Rasmussen, a career diplomat. Mr Rasmussen was alleged to be a "doublecrosser" during a scene almost without parallel in the Danish Parliament. The reason for this outburst probably lies in the fact that, since Mr Rasmussen remains Foreign Minister in the new Socialist Government, his policy appears to have changed. In so far as the attack was personal, however, it may be said that his personal views are the same. But the policy he has to express for his new masters necessarily differs from Mr Kristensen's personal opinions. Quite apart from the rights and wrongs of the politics of South Schleswig, Mr Rasmussen certainly deserves credit for prevailing on the countries concerned to reduce, by one third, the 200,000 German refugees in Denmark at the liberation.

Americans Still in Greenland

When Denmark was liberated in May, 1945, three Allied Forces were on Danish soil. The Russians were on the Baltic island of Bornholm, the British in Jutland and on the islands, and the Americans in Greenland. The two former left as soon as their tasks were over. Not so with the Americans. They had occupied Greenland in 1941 (before the United States entered the war—but in agreement with the Danish Minister to Washington) to protect it "against the present dangers for the American continent." The Danes feel that this danger is now over, and Mr Rasmussen, the Foreign Minister, has opened negotiations to get the agreement terminated. The Americans still possess four bases in Greenland, and are unwilling to withdraw as they do not believe that Denmark will be able to maintain the necessary bases. Equally Danish official circles realise that Denmark, physically and economically, will not be able to maintain the bases—although some experts say that it could be done with a mere 800 men.

The Danes certainly do not feel that they are "inside the Iron curtain"—and they have no reason to feel it—but they realise that in some ways Russia has taken the place of Germany before the war. And in the Greenland question especially they feel they are between Scylla and Charybdis. What many Danes want—feeling is that the United Nations should do so. But it will take time for Uno to assume this responsibility. For the moment Denmark plays for time.

Denmark is—as the war proved—in a very difficult geographical position. It has suffered from German aggression several times during the last century, and a primitive feeling would be that Denmark—like France—should first of all look for security. But for the sake of political and economic stability in Europe many Danes now seem to follow the line of the British Labour Government: that the rebuilding of Germany is the most urgent problem for Europe today.

AMERICAN SURVEY

D-Day for the Plan

(From Our US Editorial Staff)

MORE productive than most mountains, the Administration, after labours which have earned the admiration of all who have watched the State Department's lights burning until three or four in the morning, has brought forth what may be a volcano, but is certainly no mouse. President Truman takes time to make courageous decisions but always seems to make them in the end. The European Recovery Programme, as it finally reached Congress on Friday, shows little evidence of the efforts made to emasculate it by those, within and without the President's circle, who either did not believe in it or were fearful of its effect on the elections next year. The fate of the Interim Aid Bill cannot have given him any great encouragement. If the statesmanship of the Senate, under the wise leadership of Senator Vandenberg, was a heartening surprise, the antics of the House were depressing. The final compromise on appropriations allotted \$522 million to France, Italy and Austria and earmarked \$18 million for China.

The debate in the House of Representatives on emergency aid is a useful, if gloomy, guide to the fate of the Marshall Plan—for it is in the House that its fate will be decided. The Senate Foreign Relations Committee will no doubt report a Bill differing from the draft which the Administration has offered, but the changes will not destroy its essential flavour. Nor will the full Senate amend all the strength out of it. But Representative Eaton did not have enough control of the Foreign Affairs Committee of the House of Representatives to avoid either the reduction of the amount of interim aid asked for or the introduction of China. On the floor of the House there was no leadership at all.

The questions which must be decided during the next three months are: Will any European Recovery Programme be passed? Will the financial authorisation be so reduced that it is left as only a relief programme? Will its administration be made unworkable by restrictive amendments? There is room for alteration to the President's suggestions without destroying the Marshall Plan—but not a great deal. The Administration's draft Bill has obviously kept close to the recommendations of the Harriman Committee. Amendments in Congress—those, that is, which are intended to be constructive—will be based on the Herter Committee's various reports and, in particular, on their draft Bill. Each side, as is only natural, will be backing its own team of experts.

There is no doubt that something called the European Recovery Programme will complete the obstacle race through Congress, though the votes in both Houses on the Interim Aid Bill may be deceptive, since only the irreconcilable opposition has come out into the open. The vote of 313 to 82 in favour of the bill in the House when it came out of conference with the Senate is valuable but misleading. The sponsors of ERP avoided a roll-call on the first vote in order to take one on the agreed Bill. They hoped for, and got, a larger majority than they would have done three days before. They wanted the largest possible majority, partly to encourage Europe to hang on and partly as a precedent.

The most serious danger will come from reductions in the amount authorised or appropriated year by year, beginning with the \$6.8 billion asked for to cover the first fifteen months after Interim Aid. There is little room for any cuts without severing the arteries of the whole plan. The State Department, in their explanation of their estimates, gave a stern warning that they had left no fat and that further austerity in Europe would be self-defeating. They have already reduced Mr Marshall's

original "something less than seven and a-half billion for the first period and between sixteen and twenty billion for the whole four years," but the reduction is more apparent than real. The Stabilisation Fund has been postponed for action at a later date and through other channels, thereby removing \$3 billion from the immediate struggle. On the first appropriation \$822 million has been scheduled for the Army "for the prevention of disease and unrest in Germany." Had it been included, the total would have been very close to \$7½ billion. It remains to be seen whether the Army will be any more successful in getting money than the State Department. While Interim Aid to France, Italy and Austria lost 15 per cent in the House Appropriations Committee the request by the Army for funds for occupied countries was cut by over 50 per cent.

If recent experience is any guide, there will be attempts to make cuts when the authorisation Bill is before the House—which may be successful—but the worst damage will be done by the Appropriations Committee. In theory, but no longer in practice, the Bill which authorises a programme settles its content. The Appropriations Committee should only decide whether the funds requested for carrying it out are adequate or excessive and vote what it considers the right sum. In fact, thanks to the tradition of having parsimonious and influential old men as Chairmen of the Appropriations Committee of the House, it has become a policy-making body with supreme powers. By refusing funds it can destroy a programme agreed and authorised by the House in full session. If it seems strange that the House should meekly allow one of its Committees to arrogate to itself such powers, it should be remembered that the Committee does a great deal of hatchet work for the House which the House prefers not to do itself.

The most curious spectacle—and the most perilous for the Marshall Plan—during the debates on the emergency aid was that of the House howling down an amendment designed to restore a part of the sum which it had itself authorised a few days before. The cuts the Appropriations Committee had made were largely at the expense of the Export-Import Bank, and the Committee's Chairman, Representative John Taber, announced that France and Italy should spend all their available funds on food and fuel and take no notice of their external obligations. Before the Economic Co-operative Act of 1948 becomes law there will be many irresponsible adventures of this kind, any one of which may cripple European recovery.

Amendments—some of them offered with the greatest goodwill—which may make the programme administratively unworkable will be produced in hundreds. Even in the Senate some of them may escape Senator Vandenberg's firm grip. The 30 votes given in favour of an amendment to reduce the amount of interim aid to \$400 million is probably, however, the maximum which any suggestion obviously intended to affect the efficacy of the programme will get. In the House there are many kinds of

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amendment which may get a majority. The biggest fight will come over the form of administration. The Herter Committee is a House Committee, and it has recommended an Emergency Foreign Reconstruction Authority with a board of directors working with a Foreign Aid Council. In contrast to this cumbersome mechanism the President has asked for an independent agency with an Administrator at its head. Although the House will want to stick to its own Committee's guns, there will probably be a compromise at this point, but there will be a long and bitter fight, particularly in an election year, over the appointments. If the President has his way and there is a single head, Mr Clayton would be the obvious choice. As he would probably prefer not to accept such a long and difficult job ex-Senator LaFollette is the likely alternative. He would have the advantage of knowing the problem intimately, as he was responsible for the drafting of the Harriman Committee's Report and therefore for much of its quality.

It is doubtful whether the House will give up without a struggle its favourite idea of trustees in each participating country to look after and dispose of the funds in local currency to be created as counterparts of the aid received, or whether they will look favourably upon the suggestion that strategic materials for stockpiling should be paid for by the United States instead of being supplied in the future against grants given during the next four years. Apart also from these foreseeable alterations to the Administration's programme, there are the unpredictable amendments of which, during the debate on interim aid, the proposal that the American Red Cross should be made responsible for the whole programme was an example.

Any measure which starts on its way through Congress seems, to the outsider, doomed to disaster or decay. Yet, over the last fifteen years, there have been few important ones which have not triumphed in the end—after moments when they have been given up by even their most ardent supporters. This time Mr Truman has given Congress all the material it needs to make up its mind and two weeks in which to study the material before the Committee hearings begin. The Bill has been admirably drafted and the State Department's supporting evidence is clear, simple and precise. Many of their recommendations run counter to established prejudices, but they avoid the pitfalls of complication which would have made the programme even harder to carry out than it must inevitably be. The future of Europe is now in the hands of Congress.

American Notes

Congress Goes Home

When the Special Session closed last week-end President Truman had gained no more than the briefest consideration—and dismissal—of the domestic anti-inflationary programme for which he appealed in mid-November. But, despite this rebuff, which was certainly no more than expected, Presidential strategy has been well justified, and Congress has done some very useful work. The adjournment was accompanied by a barrage of favourable press comment upon the skill and timing of the Administration's proposals for the longer-term plan for Europe (discussed more fully on the previous page) and the usual last-minute compromise between House and Senate on issues of first-class importance had resulted in a successful vote for Mr Truman on the Interim Aid Bill. The House Appropriations Committee has succeeded in scaling down the relief total from \$597 million to \$540 million, and in reducing the army vote for foreign relief by \$100 million; but the bulk of the funds has been voted, and aid for China, which at one time threatened a severe cut in the vote for Europe, has been held down to a nominal \$18 million.

On the domestic programme, the President has not succeeded so well. The Republicans' anti-inflation Bill authorises the continuance of export controls, some powers of allocation for commodities in short supply, continuing regulation of transport, and, in its most contentious clauses, provision for voluntary agreements between government, industry and agriculture, including price-fixing arrangements that would otherwise fall under the ban of the Sherman anti-Trust Act. Presumably, it covers also proposals to restore higher gold reserve requirements for the Federal Reserve Banks.

This admittedly modest reinforcement of existing authority would be wholly acceptable to the President but for the provisions providing release from the restraints of anti-trust action. Mr Truman has stated publicly that he will not accept any such measures, a declaration which could only mean that he was then prepared to veto the present Bill. If he does so, however, he will scarcely do more than to solidify Republican opposition next session, and he is most unlikely to secure any further powers—at least at this stage. His political position is the more difficult in view of the support given earlier to price-fixing agreements by Mr Averell Harriman, Secretary of Commerce. While "monopoly price-fixing" is the current obsession of organised labour (and thus of a formidable section of Democratic Party voters), the President would be risking a great deal by renewing his formal opposition to a measure by which he retains some safeguards and which will scarcely alter the actual position prevailing for a long time past.

Commodity "Gamblers"

Apart from many other pressing duties Congress has now taken upon itself the task of "cleaning" the commodity markets, where the volume of dealings has recently been double that of 1946, and at the highest level recorded since the ill-fated commodity boom of 1919-20. Two committees are expected to begin hearings if possible before the regular session opens on January 6th.

President Truman and Mr Clinton Anderson, Secretary of Agriculture, have been pressing Congress for some time to grant new regulatory powers to the Commodity Exchange Administration. But the legislators showed little interest until quite recently when disquieting rumours began to circulate on the extent of commodity dealings by Mr Edwin Pauley, a personal friend of Mr Truman, and now special assistant to the Secretary of the Army. Mr Pauley (whose earlier activities have shown a remarkably close link between private interests and public office) has revealed extensive holdings in the grain markets. He has since explained that those interests were taken before his assumption of office, and that subsequent dealings have done no more than to reduce his holdings "at great personal loss." On this showing, Mr Pauley's transactions were unwise, but they were certainly not so black as his accusers allege, and by no means beyond the boundaries of the law.

Up to this stage the Republicans were making all the running, largely on the initiative of Mr Harold E. Stassen, the Presidential candidate. And this may explain the apparent reluctance of the Senate, until a few days ago, to widen the scope of the inquiry beyond Mr Pauley's own personal transactions. This wider investigation will now take place, and it is reported that "inside dealings" will involve at least one former member of the Cabinet and Congressmen of both parties.

The national press will no doubt be enlivened in the near future by sensational charges against individuals. And it is clearly desirable that a complete investigation should now be made. There are, none the less, many real dangers in such a political witch-hunt. The revelation of substantial profits from speculative deals can always be relied upon to produce a great deal of irrelevant evidence, and a degree of public indignation which, however righteous, lacks an automatic corrective in the form of some discriminatory knowledge concerning the economic function of the exchanges. Determination to "fix the blame" and condemn the speculator can result in measures which impair the flexibility, and thus the general value, of commodity trading. The private interests who refused so stubbornly to impose more than nominal margin requirements on futures trading may pay on heavy price for a few speculative successes in the bull market of 1947.

Third Party Plunge?

The Progressive Citizens of America have at last formally endorsed the formation of a third party and have asked Mr Henry Wallace to head the ticket. Mr Wallace has not said yes, and he has not said no (though all his recent speeches show him as absorbed with the idea as a child with a new toy); but the suggestion alone has split the PCA, already a Liberal fragment, from top to bottom. Its vice-chairman, Mr Bartley Crum, has resigned; so has its co-chairman, Mr Frank Kingdon; and the Amalgamated Clothing Workers, which provide its main union base, have indicated that they will withdraw from the American

Labour Party if it becomes Mr Wallace's vehicle in New York State.

The prospects of a successful third party have never seemed more remote. If Mr Wallace accepts PCA's invitation, it can hardly be with any illusions that he will end up in the White House. On purely technical grounds, the attempt to get a third party on the state ballots should have begun months ago. According to the temper of the observer, therefore, Mr Wallace's adventure becomes either a Don Quixote foray, or, as one figure in the American Labour Party has charged, the instrument of Communist political blackmail against Mr Truman's foreign policy.

The question is, if Mr Wallace insists on tilting at windmills, just how much of a nuisance value will he have? The Democrats take it with some seriousness; it is less than a fortnight since Mr McGrath, the new party chairman, extended an olive branch to Mr Wallace. The Congress of Industrial Organisations, which in the past has given Mr Wallace steady support, is visibly alarmed lest a third party should draw off enough votes in New York and California to ensure not only a Republican victory in those crucial states, but to encourage the Republicans to run even more conservative candidates—for Congress as well as the Presidency—than they would otherwise have adopted.

The PCA plunge may, in the end, unite rather than split the Liberal vote. PCA itself is, after all, only that section of the progressives who were willing to accept Communist support. Given the CIO's big push against Communists in its ranks, Mr Wallace's supposed ability to swing crucial segments of the vote in the big cities may never materialise. He may, indeed, score his greatest effect in the Middle and the Far West where pacifism, however disguised, exerts its strongest pull and the lunatic fringe is most evident. From the speed with which many of Mr Wallace's fellow-travellers are deserting the ship, it appears that the fear of a Wallace candidacy may prove a substantial contribution toward ranging all but the irreconcilable firmly behind Mr Truman.

Education for Survival

The Commission appointed by the President in July, 1946, to examine the status and functions of higher education has just made public its first report on the objectives that higher education ought to serve. Five other volumes are to follow. This is a document highly critical of American educational achievements: it demonstrates again many Americans' admirable capacity for criticising their own institutions more mercilessly than any foreigner could do.

The Commission holds that the chief goals of education, which must be achieved if democracy is to survive in this atomic age, are to educate for a fuller realisation of democracy in every phase of living, to educate for international understanding and co-operation, and to educate for the application of creative imagination and trained intelligence to the solution of social problems and the administration of public affairs. It finds that higher education in America has fallen short of these objectives through what it teaches, by insulating education from life, by allowing over-specialisation in its curriculum and leaving the general ends of good citizenship to take care of themselves; and by restricting the numbers of those who can take advantage of a higher education. In part this is a matter of discrimination as expensive as it is senseless; it ranges from the frank denial of opportunity to the negro in the South to the more genteel quota system practised against Jews and negroes at more emancipated centres of learning.

American education is already big business. The Commission would make it bigger. The belief that an intellectual elite is all that is necessary in a democracy, however, is specifically repudiated. In 1900 about 500,000 were enrolled in colleges or universities, about 4 per cent of the population, age 18-21; in 1940 the numbers had risen to 1,500,000, or 16 per cent. This year the total rises to the staggering figure of 2,354,000 if one includes the million veterans making up the deficit of the war years. The Commission would raise the number to 4,600,000 by 1960, through elimination of discrimination, making education free through the first two years of college, and expanding scholarships. It urges a redoubled programme of adult education.

Ends are less subject to dissent than means; and it is when the Commission publishes its detailed findings on how to eliminate discrimination, how to reconcile Federal funds with academic freedom, how to attract capable teachers, and how to reorganise the curriculum that the fur will begin to fly. Four Southern members have already dissented from the report's finding on discrimination. The full report of the Commission is bound to be an invaluable source of information on present practices and

their correction. One hopes it will be as enlightening on the fundamental democratic problem of how quality is to be reconciled with quantity.

Long-Range Budget

As national income mounts steadily, the apostles of tax reduction become still more clamorous in their demand that any Bill for Marshall Aid shall be within limits determined at least in some measure by the need for concessions to the domestic taxpayer. The Treasury maintains its formal opposition to these demands, but it presumably realises that some ground must be conceded, and it has admitted that industry might be curbed in the future by a belief that rates are unduly onerous or unfairly distributed.

This short-term debate will be sharpened over the next few weeks as the cash surplus reaches its seasonal peak, and as earlier Budgetary estimates are outmoded by the still rising flow of revenue from all sources. The Treasury, however, is more concerned with the longer-term impact of fiscal policy, and it is on this plane that some of the most useful work has been accomplished over recent months. For example, the Committee for Economic Development (an influential body of private business men and economists), while suggesting that short-term tax adjustments may be desirable, places most emphasis upon the need for a long-range Budget, based on the presumption that tax rates can be stabilised for long periods.

These estimates provide for a Federal Budget of about \$30 billion a year in the 1950s, and CED has elaborated a long-term tax schedule designed to ensure that, in years of relatively full employment, there may be a cash surplus of about \$3 billion devoted to debt retirement, while in years of indifferent business a modest deficit would exert a stabilising influence. Rates would be maintained, despite the precise effect on the Budget in any one year, corporation taxes would be reduced quite sharply, and some further relief would accrue to middle-class incomes. On excise taxes, CED makes the radical suggestion that yields be cut by about 50 per cent. In many respects, its recommendations differ sharply from those put forward by a House Committee, under the leadership of Mr Roswell Magill, a former Treasury expert. The House Committee would apparently raise rates, even through periods of depression, in an effort to maintain a Budget balance, and would increase excise duties.

The report of the Magill Committee may contain some useful hints for present inflationary conditions, but it seems altogether to ignore the need for a decisive reversal of policy at a later stage. Apart from debate concerning the precise level of the Federal Budget, the main criticism attaching to the CED report would seem to lie in the implicit assumption that what it terms a "long-range planning and self-regulatory stabilising programme" is in itself sufficient to ensure an automatic regulator over the entire economy. Prewar evidence, and probably recent experience, tends to suggest the need for a more positive as well as a more flexible approach. The CED has none the less performed a valuable service if it succeeds in persuading Congress that fiscal policy will in the future need a far more constructive attitude than a simple debate on tax relief.

Shorter Notes

In its first 1948 forecast, the Department of Agriculture estimates winter wheat output at 839 million bushels, against an actual crop of 1.1 billion this year. The 1947 total for winter and spring-sown wheat was 1.4 billion bushels. Acreage is higher than in 1947, but the Department (assuming "normal weather" from now on) predicts a fall in yield from 18.4 to 14.3 bushels per acre.

The bituminous coal industry is showing some alarm over a new demand by Mr John L. Lewis, head of the United Mine-workers, for an annual pension of \$1,200 for all workers in the industry reaching the age of 60 and with 20 years' service record. Apart from costs (and some unofficial estimates suggest a figure as high as 40 cents a ton on present output), it is alleged that about 10 per cent of the labour force now reaches the proposed retiring age in each year. The strategic position reached by Mr Lewis and the favourable terms of his present contract find reflection in his statement that a refusal "might create a national emergency."

THE BUSINESS WORLD

Films and the Future

TO outward appearance, there is nothing very sensational about the Cinematograph Films Bill. It has been under discussion for the past twelve months, in anticipation of the expiry of the 1938 Act next year. Like its predecessors, it is a ten-year measure, of an interim, administrative character. It breathes no hint of the crisis in the British film industry—of the cessation of the supply of American films from which exhibitors have earned the bulk of their profits in the past, or of the serious financial predicament of the film producing side of the Rank Organisation. In this sense, the Bill might be described as four months out of date, for since last August, when all imported films began to be taxed at the rate of 75 per cent of their anticipated net proceeds, exports of films from America to Britain have been stopped by the American producers. The troubles of the British film producing industry—or of a major section of it—have been publicly disclosed only within the last week or two, but they date back many months earlier. The two main questions to ask of this Bill are whether it represents a useful advance on the two earlier Acts, and whether it goes far enough in recognising the urgent needs of the British cinema industry today.

The main changes in the line of descent from earlier legislation are concerned with the quota arrangements. The renter's quota goes, and to that few will not say good riddance. The renters' quota required the film renters—these are the distributing organisations that come between the producers and the exhibitors—to buy or make for distribution in the British market a given proportion of British films to the total they handled—the 1938 Act provided for a gradual rise in the renters' quota from 15 per cent to 30 per cent. Of course, the war upset these quota arrangements; the British film industry in 1946-47 made only 107 "long" films (that is, films over 3,000 feet, which include features and second features) which was only four more than in 1938-39 when the present arrangements started. In any event, the renters' quota was responsible for the making of a number of films in Britain which could hardly be fairly described as British films. A growing British film industry could not do without the exhibitors' quota; but it should not lament the disappearance of the renters' quota, particularly at a moment when the British film industry can make full use of the technical resources and studios in this country.

But some important and desirable modifications are to be made in the exhibitors' quota arrangements. Instead of the separate quotas for "long" and "short" films which were provided under the 1938 Act, the new Bill proposes separate quotas for "first feature" films (it has already been seen that these are not identical with "long" films) and for other films. The "first feature" quota will be calculated on the number of days on which "long films" are shown, and will lay down a percentage of days when the "first feature" must be British. To be a "first feature," a film must be either the only long film exhibited, or if there are more than one, that which carries the biggest daily rental, or if the long films are of equal rental, the one which is shown last. This is an ingenious method of increasing the length and quality of British films; it will encourage the production of "features" and not merely "longs," for many of the latter were merely supporting films of dubious quality.

The second part of the quota arrangements governs the show-

ing of "short" films and "longs" other than those shown as "first features." This quota will be governed by the total footage of such films played in a quota period. There are two important procedural changes for both quotas. First, the quota periods are to become six-monthly instead of yearly; secondly, the quota percentages (of days for "first features" and footage for others) are not being laid down in the Act, but will be determined from time to time by the Board of Trade, and will have to be passed by affirmative resolution of both Houses of Parliament. This method will ensure a degree of flexibility which the earlier Acts hopelessly lacked. There may be some room for argument whether six months is not too short a period, having regard to the length of time which is taken both in producing and exhibiting films. But better a review every six months than a hard and fast series of percentages laid down ten years in advance by statute.

Yet while these general quota provisions will apply to a majority of cinemas by number, they will not apply to those cinemas which cater for the poorest public or the biggest public. Of the 4,750 cinemas in this country, it is reckoned that perhaps 2,000 are of good modern standard. The rest are small, locality, houses which deserve none of the superlatives of the industry and show old films of poor quality. Any of these small houses which takes no more than £100 a week (after deducting entertainment duty) will in fact be relieved of all quota obligations. Thus, to take a simple example, a small house which opens on six days a week and sells 450 seats a day at an average price of 9d. will not be bound to observe the two quotas.

Of the 2,000 cinemas at the other end of the scale, half are under the control of the Associated British, Odeon and Gaumont British circuits. The Bill provides that cinema groups of more than 200 cinemas—each of these groups exceeds that size, Associated British by 250, Gaumont by 100 and Odeon by 50—will be liable to higher quota rates. These will rank as "special quota theatres." So will "first run" houses which show films before general release—the West End shopwindows controlled to a large extent by American film companies. Moreover, the Board of Trade may in future refuse to license any further cinemas which may be acquired by these large groups—thus giving statutory force to an informal understanding which Sir Stafford Cripps reached in March last year with the three big groups. The Bill also provides that "special quota theatres" may be required to show up to six British films as first features, after they have been certified as suitable for such exhibition by a selection committee to be appointed by the Board of Trade. This again writes into legal form an undertaking given by the three major circuits in March, 1946, in order to secure an outlet for worthy British films from independent studios.

These steps can all be taken as more or less agreed measures—in many respects they follow suggestions made by the British Film Producers Association about the revision of the present Act. It is most desirable that, from the beginning of the new Act, the quota provisions shall be effectively enforced. The special arrangements which have been made under the Bill to suit different classes of films and different types of cinemas are most comprehensive. They even include the fixing of lower quotas for those cinemas whose competitive position *vis à vis*

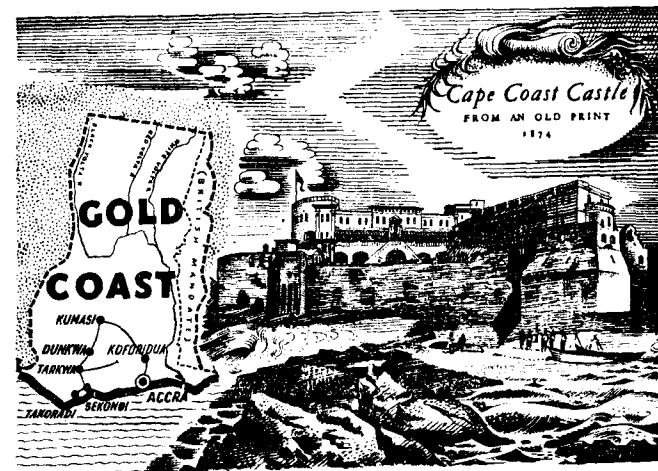
the big circuits prevents them from getting enough British films to fill the normal quota. Every interest is catered for; the quota changes will be made with a three months' margin of notice; the rigidity of quota percentages fixed in advance by the Act has been avoided. It follows therefore that the new Bill should be made to work, and should be seen to work.

But granted these merits, does the Bill go far enough? It is in many of its details rather retrospective in character—and, let it be said at once, not necessarily the worse for that, because a ten-year view of the film industry's progress and problems is a useful safeguard against ill-considered decisions. There is scarcely another industry in which it is possible to go so violently wrong and to run into financial trouble so quickly, and the State should not be expected to come to the rescue of the trade. But in the quota arrangements laid down under the Bill, the Government clearly contemplate the continued expansion of the British film producing industry, and in particular a growing output from the studios controlled by Mr J. Arthur Rank. Yet this group has been in serious financial difficulties in its film producing business. An outline of its problems was given here last week. On Friday last, the shareholders of Odeon Theatres adopted without a dissentient vote the proposals of their directors to acquire the shares of General Cinema Finance Corporation at par. That company had committed, at the end of September, 1946, no less than £5,876,525 in completed and uncompleted films and story rights at cost, less amounts recovered to that date and provisions. At last week's meeting, Mr Rank gave no further information about the changes in this item during the past fifteen months, or of the movement in secured loans which totalled £6,638,562, in September, 1946.

The importance of the film output of the Rank Organisation to the new Bill can be stated quite simply. In 1946, as Mr Rank has shown, General Cinema Finance presented 19 films to the

public; in 1947 the figure is 28 and the company "will have strained its financial resources as a result." For 1948, it is planning 38 feature films, but these cannot be made without additional money; this can be provided by Odeon, and according to the directors must be provided if that company is to get enough British films to fill its screens. There is no merit in arguing the details of the case put forward by the Odeon directors; the shareholders have heard Mr Rank and given him their approval. But if Mr Rank's estimates of output this year are accepted, there will still be a great shortage of feature films to provide programmes of anything like the length and variety of those which have been lavished on cinema audiences for twenty years. The corollary of strained finance at the producing end, and of the willingness of shareholders primarily interested in the exhibiting end to rally to Mr Rank's support, ought to be shorter programmes for the cinemas. The Board of Trade might be inclined, in view of the present shortage of films, to set its sights for the new quotas too low. But in fact the only way of killing two birds with one stone—to make British film producers turn out more films and to prevent the reissue of American films already in this country (a manoeuvre by which the American renters escape the 75 per cent duty)—is to put the various quotas as high as possible. The effect will be to shorten the average length of programmes simply because there are not enough British films to go round.

On the wider issues of monopoly in film production and exhibition, the Bill has nothing to say, apart from the new legal safeguards which have already been described. It is questionable, however, whether a reduction from 11 to 5 in the number of independent members of the Cinematograph Films Council is the best way of ensuring a continuous and disinterested watch over the activities of the industry. At present the Council consists of 11 independent members, two representatives of British film makers (to be increased to four under the Bill), two represen-



Mute witnesses to the stormy history of early trading ventures in West Africa, the castles of the Gold Coast form a notable feature of the coastline of the Colony. Built by Danes, Portuguese, Dutch and English they served both as headquarters for their countries' trading organisations and as strong points against hostile tribes and jealous commercial rivals. Today many of them are in ruins, while those that have been preserved are mainly in use as Government offices, as in the case of Cape Coast Castle, built by the English in 1662, or as rest houses or prisons.

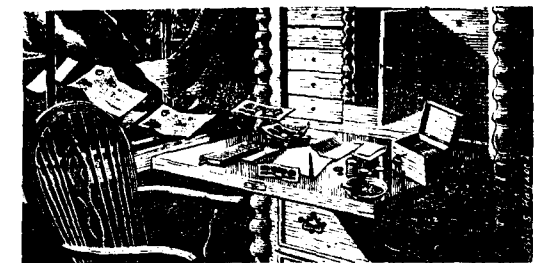
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tatives of the film renters, four of film exhibitors, and two (also to be increased to four) of persons employed by British film producers. It may be argued that 21 was too large a body; but 19 is only slightly smaller. It must be remembered that the Council has a statutory duty to keep under review the progress of the cinematograph film industry in Great Britain, with particular reference to the development of that branch which is engaged in the making of films—in other words the very section whose voice is to be increased from four to eight members. These provisions should be examined with some care, for they appear to weaken what is otherwise a sensible Bill, by reducing the influence of the well-informed amateur on the development of the industry.

British Rubber and American Demand

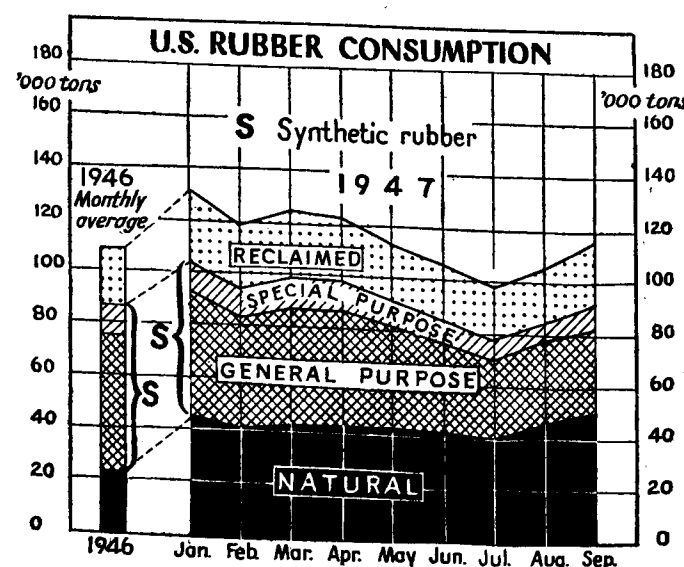
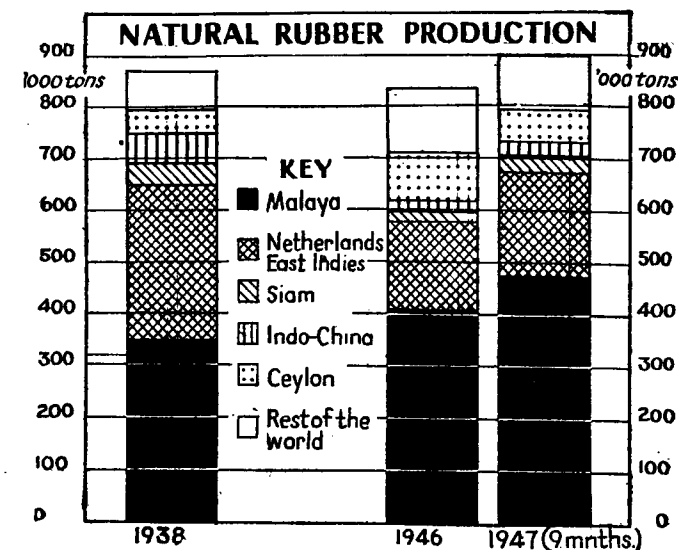
THE rubber growers have won the first round of their fight with the Board of Trade over the American "concession" in the new Geneva Tariff Agreement, details of which were given in an article in these columns a fortnight ago. Mr Harold Wilson, the President of the Board of Trade, admitted last week in Parliament that a "misunderstanding" arose in the later stages of the Geneva negotiations. From the outset the United States' delegation made it clear that they wanted to secure reductions in colonial preferences granted to British goods, and Britain finally agreed to such reductions on condition that they could be suspended if any legislation was passed in the United States requiring an increase in the consumption of general purpose synthetic rubber. Mr Wilson stated that there was no time for full consultation about the drafting of the condition—though he admitted that it was in the hands of the negotiators for two days before signature—and that a few days after the close of the conference, it became clear that the clause did not in fact provide for the result which was intended.

The clause makes the concessions in Colonial preferences inoperative if internal regulations in the United States should require the quantity of general purpose synthetic rubber consumed to exceed 25 per cent of total US rubber consumption, comprising natural, general purpose synthetic, special purpose synthetic and reclaimed rubber. America's domestic formula fixes the level of general purpose synthetic consumption at 33½ per cent of total natural and general purpose synthetic rubber consumption. The inclusion of special purpose synthetic and reclaimed rubber under the Geneva formula would have allowed the United States to keep within the tariff agreement without increasing natural rubber consumption, for example

Recent events have shown that there is a high degree of public interest in the continuity and financial stability of British film production. It implies no disrespect of the energy and sincerity of purpose which Mr Rank has applied to the expansion of the film industry to hold that independent production has its own important values and must be given its opportunities. These the Bill goes some way to provide. But even Mr Rank's organisation has seriously strained its financial resources, and the provision of funds to producers outside his orbit of companies will not be encouraged by recent disclosures of what has happened to his own group. The provision of finance and the question of monopoly are interlinked. They are not considered in this Bill, but sooner or later they may require Government intervention.

by reducing the quantity of general purpose synthetic and increasing that of reclaimed rubber. The American authorities have agreed to suspend the undertaking "as there was not full accord." Neither the concession on colonial preference nor the condition regarding US synthetic rubber consumption has been relinquished; each has been held over pending the re-negotiation of a mutually satisfactory formula.

The Government's admission of error has been frank. It has made a mistake and fortunately has taken speedy action towards remedy. The outcome of the new negotiations now remains to be seen. This time, perhaps, full consultation will be maintained with the rubber-growing industry. The US Government has apparently already decided that synthetic production will continue; the point at issue therefore is simply the determination of the appropriate level of synthetic output, but the prospective price of natural rubber may have an important bearing on this. The American Services have favoured a minimum capacity for producing synthetic rubber of 300,000 tons of general purpose synthetic rubber (GR-S) a year. For their part, the rubber manufacturers favour only 100,000 tons a year; but American industrialists have no desire to place themselves again at the mercy of what they call the "Anglo-Dutch Cartel"—memories of the prewar restriction schemes are too vivid, and they regard synthetic rubber production as a useful counter-weapon. If the long-term price of natural rubber were likely to average, say, 1s. 6d. or even 2s. a lb., American rubber manufacturers would very soon agree with the Services to the higher minimum limit of synthetic output. Shilling rubber might be a "mental barrier," as was suggested in Parliament last week, but even this will be open to argument in the United States.



The American Government's selling price for synthetic rubber is still 18½ cents a lb. (11d.) and industry is requesting a reduction to 15 cents. Figures for production costs of GR-S have been published from time to time, though they are not regarded as wholly satisfactory by the plantation rubber industry. It is generally believed that a substantial tonnage of GR-S is being produced at 14 cents a lb. (about 8½d.), to which should be added perhaps 2 cents a lb. to cover amortisation charges. If these figures are correct—and there is room for argument about the way they are drawn up—the idea of shilling rubber is surely more than a "mental barrier."

America is the rubber-growers' main market. In the first nine months of 1947 its consumption of natural rubber was estimated at 397,000 tons or 49 per cent of the world's total. In the same period American industry also used 432,000 tons of synthetic and 213,000 tons of reclaimed rubber. Over the year, the consumption of natural rubber has been increasing as shown in the chart on page 1052, but there would obviously be scope for further expansion if competitive conditions were to obtain. Unfortunately, rubber growers have not championed the cause of free competition in the past. Their prewar history does not reveal them as the stalwart advocates of the free play of competitive forces. Yet even now if natural rubber were to sell consistently for any length of time below the price of general purpose synthetic, it would have more effect in swaying American industrial opinion in its favour than months of negotiations.

Admittedly, rubber growing costs have increased, and some elements of cost are likely to remain high. A large proportion of the Malayan rubber trees are old stock; about 70 per cent were over 21 years old last December, according to a Malayan Government report and only 12.7 per cent of the total acreage had been planted with high yielding stock. The economic life of a rubber tree cannot be precisely stated but it is generally reckoned that trees take seven years to reach maturity and yield their optimum output between 13 and 17 years, after which their yield tends to decline. Replanting, which was retarded by the Japanese invasion, must be undertaken over large areas, and will take time and capital.

The second rigid element of cost is wages. High wages in Malaya have resulted from the shortage of rice and from the general effects of inflation. Adequate supplies of rice will probably not be available for some years, but it should be possible within that time to increase the official ration and to reduce the fantastic costs of rice imports. In 1938 Malaya imported 650,000 tons of rice mainly from Burma and Siam, and neither of these two countries—not, indeed, any in South-East Asia—has yet been able to restore its domestic production and to resume exports on the prewar scale. But even under more

normal conditions wage costs will still be sticky, especially in these areas where nationalism is growing fast.

Economies in rubber planters' costs must therefore be sought in other directions. More efficient disposition of labour could reduce the labour cost per unit of output; so, too, would a reorganisation of management and supervision. It may in some cases be possible to reduce administrative costs by appropriate amalgamations. These and other avenues will have to be explored. It will not necessarily be price that has to accommodate itself to costs, but more probably costs to price. And it must always be remembered that European plantations in Malaya are not the only producers.

Malayan smallholders have always been a potential competitive threat to the estates; the rubber industry in the Netherlands East Indies, similarly, is largely native, and there a greater measure of independence may be gained by the Indonesians. Again there are other areas, such as Ceylon, which were developed as alternative sources of rubber during the war, though their competition is likely to be effective only when prices are high. But the production costs of smallholders' rubber are very low, and a falling price may well induce a greater supply. Output of the Netherlands East Indies is still on a relatively small scale and recovery has been retarded by political unrest, but given more stable conditions the expansion of production might be surprisingly rapid. In that event, Malaya's present position as the world's leading rubber producer would be challenged. On a purely competitive basis, it may well be that native production in both Malaya and Indonesia will in the end prove to be a more powerful market factor than the supplies or costs of the rubber estates.

The new negotiations with America will be assisted rather by proving the efficiency of natural rubber production, even under the present difficult conditions, than by suggesting that rubber prices are now too low. It would take more than that to sway the American Government from its "infant industry" claim for synthetic rubber. A low price for natural rubber is the best guarantee against the excessive development of American synthetic rubber production, for sooner or later, American rubber manufacturers would question the advantages of over-expansion, on grounds both of price and quality. It must be hoped that these long-term considerations will be remembered in the forthcoming negotiations and in the debate in Congress on synthetic rubber policy in the New Year. The willingness of the American authorities to reopen the agreement is a fair assurance in itself that the Administration would wish to see some immediate expansion in the use of natural rubber in the United States. But a rubber plantation industry which is concerned about its position in say, ten years' time, will be wise not to take American goodwill as the long-term solution of its problems.

Business Notes

The Dollar Drain

Sir Stafford Cripps's speech last week on the economic position has hardly contributed to the seasonal good cheer which other ministers have lately been so busy disseminating. But the note of realism, however unseasonable, is welcome—and not less so for the contrast it presents with the booming optimism which is used to flow from the Treasury. Reading between the lines, it seems evident that the Chancellor is beginning to share the general doubts about the possibility of achieving the 1948 export targets. About the course of domestic production, it is true, he remains quietly confident. But he is obviously afraid that the combination of import restrictions abroad and rising British costs will drastically narrow the available markets. The conditions of a buyers' market have been reached in many lines of goods, and the price factor is becoming increasingly important. Already, Sir Stafford declared, Britain is losing sales in some of the most desirable markets because British costs are not competitive. The latest rise in the price of coal will intensify this

particular difficulty, yet the Government still does not draw the obvious conclusion—that the only way to combat this tendency is for it to impose much more vigorous disinflationary measures than any it has yet contemplated.

Meanwhile, very little headway has been made in the effort to narrow the critical hard currency deficit in Britain's trade. "Search as we may, there are still large quantities of foodstuffs and raw materials for which there is no other source than the Western Hemisphere"—and dollar prices are still rising. Finally, the increasing stringency of import restrictions abroad is not only blocking the expansion of British exports but is also greatly aggravating the authorities' task in their efforts to use the instrument of bilateral trade pacts as a means of switching British purchases from hard to soft currency areas.

Against such a background as this, the reduction which Sir Stafford was able to reveal in the rate of dollar outgo is hardly impressive. But, on this matter of the gold and exchange statistics, the Chancellor is to be congratulated upon being much

more informative than his predecessor. In the four weeks to September 20th, when dollar expenditure was still strongly influenced by the demands which piled up before convertibility was suspended, the net drain on gold and dollar reserves was running at more than \$90 million per week. In the following four weeks, the weekly average dropped to \$65 million and since October 18th has been running at "rather less than" \$55 million. This is, of course, a very much smaller drain than that experienced at the height of the August run on sterling; but to get a true perspective it needs to be remembered that the current rate is still equal to no less than £715 million per annum. Unfortunately the Chancellor gave no indication of the division of this expenditure between Britain's own requirements and those of the overseas sterling area though he remarked that the latter's demands, if continued at the present rate, would involve "a very heavy drain." Nor did he attempt to forecast the pace at which the drain upon reserves will slacken when the cuts in imports and other dollar economy measures begin to take full effect. Instead, he simply reiterated that there is "absolutely no chance of our arriving anywhere near a balance . . . with the United States" and apparently envisaged a residual hard currency deficit of about £300 million per annum for the Sterling Area as a whole.

Living on Capital

Sir Stafford's analysis of the reserves available to meet this dollar drain confirm almost exactly the estimates given in *The Economist* a fortnight ago. At the end of December the gold and dollar reserve is expected to stand at £500 million, after allowing for this month's \$100 million draft on the residue of the US credit and after bringing in the remainder of the gold purchased from South Africa under the current agreement. On the assumption that gold sales for December absorb £60 million (compared with the November figure of £63 million for gold sales and purchase of dollars from the International Monetary Fund), this would mean that South African gold has contributed £50 million during the second half of this year.

In the New Year, according to Sir Stafford's figures, the reserves will or could be augmented by an additional £250 million, comprising a further £75 million from the US credit, £70 million from the Canadian credit, £80 million from the new gold loan from South Africa, and £25 million of dollars purchased from the IMF. In fact, the possible accretion is likely to be substantially less than this. Under the new Canadian agreement, which runs for three months, the future of the Canadian credit (of which, on Mr Abbott's recent statement, £79 million was outstanding at December 8th) has been left very much in doubt. During the coming three months Britain will be entitled to only \$45 million, and whether the remainder of the credit will later become available will evidently depend principally upon the progress of the Marshall Plan and its repercussions upon Canada. If Sir Stafford's figures are adjusted on this point, the total gold and dollar reserves prospectively available in the New Year are rather under £690 million. In October Sir Stafford himself emphasised that the lowest figure to which they could be allowed to sink was £270 million, so that the maximum which is now available to stem the current dollar drain is only a little over £400 million—equal to about seven months' supply at the recent reduced rate of outgo.

It is hard to reconcile these figures with the Chancellor's protestations that economic policy as a whole is not based upon the assumption that Marshall aid will be forthcoming. No one has explained more forthrightly than Sir Stafford did last week the danger of living on capital. After opposing recent suggestions that Britain ought to mobilise its remaining overseas investments for sale abroad in order to relieve the current pressure upon the nation's food, the Chancellor reiterated the importance of minimising the strain on the gold reserve. "No one," he declared, "is in greater danger of losing his independence of action than the man who has no reserves upon which to fall back." In principle, therefore, the Government hopes to use any Marshall aid, not to ease the burden upon the standard of living, but to buttress long-term plans for reinforcing the ultimate reserves. This is indeed a righteous attitude; but surely the facts of the dollar drain, and the Government's inability to show how it may be reduced, belie the hopes upon which it is founded.

Meanwhile, policy still appears to be based on the assumption that Britain's balance of payments as a whole can be restored to approximate equilibrium during 1948. The imports for the year are estimated at £1,600 million (incidentally, this represents a surprisingly small reduction from the "programme" rate of

£1,700 million projected last summer), and in addition there will be governmental expenditure of £100 million, compared with an original estimate of £175 million for 1947. At the target rate, exports would provide £1,550 million and invisible income a further £130 million (including £70 million net from overseas investments).

Agreement with Canada

Except in one detail, the terms of the agreement on trade and financial arrangements between Britain and Canada follow the inevitably prophetic outlines that were sketched in last week's issue of *The Economist*. The one correction that must be made to that forecast is that the figure of \$145 million due to Canada by Britain over the first three months of 1948 is a net and not a gross figure. It is the deficit due to Canada after allowing for estimated British exports to that market. This deficit will be met as to \$45 million by drawings from the Canadian credit and as to \$100 million in US dollars. From Britain's point of view the terms of financing imports from Canada have, therefore, deteriorated somewhat. Instead of one-half the deficit being financed in US dollars, the proportion so payable in the next three months will be 69 per cent.

On the import programme, also, the British negotiators had to accept larger commitments than good dollar husbandry seemed to justify. But since the wheat contract was at stake, the concessions on livestock products had to be made. As a result Britain will be eating rather more bacon and otherwise living rather better than it can afford for the next three months. After that, Mr Marshall will perhaps have come to the rescue of both countries—both of them beset with the common difficulty of a shortage of US dollars. As was explained, in the official statement issued in London after the signature of the agreement, "from the United Kingdom standpoint, our shortage of hard currency limits the extent to which we can afford at this time to make payments in dollars for goods supplied from Canada. From the Canadian standpoint the dollar shortage and other factors limit the extent to which the balance of the credit provided to the United Kingdom by Canada under the financial arrangements of 1946 can be drawn on to make supplies available to the United Kingdom."

There are a number of possible escapes from this seeming impasse. The first is a substantial increase in British exports to Canada, and on this score the official announcement states that the British Government "will take all possible steps to encourage exporters to take advantage of the improved opportunities in Canada." The second is contraction of the Canadian deficit with the United States. That, also, is under way—but since the Canadian gold and dollar reserve is down to \$500 million there is little room for manoeuvre. The third is the expectation that Marshall aid dollars will be made available for purchases outside the United States. It is fairly evident that many bets have been laid on this particular hope. All the more disconcerting is the apparent proposal that all Marshall aid other than emergency assistance shall be made available through Export-Import Bank loans. Loans from this institution are tied loans and could not be made available for "offshore" purchases unless the United States went through the farcical procedure of buying Canadian wheat and then reselling it to Europe. If such help from the United States is not forthcoming the arrangement for financing British imports from Canada after March 31st next will have to be cut to a much more austere pattern than that of the present short-term agreement.

End of French Inflation?

There have been many battles of the franc. None has been more crucial, more charged with significance for the political as well as economic future of France than that which opened on Friday of last week with M. René Mayer's disclosure of the Government's anti-inflationary programme. Success in carrying out the programme is essential if the victory which the Government has just gained over the Communist-inspired strikes is to be consolidated. But success must be rendered much more difficult by the damage which those strikes have inflicted on French production and by the increased inflationary potential they have left as their legacy. As in all previous battles of the franc, it is the budgetary deficit that has been marked as the first and fundamental objective to be captured. Last week, M. Jean Monnet, head of the Planning Commission, defined the basic issue with the brutal clarity of which he is so good an exponent. "Between our

present difficulties and the future of recovery and development, there stands the barrier of monetary instability"—an observation and a warning which loses none of its point for having so often been made in the past.

The budget for next year is to be balanced on the basis of expenditure of 900,000 million francs, or some 150,000 million francs in excess of the total for 1947. This does not include capital expenditure for which special funds have been established to be financed in part by the franc proceeds of US interim aid and grants under the longer term European Recovery Programme. The rest of the capital expenditure is to be met by a special levy on individual incomes and industrial, commercial and agricultural profits exceeding 750,000 francs (£1,500) a year. The levy is intended to hit with special severity agricultural incomes which hitherto have largely escaped their rightful share of taxation. The levy will be payable once only. Taxpayers liable to it will be offered the alternative of subscribing to a 10 year tax-free loan bearing interest at 3 per cent. The levy is expected to bring in 150,000 million francs.

To cover the increased ordinary expenditure, reliance is being placed on a wide array of measures, including a poll tax on the "idle of both sexes" and increased taxation on cabarets and night clubs. There will also be steep increases in the prices of coal, electricity, gas and transport, all of which have been supplied by nationalised industries at increasingly heavy losses to the Government. Other parts of the anti-inflationary programme are a freezing of wages and prices for six months, restrictions on the prices of restaurant meals, and plans for substantial increases of food imports (the latter brandished as an inducement to the farmers to unhoard part of their accumulated stocks).

If the plan is to be realised it will call for a tightening up of the fiscal administration such as has proved beyond the grasp of successive French Governments. Even if it is realised, the plan can hardly avoid the ultimate necessity for an adjustment of the exchange value of the franc, for nothing in the designs of M. Mayer holds the promise of a deflation of costs and prices which alone could justify the maintenance of the present official rate.

Coal Board's First Year

The National Coal Board's progress report on its first year is good, as far as it goes. It shows that the Board has been

active, and to a large extent successful, both in carrying through measures to secure immediate increases in output and in preparing its long-term plans for development. Each of the Divisional Boards has now completed its reconstruction schemes, which will be reviewed and co-ordinated by the central planning staff, so as to ensure their even development. Improvements in mechanisation, with the extension of coal-cutting and conveying machinery and the introduction of mechanical underground haulage, should begin to make an increasing contribution to efficiency in 1948. The drift mining projects, which will yield an immediate return in terms of output, are being pushed ahead and, more experimentally, schemes for fluorescent lighting at the coal face are being introduced in certain pits. The Board is beginning to deal with the problem of dirty coal, and two large users, the Great Western Railway and the Central Electricity Board, have expressed their satisfaction at the reduction in the proportion of unsuitable coal. Eventually, when the schemes for centralised washeries are completed, it is hoped to raise the proportion of coal prepared mechanically from the present level of under 50 per cent to about 70 per cent.

The results of 1947 have proved better than anyone dared to guess six months ago. Output, it is estimated, will be the highest since 1942, and in the 50 weeks of 1947 seven million more tons have been produced than in the same period of 1946. Absenteeism is well below last year's level, while output per manshift is back at its prewar level. The improved output is attributed in part to technical improvements and in part to the improved spirit within the industry. The net intake of manpower at 25,000, which brings the total labour force to 719,000, is disappointing when compared with the Government's target for 1947 of 730,000, and with the high rate of recruitment during the year. In all, 90,000 men have entered the industry, compared with 76,000 in 1946 and 48,000 in 1945. Next year, as the abnormally high wastage of Bevin boys drops, and as the recruits both from British and overseas sources settle down and become trained, the labour force should become more stable and productive. The immediate problem is to raise the proportion of productive to non-productive workers.

The report is incomplete; it lacks the results of the review of the price structure and any detailed information about costs. Lord Hyndley has expressed regret that it is necessary to increase coal

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prices again, but he claims that British prices are in line with world prices and are not an obstacle to export. There is no indication that the Board intends to tackle the problem of rising costs in the coalfields, or whether it proposes to enforce a national uniformity of regional costs and prices. For this vital information the public will have to wait for a second, financial, instalment of the Board's report.

Exports Up but Volume Down

The recovery in exports made some further headway in November and the visible deficit dropped to £32 million—the lowest since last February. The monthly deficit has fallen steadily over the past three months from the peak of £77 million reached in August. The actual value of exports in November (£102 million) was £6,000,000 less than in October, but when account is taken of the shorter working month, the daily rate is the highest attained since the war. On the basis of a notional working month of 26 days, exports during the past nine months had been as follows:—

	£ mil.		£ mil.		£ mil.
March	82½	June	101	September	99
April	89½	July	106	October	104
May	80½	August	97	November	106½

Apart from the seasonal decline in August and September, there has been a steady improvement since last March. Reckoned in terms of volume, however, the recent trend has been unimpressive; the index of volume for November is provisionally estimated at 112 per cent of 1938 compared with 120 per cent in October and 126 per cent last July, which was the peak month.

Exports of the vehicle group fell by nearly £4,000,000 in November, though shipments of motor cars and bicycles were only slightly lower than October's record figures. The decline arose mainly from smaller exports of ships and rolling stock. Machinery exports were approximately maintained at the previous month's level and are again the biggest item of exports, reckoned by value. The average daily export rate for textiles was 6 per cent higher than in October, although the total for the month was £500,000 less. There were heavy reductions in the shipments of iron and steel and chemicals, drugs and dyes.

Imports declined during November, the total of £138 million being £23 million less than in October. Arrivals of food and tobacco were reduced by £17 million on the month; in particular much smaller quantities of grain and meat were imported. Retained imports of food, drink and tobacco were the lowest since September, 1946. The decline in imports of raw materials and manufactures appears to have been due to the shorter month, and not to any deliberate cuts.

Australian Wheat Purchases

The unseasonable rains which have played havoc with the recent Test Matches in Australia have also caused widespread destruction to the wheat crop throughout the eastern states. In many areas the standing grain has been flattened and in others disease is spreading. It is almost certain that the expectations of a 220 million bushel harvest will no longer be fulfilled. Reports suggest that the crop may total only 180 million bushels, but it is obviously too early as yet to make any accurate estimate.

The United Kingdom has purchased under contract 80 million bushels, of which half is intended to cover Britain's own requirements and the other half those of the colonies and other dependent territories. The price for the twelve months' period is 13s. 7d. a bushel f.o.b. Australian port which compares with 15s. 5d. a bushel Chicago and 10s. a bushel for wheat purchased under the revised Canadian contract. The Australian Wheat Board desired to fix the price quarter by quarter, but the Australian Government agreed with the Ministry of Food to fix annual prices, since a large quantity was involved and Britain was providing all the shipping. Even with a reduced crop of 180 million bushels, Australia will be faced with a serious storage problem and it will be vital to avoid any congestion at the ports.

India has purchased 25 million bushels of wheat and flour at an average price of 14s. 10d. a bushel f.o.b. Australia. Although Australian wheat was not used for direct bartering, the Indian food mission nevertheless promised to obtain for Australia increased supplies of jute, textiles, castor-seed, linseed and linseed oil. An additional 5 million bushels of wheat will be made available to both Britain and India if the total Australian wheat crop exceeds 210 million bushels of fair average quality. In both cases a clause in the contracts permits the price to be reviewed if any of the countries enter into an international wheat agreement.

If the total crop turns out to be below 200 million bushels, there will be little wheat available for European or other countries, as some 80 million bushels will be consumed in Australia.

The purchase price, although below the Chicago quotation, is not low, but it is a sterling payment and will be welcomed on that ground. If Britain is to replace dollar foodstuffs with supplies from sterling sources, encouragement must be given to the expansion of production in countries such as Australia, which has already done much to help Britain's food problem. It is, however, open to doubt whether large scale agricultural development in North Australia, which a Ministry of Food mission is to examine on the spot, will be practicable.

Stock Exchange Commissions

Two important decisions relating to commissions were taken by the Stock Exchange Council at its meeting on December 22nd. In the first place, the Council rejected the amendment to its rules and regulations passed on October 27th, subject to confirmation at this week's meeting, by which the amount below which full commission would be charged was to be raised from £2,500 to £5,000. There had been little public sympathy for this change and perhaps even less enthusiasm among brokers. And the reaction of the larger clients, mainly institutional investors, during the period which the Council had wisely allowed to test the reaction of opinion to the proposed change, was frankly adverse. But the Council has confirmed the amendments—which will not come into effect until January 1, 1949—to abolish the rebates of commission on Stock Exchange business hitherto conceded to accountants, solicitors, trustee departments of banks and insurance companies and the Public Trustee, and to increase the annual registration fees for agents from 3 to 50 guineas and for attachés from 3 to 25 guineas. These amendments were discussed in *The Economist* on December 6th and 13th.

Although the Council deliberated for over two hours before rejecting the one and confirming the other, it has taken the course generally expected. Whatever the pros and cons of the matter may be, especially of the retention of the right to share commissions by the banks—this discrimination in favour of the banks has been found unpalatable in many quarters—the test of the amendments from the brokers' point of view will be the effect on the amount of new business initiated. Experience will show whether the volume of new business which reaches the London Stock Exchange direct will be increased by these changes or whether the business formerly undertaken by the dispossessed agents will flow towards the provincial stock exchanges or will be placed through the banks, who will retain their one-third share of commissions.

Coal-to-Oil Queue

Mr Robens, on the heels of his Minister's favourable review of the coal position, admitted last week that the coal-to-oil conversion programme is again out of gear. It started too slowly to alleviate the coal shortage last winter; then it accelerated; and now, when coal output is rising, the programme has to be curtailed owing to the prospective shortage of fuel oil in 1948. Too many schemes have been authorised, so, once again, the Government is resorting to a system of priorities. It will be the task of the Petroleum Board to form the uncompleted schemes into a queue so that they come into operation "as additional supplies of oil become available." Last April, consumption of fuel oil under the programme had reached an annual rate of only 1,100,000 tons instead of the 2,000,000 tons planned; today, the programme accounts for 2,200,000 tons out of a total fuel oil consumption of 3,500,000 tons, and new authorisations made under the impetus of the coal crisis (until they ceased abruptly in August) imply a consumption rate of 5,500,000 tons by the end of 1948.

This progressive increase in demand is impossible to meet. The immediate problem is transport and the long term problem costs; both have been directly affected by the increase in demand for oil all over the world. In particular, American demand, which represents three-quarters of the world total, has increased by 70 per cent over 1938. The United States of America is now a net importer of oil.

The British tanker fleet, now at prewar strength, is inadequate to cater for this country's increased oil requirements. The coal-to-oil conversion programme alone will call for the services of some 60 additional tankers. Mr Robens hoped that the return to service by the US Maritime Commission of the remaining half of the 300 tankers it laid up at the end of the war would

ease the tanker situation in the second half of 1948, but it has to be borne in mind that a large proportion of this tonnage was built for the war in the Pacific and is not very suitable for trade with western European ports.

Design for Glass

The working party report on the hand-blown domestic glassware industry has been published this week.* This section of the domestic glassware industry may be differentiated from the hand pressing and machine sections, which have a similar though not identical range of products. Stemware, that is wine and spirit glasses, is made exclusively by the hand-blown section, but there is a wide range of tumblers, mugs, trinket sets and the like which all three sections produce in common. A good proportion of the hand-blown ware is decorated, usually by cutting or engraving. In short, this is the section which has made British crystal glass (there are several Scottish firms) famous throughout the world.

Many of the glass-blowing section's problems are reminiscent of those of the pottery industry. There is the same concentration in a few areas, the same technical backwardness and poor factory conditions, a similar struggle for survival by family businesses against foreign imports dumped at low prices (at least before the war), and the same reluctance by labour to enter an industry which has a tradition of long hours in ill-lit, badly ventilated workshops.

The working party plunges straight into the short-term problem. The report considers that steps should be taken to prevent dumping by foreign firms, and that the current level of import duties should be maintained. Before the war imported glass and fancy ware (which includes hand-blown glassware) accounted for half the consumption in the British market. This gap could be filled, an export level attained and advantage taken of the higher purchasing power of the better paid workers, in the opinion of the working party, by encouraging the industry to expand production to three times its prewar level. They would attract workers to the industry by imaginative recruitment methods, better technical training and opportunities for advancement and the use of teams of European Voluntary Workers. Encouraging these teams, or "chairs" as they are called in the industry, would lead, it is argued, to the establishment of self-contained glass-making units within firms which would not interfere with the promotion of British workers.

A three-fold expansion of production could be accompanied, in the working party's opinion, by the mechanisation of certain processes, drawing upon American and Swedish experience, and by improved factory layout and increased research. There are the usual recommendations on standard methods of costing, hall-marking of goods and the provision of statistics, but the working party wisely refrained from burdening this small section of the glass industry, which employs only a few thousand workers, with a recommendation for a development council.

It is quite clear from the report that if the hand-blown crystal glass industry is ever to break away from the hampering tradition of "English" glass design, so dear to purchasers of crystal in the American market, and so obtain a foothold in the overseas market in glass of contemporary style, that time is now. The industry is short of cutters and decorators. These were transferred to other employment during the war, while actual glassmakers were retained. There is an opportunity here for introducing economy of style while maintaining the industry's reputation for quality. There is little doubt that the glassmakers could improve on next year's export target and hold the improvement in the long run.

Shipbuilding Costs

Some popular fallacies on the subject of shipbuilding finance were exploded by Sir William Crawford Currie at the Peninsular and Oriental Steam Navigation meeting last week. One misconception was that the initial allowances under the Income Tax Act, 1945, are some form of free gift from the Exchequer; Sir William pointed out that they are simply an advance instalment of the wear-and-tear allowance which would normally accrue between the sixteenth and twentieth years of a ship's life and that they in no way help to make "an economic unit out of an expensive ship." In fact, these allowances have been granted to assist in making good the omission during the war years of depreciation allocations on the scale necessary to replace tonnage. The chairman referred to a suggestion that the Government

* Board of Trade Working Party reports: Hand-blown Domestic Glassware. HMSO. 1s.

Tonnage Replacement Account could be used to offset the present high cost of tonnage, and stated that this reserve would not be used for writing down the present high cost of tonnage until it was known at what level the cost of new construction was likely to be stabilised. It was the intention of the company to write down the cost of more expensive ships to that level by applying this reserve, but this will only be done should a lower level of building costs be realised. In the meantime, the company will follow the principle of allowing for depreciation on the full cost of construction.

The present inflated costs of construction are a source of anxiety to shipowners, who are generally sceptical of being able to earn a corresponding level of net revenue to match them, especially over a period of years. They are not misled by the present buoyancy of freights and cargoes, as the conservative dividend policy of P & O well testifies. As a measure of the rise in shipbuilding costs, Sir William stated that whereas in 1915 the cost of dry cargo liners averaged £12-£15 per gross registered ton, the figure had risen just after 1920 to £30-£36 and was at the present time between £55 and £66.

Dissatisfaction about Tin

The recent controversy between the Malayan rubber growers and the British Government about the American "concession" has been quickly followed by sharp criticism from the Malayan tin industry, which is charging the Colonial Office with "apparent misrepresentation" about the increase in prices. Malayan producers now receive £500 a ton instead of £423 and Nigerian £477 a ton instead of £405 15s. Malayan producers are dissatisfied with the new price, and they complain that the Colonial Office advised the Malayan Union Government that the Malayan Chamber of Mines in London, which negotiated on prices with the Ministry of Supply, "accept the position and do not object to the proposed announcement." The Malayan Chamber of Mines emphatically states that it told the Ministry that it was unable to agree to the new price, and it has registered a protest. Presumably these sharp words are being investigated officially.

As to the new prices, the European producers in Malaya consider them "inadequate," but their real case rests on the high costs of the Chinese section of the industry. Even at £500 a ton the Chinese producers, it is said, will be making a loss and sooner or later they will not be able to maintain their present scale of output. Nigerian producers, on the other hand, seem to be content. The Ministry of Supply hold that the new price would give a profit to the majority of Malayan producers and consider it to be the highest level at which consumers would be willing buyers. The Ministry, however, will be prepared to reconsider the matter if the contract price paid by the United States for Bolivian ore turns out to be higher, though no retrospective payments will be made.

Progress in Savings?

So often this year has it been necessary to draw attention to the depressing trend of small savings that a better performance recently ought not to pass without comment. The last discussion in these columns (on November 15th) proved to have been written at the very nadir of the contra-seasonal decline. In the week to November 1st, influenced perhaps by the rush to forestall the so-called emergency budget, net savings totalled only £1,573,000—computed, as usual, without allowing for interest paid out on encashed savings certificates, for accrued interest, or for redemptions of Defence Bonds at maturity. But in each of the three following weeks the total, similarly computed, steadily improved—and it was not until the week to December 13th (the period covered by the latest returns) that the customary influence of Christmas began to assert itself, as the following figures show:—

	1946-47		1947-48	
	Weekly Net Cash Receipts	Cumulative Total	Weekly Net Cash Receipts	Cumulative Total
Average of 31 weeks	6.0	...	2.6	...
Week to—				
Nov. 1 (31st)	4.7	186.5	1.6	79.9
" 8 (32nd)	7.2	193.7	3.8	83.7
" 15 (33rd)	5.3	199.1	5.5	89.2
" 22 (34th)	6.2	205.2	6.3	95.5
" 29 (35th)	6.2	210.5	6.4	101.9
Dec. 6 (36th)	6.1	216.5	7.3	109.2
" 13 (37th)	1.1	217.6	3.6	112.8
Average of 37 weeks	6.0	...	3.0	...

For three successive weeks, therefore, the figures were the best since the opening weeks of the financial year, when new subscriptions were being swollen by the delayed effect of the last-minute rush for the old series of savings certificates and by the raising of the limit upon individual holdings of the new. And in the first week of this month the total at last hit the target rate, which is £1,000,000 a day for the full leap year, with no let-up for Sundays and holidays.

Unfortunately, it would be premature to acclaim this progression as the latest "success" story. The reversal of the dreary trend is very welcome, especially as it was carried so close to Christmas. But it is noteworthy that the change synchronised with the first distribution of the war damage "value" payments, to a total of £100 million. Moreover, the Treasury started in mid-September to pay out this year's batch of post-war credits to elderly folk, since when some £41 million has been disbursed, of which £16 million related to the seven weeks covered by the above table. In the same seven weeks a further £17 million of 3 per cent Defence Bonds were redeemed at maturity (as distinct from the prior encashments which are allowed as a deduction in the official figures), making total redemptions of £68 million in the current financial year (to December 13th). Unless reinvested, all these receipts are equivalent to dis-saving; and to compute the true net savings by "small" savers a high proportion of the Defence Bond redemptions and Post-war Credits, and some portion of the War Damage receipts, ought to be ranked, on a strict reckoning, against the official figure of "net" savings.

The overall picture, therefore, is still highly depressing, and for the present the change of trend must be regarded as inconclusive. But if the public wants to minimise the risk of having its money surpluses forcibly extracted from it by additional taxation or dissipated by further rises in the real cost of living, it will need to keep up the recent rising progression, even after the flow of Governmental monies ceases. Even if the target rate were to be hit in every remaining week of the financial year, the year's official total would still be almost 40 per cent below the figure of £366 million which Mr Dalton "wrote into" his budget last April. Since then the inflationary gap has widened further, and will widen even more sharply if the export drive makes real headway.

* * *

More Floating Debt

The early part of this financial year, as Mr Dalton constantly pointed out, was marked by an abnormally large reduction in the nominal total of floating debt, but, in spite of the huge rate of external borrowings and of finance by sales of gold, the Treasury will enter the year's main revenue season with a total of "active" debt very little different from what it was at the outset. At March 31st last the total floating debt stood at £6,954.6 million, the highest level ever touched; by June 30th it was down to £6,529.2 million, a decline of no less than £425 million. But, as is now well known, by far the greater part of this movement resulted simply from the "clawing back" of unspent notes, which, except for such items as the recovery of the NAAFI surplus monies, took the form merely of transfers between Government departments. Of the revenue ostensibly collected in the first quarter of the year, roughly £200 million appears to have comprised purely nominal receipts, and the amount may even have been larger. Its counterpart in the Government accounts was apparently a cancellation of departmental ways and means advances rather than of internally-held "tap" Treasury bills, for the former item dropped during the quarter from the high level of £613.5 million to £369.9 million, and it is noteworthy that the subsequent recession has been small.

This suggests that the decline which occurred in the ensuing two months in other forms of floating debt held outside the banking system was attributable to the reduction in overseas holdings of sterling rather than to further juggling with the revenue accounts. To analyse these changes, it is necessary to take dates other than the quarter-ends, because of the difficulty otherwise of estimating the distribution of Treasury bills between "tap" and "tender." This has been done in the following table, which divides the total floating debt into the portions taken up by Governmental bodies and other special quarters (including, in particular, overseas monetary authorities) and those taken up in the first instance by the domestic banking system and the discount market. The division of the tender issue of bills between the discount market and other tenderers assumes that the market applies for an amount equal to the total bills offered each week; the result is probably a moderate under-estimate, but

any error when comparing the figures at different dates will not be large. Apart from this, it should be emphasised that the figures do not estimate the amount of bills held by the discount market at the given dates, but only the amount of the then outstanding issue which was allotted to the market in the first instance.

DISTRIBUTION OF FLOATING DEBT
£ [million]

	April 5, 1947	June 22, 1947	Aug. 23, 1947	Dec. 13, 1947
<i>Issued to "Special Quarters" :-</i>				
Ways & Means—Bank of England	19	10	10	...
—Departments	593	342	337	325
Top Treasury Bills	2,704	2,614	2,468	2,569
Non-market Tender Bills	1,123	1,231	1,161	1,144
	4,445	4,197	3,976	4,038
<i>Issued to Banking Quarters :-</i>				
Market Tender Bills*	1,056	949	1,019	1,106
Treasury Deposit Receipts	1,443	1,444	1,350	1,368
	2,499	2,393	2,369	2,474
Total Floating Debt	6,944	6,590	6,345	6,512

* Thirteen weeks' cumulative total of estimated allotments to the discount market at the tenders.

It will be seen that in the first period the aggregate of bills issued to special quarters actually rose slightly, whereas in the ensuing two months which culminated in the suspension of sterling convertibility it dropped by more than £200 million. A large part of this movement must have reflected the reduction in overseas sterling balances or their conversion into cash, but other influences were probably further "clawings-back" and direct and indirect support for the gilt-edged market.

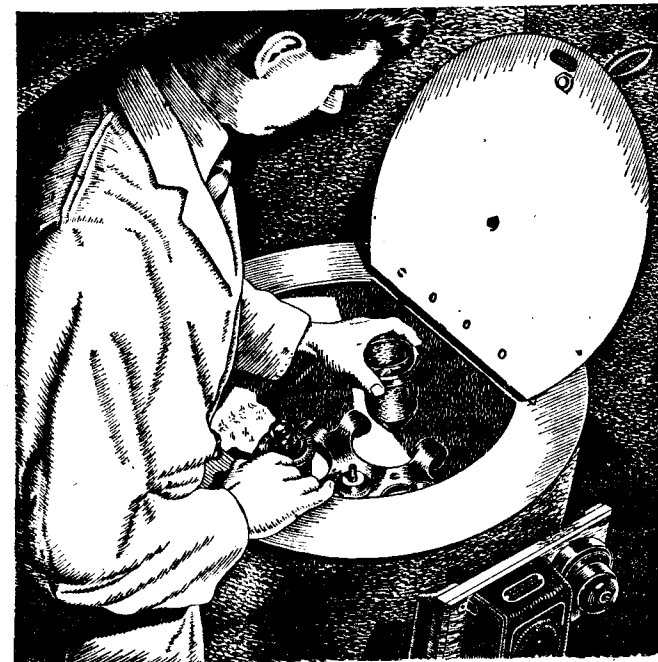
Total "special" holdings, it will be noted, reached their nadir at the time of the convertibility suspension, at almost £470 million below the high figure of early April; during this period the "active" portion of the debt declined by only £130 million. Since end-August, however, these trends have been reversed. Despite the continued heavy recourse to external sources of finance, the total floating debt has risen by almost £170 million, mainly in consequence of heavy disclosed outlays for "below-line" items by the Exchequer, especially the war damage payments. As a result, there has been a large expansion in that portion of the debt which is financed through the banking system, and its total now, despite the decline of £430 million in aggregate floating debt over the whole period, is a mere £25 million less than it was at the beginning of the financial year. The recent growth in tap bills must be attributed primarily to the sales of gold, but in view of probability that the preparations for the redemption of the 3 per cent Conversion Loan have involved a net intake of gilt-edged securities (involving corresponding releases of departmentally-held bills), it is possible that there has been some recovery in overseas bill holdings, although this presumption is not supported by the further fall in non-market tender bills.

* * *

Miles Aircraft

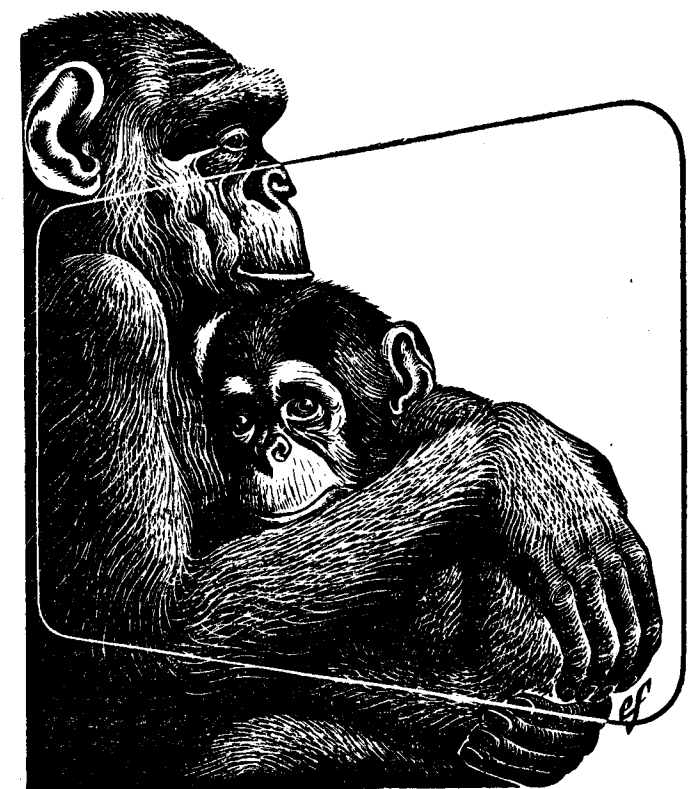
The original injunction to postpone the hearing of the application to force the liquidation of Miles Aircraft, which was granted by the courts in November, has been extended for a further period of three weeks. In September Mr S. R. Hogg was appointed manager to reorganise the affairs of the company, following the unexpected disclosure that the company was working at a loss; he is now given further time to complete his scheme for submission for the approval of creditors and shareholders. The original petition for the compulsory liquidation of the company was made in November on behalf of the smaller creditors by Titanine, Limited, producers of industrial lacquers, to whom Miles Aircraft owe a sum of £5,837 for goods sold and delivered. The larger creditors, which include Blackburn Aircraft, De la Rue Extrusions, Smiths Aircraft Instruments and Sperry Gyroscope, rank for sums together exceeding over £200,000 and have consistently opposed the idea of liquidation.

It has been stated that the trading loss of Miles Aircraft for ten months of the year ending December 31, 1947, has amounted to £630,000. This is a measure of the manager's problem. In a circular issued on November 1st, Mr Hogg expressed his confidence that he had a fair chance of restoring the fortunes of the company, and at the same time he enjoined all creditors to be patient and to await his scheme. But by his action in promising to pay only those from whom he had personally ordered goods



Merry-go-round

To take solid particles out of gravy or keep back leaves from tea, the housewife uses a strainer. The chemist, who often has to remove fine sediments from liquids, employs a funnel lined with a piece of porous paper. The pores are large enough to let the liquid through but too small for the solids, which are thus retained and 'filtered off'. Quite frequently however, the specks of suspended matter are so minute that they either choke the pores of the filter or pass straight through. It is, for example, useless to try to remove bacteria from contaminated water by filtration through paper. When particles of such extreme fineness have to be separated from a liquid, recourse must be had to a centrifuge, such as is shown in the illustration. The sample placed in a special cup is whirled round and round at perhaps two or three thousand revolutions a minute. Like holiday makers on a roundabout, the particles are swung outwards with gathering force, and eventually all are pressed to the bottom of the cup. The centrifuge is then stopped and the clear liquid is poured off, leaving the solid. Both solid and liquid can then be examined. The centrifuge is an invaluable piece of equipment in biochemical and bacteriological investigations. The British chemical industry was quick to harness this natural force in its efforts to provide better service to other manufacturers.

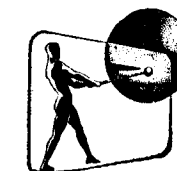


JUST LIKE HIS DAD!

In more and more schools, lessons on dull or difficult subjects now 'come alive' on the screen. *Heredity in Animals* is the title of a recent educational film on biology. Other subjects successfully filmed for classroom use include geography, botany and even history.

Most of us can remember only too well the bad old days when many children were unfairly held back because they found it difficult to learn from words alone. It was no good for the teacher to ask 'Do you see?' There was nothing for them to see. So they had either to be labelled dunces or to pretend to understand when they didn't. The teacher of today wants all his pupils to have an equal chance, whether they learn best from words or pictures. That is why the new educational films now being made in Britain are being welcomed by educationists all over the world.

Learning without tears? Perhaps it will never be that. But the educational film is helping more and more children to say 'I SEE'—and really mean it.



J. ARTHUR RANK ORGANISATION LTD.

and services since September 26, 1947, when he was appointed, Mr Hogg roused certain small creditors to take action in the Courts. In its present application Titanine has the support of creditors ranking in all for £62,000. Although debts owed to this group of creditors were obviously incurred before the date of Mr Hogg's appointment, and they are acutely conscious of the discrimination against them, there can be little advantage to either small or large creditors in forcing the liquidation of the company at this stage. The manager remains busy on his scheme, and has received interim protection from the Courts.

Coal Compensation Progress

The Minister of Fuel and Power recently gave a statement of the progress made to date in settling the compensation to be paid to individual colliery companies taken over last January under the Coal Industry Act. The Central Valuation Board has now been constituted and is to commence its work next month, but contrary to what had been commonly thought, the District Valuation Boards have not yet been formed, although negotiations have been proceeding to find appropriate professional and technical men to serve on them. Thus, although most of the individual collieries have filed claims for their share of the global sum of £164 million which is to be distributed under the Act, the case for extending the interim income period which has recently been canvassed by the chairmen of several colliery companies, seems to have been strengthened by this revelation of slowness in setting up the necessary machinery. Negotiations with the Boards themselves are bound to be protracted. Colliery owners consider it extremely unlikely that the two year period specified under the Act will be long enough for the apportionment of the global sum among them and the issue of the Nationalisation stock.

Yet the Minister probably thinks otherwise. He has stated that the claims submitted by the companies are already being examined with the object of constituting the necessary "compensation units" prescribed by the Act, to pass to the District Valuation Boards. Presumably the Ministry of Fuel and Power in conjunction with the Coal Board and their advisers are perusing these claims and this necessary preliminary to the deliberation of the Valuation Boards should at least send them off on a good start. In any case, this is the first intimation from official sources that things are moving, even if tardily, towards the final distribution of the compensation award. Progress in future may be more rapid than some colliery companies have hitherto anticipated.

Mr Gaitskell has also announced that provisional interim income revenue payments to date amount to over £3,000,000. These payments represent approximately fifty per cent of the number of possible claims, and independent accountants are in the process of investigating the remainder. By the end of March,

1948, the Government expects to have paid out some £10 million as cash compensation for consumable stores. The delay in payment for stocks of colliery products and of consumable stores and spares has caused no little annoyance to the companies, who naturally did not contemplate a delay of a year or more before they would be paid for. The first payments are expected to be made early in the New Year. The Government has also intimated that compensation to be paid for the ancillary properties belonging to the colliery companies is still under consideration and that it will be some time before a final figure is decided.

Shorter Notes

The poll of Stock Exchange proprietors taken on December 18th, as a first stage in procuring their consent to the proposed change in the Deed of Settlement resulted in 2,436 votes being cast in favour and 454 against. This gives the necessary 75 per cent majority which had not been forthcoming at the meeting of proprietors held two days earlier. It is understood that, owing to the general desire to extend the life of the annuities, action will be taken to do so after March 1st.

The recent improvement in the weather in the United States, it is hoped, will make good the damage done to the winter wheat crop during planting. The first official forecast for 1948 estimates the winter wheat crop at 838,705,000 bushels compared with 1,096 million bushels in 1947; earlier trade estimates put the prospective crop as low as 700 million bushels. The planted area of 58,648,000 acres is surprisingly large, particularly in view of the late start in the winter wheat belt caused first by drought and then by rains. The 1947 area was 54,493,000 acres.

An annual review of the tea industry and tea shares published by a leading firm of brokers has made a welcome reappearance after an enforced gap of eight years. Its publication happily coincides with a revival of interest in tea shares on the Stock Exchange. Detailed statistical information on tea companies is given for three years, and the review has been usefully rearranged to meet present-day market requirements.

The Pakistan Government has announced that the recently imposed export duty of £6 5s. a ton on raw jute crossing its land frontiers is payable on all shipments made after November 14th. Despite this announcement jute prices have tended to harden.

SECURITY PRICES AND YIELDS

Owing to the holiday period, the usual list of 370 securities in the *Records and Statistics* Supplement does not appear this week. Notes on the following company reports appear in the Supplement: Gaumont British; Glaxo Laboratories; Lancashire Cotton Corporation; Tate and Lyle.

Prices, Jan. 1-Dec. 22, 1947		Name of Security	Price, Dec. 17, 1947	Price, Dec. 22, 1947	Net Yield, Dec. 22, 1947 (m)	Gross Yield, Dec. 22, 1947	Prices, Jan. 1-Dec. 22, 1947		Last Two Dividends	Name of Security	Price, Dec. 17, 1947	Price, Dec. 22, 1947	Yield, Dec. 22, 1947
High	Low						High	Low					
British Funds													
103 1/2	100 1/2	Conversion 3% March 1, 1948-53	101 1/2	101 1/2	£ s. d.	£ s. d.	113 1/2	99 1/2	%	Australia 3 1/2% 1965-69	104	103 1/2	£ s. d.
103 1/2	100 1/2	War Bonds 2 1/2% August 1, 1949-51	101 1/2	101 1/2	0 4 8	1 12 10	105 1/2	89 1/2	(d)	Birmingham 2 1/2% 1966-71	95	94	3 1 4
102 1/2	98 1/2	Exchequer Bonds 1 1/2% Feb. 15, 1950	100 1/2	100 1/2	0 10 1	1 8 5	102	100 1/2	(d)	Argentina 3 1/2%	101	101	3 10 6
105 1/2	98 1/2	War Bonds 2 1/2% March 1, 1951-53	101 1/2	101 1/2	0 19 6	2 4 1	150/-	113/9	(d)	Anglo-American Corp. 10s.	143/9	143/9	3 9 7
105 1/2	97 1/2	War Bonds 2 1/2% March 1, 1952-54	103	103	1 5 7	2 9 10	232/6	118 1/2	a	Anglo-Iranian Oil £1	166/3	165/-	3 12 9
108 1/2	101 1/2	War Loan 3 1/2% (after Dec. 1, 1952)	100 1/2	100 1/2	1 5 11	2 17 3	80/9	56/10 1/2	c	Assoc. Port. Cem. Ord. Stk. £1	70/6	71/9	4 3 7
106	97 1/2	War Bonds 2 1/2% Aug. 15, 1954-56	100 1/2	100 1/2	1 7 2	2 10 8	42/6	25/3	c	Austin Motor 'A' Ord. Stk. 5s.	36/3	36/6	5 9 7
106	97 1/2	War Bonds 2 1/2% Aug. 15, 1954-58	100 1/2	100 1/2	1 8 1	2 12 9	95 1/4	73/6	b	Barclays Bank Ord. 'B' £1	79/6	80/-	3 10 0
106	97 1/2	Funding 2 1/2% June 15, 1952-57	100 1/2	100 1/2	1 9 6	2 16 1	245/-	167/6	a	Bass Ratcliff Ord. £1	195/-	192/6	2 12 0 1/2
109 1/2	99 1/2	National Def. 3% July 15, 1955-59	101 1/2	101 1/2	1 9 8	2 16 10 1/2	58/7	40/6	b	Courtaulds Ord. £1	44/9	44 7/8	3 8 1
109 1/2	99 1/2	War Loan 3% Oct. 15, 1955-59	102	102	1 11 4	2 18 10 1/2	30/-	22/9	a	Dorman Long Ord. £1	29/-	29/9	5 7 7
108 1/2	97 1/2	Savings Bonds 3% Aug. 15, 1955-65	101 1/2	101 1/2	1 11 3	2 14 5 1/2	81/-	57/3	c	Dunlop Rubber Ord. £1	77/9	77 1/2	3 17 0
105 1/2	95	Funding 2 1/2% April 15, 1956-61	101 1/2	101 1/2	1 11 8	2 18 10 1/2	53/-	40/9	b	Imp. Chem. Ind. Ord. Stk. £1	51/6	52 1/4	3 16 9
109 1/2	98 1/2	Funding 3% April 15, 1959-69	111 1/2	112 1/2	1 3 3	2 17 5 1/2	49/6	39/6	b	Lancs. Cotton Ord. Stk. £1	48/4	48 1/4	4 2 9
122 1/2	109 1/2	Funding 4 1/2% May 1, 1960-90	100 1/2	101 1/2	1 12 4	2 19 9 1/2	57 1/4	45/-	c	Lever & Unilever Ord. £1	54 1/4	55/-	3 12 9
110 1/2	97 1/2	Savings Bonds 3% Sept. 1, 1960-70	94 1/2	95 1/2	1 13 6	2 16 11 1/2	84 1/2	73 1/2	(d)	London Brick Ord. Stk. £1	53/9	60/-	4 3 4
104 1/2	92	Savings Bonds 2 1/2% May 1, 1964-67	94 1/2	95 1/2	1 5 6	2 19 3	36/9	32/-	a	L.M.S. 4 1/2% 1st Pref. Stk. £1	82 1/2	82 1/2	4 17 0
123 1/2	109 1/2	Victory Bonds 4% Sept. 1, 1920-70	113 1/2	114 1/2	1 12 5	2 19 10 1/2	86 1/2	73 1/2	a	N.Eastn. Elec. Ord. Stk. £1	54/6	55/-	4 0 0
111 1/2	96 1/2	Savings Bonds 3% Aug. 15, 1965-75	100 1/2	101 1/2	1 12 5	2 19 10 1/2	39	29 1/2	b	P'chin J'nson Ord. Stk. 10s.	63/-	63/3	4 7 0
117 1/2	106	Consols 4% (after Feb. 1, 1957)	109 1/2	110	1 2 10	2 18 9 1/2	68/3	47/-	b	Prudential 'A' £1	34 1/2	34 1/2	2 3 0 1/2
115 1/2	102 1/2	Conversion 3 1/2% (after Apr. 1, 1961)	105 1/2	105 1/2	1 10 3	3 1 7 1/2	108/9	74 1/4	a	Stewarts & Lloyds Def. £1	58/-	58 1/4	4 5 8
100 1/2	80 1/2	Treas. Stk. 2 1/2% (after Apr. 1, 1975)	82 1/2	82 1/2	1 13 4	3 0 9 1/2	147/6	108/9	a	"Shell" Transp. Ord. Stk. £1	73/9	72 1/2	2 1 4 1/2
110 1/2	95 1/2	Treas. Stk. 3% (after Apr. 5, 1966)	99	99 1/2	1 14 5	3 2 0 1/2	63 1/4	44/-	a	Tube Invest. Ord. Stk. £1	142/6	143/9	3 9 7
117 1/2	97 1/2	Redemp. Stk. 3% Oct. 1, 1986-96	99 1/2	99 1/2	1 13 7	3 0 11 1/2	108/9	74 1/4	a	Turner & Newall Ord. Stk. £1	85 1/2	87/6	3 8 7
99	80	Consols 2 1/2%	82 1/2	82 1/2	1 13 3	3 0 4 1/2	96/9	68 1/2	a	Woolworth (W.F.W.) Ord. 5s.	91/6	91/-	3 16 1 1/2

Redemption yields on stocks optionally or finally redeemable within the next five years are worked out on the assumption that they will be repaid at the earliest date. Redemption yields on other dated stocks assume that stocks paying over 3 per cent will be redeemed at the earliest date (these are marked 'e'), and those paying 3 per cent or less will be repaid at the latest date (marked 'l'). (n) Net yields are calculated after allowing for tax at 9s. in the £. (f) Flat yield. * Assumed average life 17 years 6 months. † Notice given for repayment on March 1, 1948.

(a) Interim. (b) Final. (c) Whole year. (d) Int. paid half-yearly. (e) To earliest redemption date. (f) Also a capital bonus of 2 1/2 per cent free of income tax. Yield worked out on 15 per cent basis. (h) Fifteen months to March 31, 1947 (yield basis 7-6 per cent). (i) To latest redemption date. † Free of tax.

COMPANY MEETINGS

SINGER MOTORS, LIMITED

ONE-CAR POLICY

The tenth ordinary general meeting of Singer Motors, Limited, was held, on the 19th instant, in London.

Mr A. E. Hunt, chairman and managing director, in the course of his speech, said:

The result for the year, after crediting estimated Excess Profits Tax recoverable and providing for taxation, is a credit of £33,344. The ordinary dividend is 5 per cent., less tax. The results, compared with the previous years, should not be taken as indicating any further set-back in getting back into car production after the war period. For the last three months of the past financial year car manufacture was running at a small profit. Since then improvement in numbers produced weekly has continued, and, although we have not yet attained our maximum weekly production, we have in recent weeks reached about 75 per cent. or 80 per cent. in spite of material supply difficulties.

NEW MODELS WELL RECEIVED

Our policy is to have one car in the place of the Super 10 and the Super 12. The new model has been remarkably well received. The design is up to date and special care has been directed to achieving the greatest measure of facility in production. The price will be commensurate with quality and performance and costs prevailing at the time of production, and it would be idle to promise a date when it will be available.

We will continue our efforts to reach maximum production whilst putting forward every effort in preparing and planning for the new car, and at the same time try in every way to achieve the high export target set by the Government, but I must emphasise the vital factors of an adequate and even supply of materials and the reopening of certain export markets now closed. In spite of the problems yet to be faced, we view with quiet confidence the future of your company.

EXPORT DRIVE

There is now the national requirement that a major portion of motor-car production must be for the export markets. We, as members of the motor industry, will do all in our power to continue and expand our assistance in the export drive, but this presents a serious problem when export markets are closing, mostly for the reason that other countries, like ourselves, face monetary exchange difficulties. It is understood allocation of material will be linked with the export of manufacturing programmes which cannot fall below a certain minimum if losses are to be avoided. It is greatly to be hoped that the Government may be able to solve this difficulty in association with other countries.

The trend of increased cost of supplies has not been arrested and as regards restrictions for shortage of supplies this has a particular detrimental effect on costs. The chairman referred last year to the unreal level of selling prices. We cannot yet see any improvement in the over-all factors on which prices have to be based.

On the subject of standardisation generally, our view is that a much wider field of standardisation in components and accessories is necessary, as well as a general reduction in models, and you may have seen in the press that the motor industry is collaborating in these directions and that a reduction in models has already been achieved. By more standardisation in accessories, components and certain units, benefit to production generally would be obtained, as well as a reduction in costs, but at the same time individuality must not be lost. This could be achieved by individual manufacturers building round a smaller variety of standard components, and still having their own special bits.

The report was adopted.

AGAR, CROSS AND COMPANY, LIMITED

LARGER TURNOVER AND PROFITS DIVIDEND INCREASED TO 8 PER CENT

The forty-first ordinary general meeting of this company was held, on the 18th instant, in London, Mr Stuart C. Sheppard presiding in the absence of Mr Donald Moir, M.Inst.C.E., M.I.Mech.E. (the chairman of the company) owing to indisposition.

The following is the statement of the chairman which was circulated with the annual report and accounts:

The measure of optimism expressed in my statement which accompanied last year's accounts has been justified by the results now presented to you. Because of the uncertainty of deliveries from the various countries with which we trade, many difficulties have been encountered in maintaining a constant flow of merchandise to feed your Argentine organisation, but, I am glad to say, these difficulties have been overcome and the volume shipped outwards, aided by purchases of locally manufactured goods, has made it possible to reach a record year's sales in your company's history.

A direct result arising from the larger turnover is an increase in profits for the year to £374,718, against last year's figure of £143,059. Before arriving at the profit of £374,718 provision has been made for all contingencies, including the back contributions payable over a period of years in respect of pension schemes instituted for the staffs of the London and New York Offices. British income tax and profits tax require no less than £270,000, or £193,000 more than last year. As before, no provision for excess profits tax is necessary.

The balance-sheet figures call for no special comment other than to point out that they reflect the increased volume of business.

Your board recommend a dividend at the rate of 8 per cent. on the ordinary stock, as against 5 per cent. for the previous year. They would have liked to have been more generous, but are strongly of the opinion, in view of the uncertainties of world outlook, the pressing need to build up reserves depleted during depression years and the shortage of cash for trading purposes, that a conservative policy should be pursued.

THE SUBSIDIARY COMPANY

Your subsidiary company earned sufficient profit to pay a dividend equal to that of last year, but due to extension plans the cash has been retained in the business.

It has long been the desire of your board to establish a pension fund to care for the staffs in their retirement, but unfortunately adverse conditions in the past have prevented this from being brought to fruition. The problem has now been simplified by the introduction by the Argentine Government of a State Pension Fund, which, in general terms, provides for the staff in Argentina, and, therefore, only the staffs in London and New York have had to be dealt with. The totals of back-service costs of the London and New York schemes, although payable over a period, have been charged this year, and the amounts involved are shown under the balance-sheet heading "deferred liabilities."

Throughout the war years your Argentine organisation was ably administered by a management which had long and faithfully served the interests of your company. Increased business, however, necessitated a re-organisation. I am pleased to report that early in the year Mr George Sidney Houlgrave was appointed to the post of general manager in Argentina. Mr Houlgrave has as second in command Mr David Smith and already they have given ample proof of their worth.

Your director resident in Argentina, Mr James Asher, has during the year completed fifty years' continuous service with your company and I am glad to say that his vast experience and wise counsel continue to be of inestimable value to his colleagues.

Mr V. C. Fisher, a director and your London manager, accompanied by Mr H. Wilfrid Lilly, your New York manager, visited Argentina during the year and reported favourably on the new management and expanding organisation.

THE OUTLOOK

The future of your business I find difficult to forecast. Present prospects are good and sales are well maintained. Shipments both from Britain and U.S.A. are on an ever-increasing scale. Import Permit restrictions imposed by the Argentine Government have to a certain extent helped legitimate traders, like ourselves, but the necessity for accelerating deliveries to comply with permit expiry dates is putting a strain on your company's cash resources and we are being forced temporarily to have recourse to our banking friends. World exchange restrictions are making financial operations ever more difficult and although Argentina is still a sellers' market, the complexities of business make it impossible to see far ahead. Nevertheless, I can assure you that you have a virile organisation constantly watching the ever-changing trend of events and the safeguarding of your interests.

I tender the thanks of the board to the staffs of your company in London, Argentina and New York for their loyalty and hard work which have made this year so successful.

The report and accounts were unanimously adopted; the retiring directors were re-elected; and the auditors were reappointed.

A special resolution was passed amending the articles of association, and the proceedings terminated with votes of thanks to the chairman, directors and the staff of the company at home and abroad.

THE INDUSTRIAL CREDIT COMPANY, LIMITED

The fourteenth ordinary general meeting of this company was held, on the 16th instant, in Dublin.

The following is an extract from the statement of the chairman (Mr J. P. Colbert) in moving the adoption of the report and accounts:

I propose to comment firstly on the balance-sheet, which deals with a total of £1,009,456. In arriving at this total we have, as you may note from the balance-sheet, deducted from the total book value of our loans and advances and our investments the total amounts specifically set aside as reserves in each case. Thus, the total book value of our assets is considerably in excess of the figure shown in the balance-sheet. I may add that the specific reserve provisions against bad and doubtful debts and against depreciation of investments are greater than we are likely to need in the foreseeable future. As regards the investments in particular (which figure in the balance-sheet at £739,581), the global market value, according to the most recent Stock Exchange markings for the listed securities, shows a comfortable margin in excess of the global book value, i.e., even before allowing for our investment reserve.

Our gross profit, at £79,800, shows a decline of £1,272 on the high record figure reported last year. The net profit for the year is £68,252. We propose to pay a dividend for the eighth year in succession, the proposed rate being 3 per cent. (subject to tax), as in the two preceding years. This would absorb £16,453, representing a distribution of 37 per cent. of the net profit for the year after charging tax.

As regards the issuing house department of our activities, the turnover during the year was £478,750. We have at present a considerable number of new proposals.

The report and accounts were adopted.

BARCLAYS BANK (DOMINION, COLONIAL AND OVERSEAS)

ANNUAL GENERAL MEETING

The twenty-second ordinary general meeting of Barclays Bank (Dominion, Colonial and Overseas) was held, on the 19th instant, at 29 Gracechurch Street, London, E.C.3.

Mr Julian Stanley Crossley (the chairman) presided.

With the concurrence of the stockholders present, the report and accounts and statement by the chairman, which had been previously circulated, were taken as read.

The chairman referred to the sudden death of Mr Edwin Fisher and the retirement of Mr J. R. Leisk and Sir Harold Snagge, and welcomed to the board Captain Derek Fitzgerald and Mr Anthony William Tuke.

The chairman then moved the adoption of the report of the directors and statement of accounts, and the payment of a final dividend of 4 per cent. actual on the "A" stock and "B" shares, less income-tax at the standard rate of 9s. in the £ in each case.

The motion was seconded by Mr A. C. Barnes, deputy-chairman, and carried.

Sir Ernest Oppenheimer, Mr Ernest Langley Jackson, Captain Derek Fitzgerald and Mr Anthony William Tuke, retiring directors, were re-elected.

On the motion of Sir Frank Newson-Smith, seconded by Mr W. R. Rhodes, the auditors, Messrs Deloitte, Pleader, Griffiths and Company; Price, Waterhouse and Company; Peat, Marwick, Mitchell and Company, and Cooper Brothers and Company, were reappointed.

A vote of thanks to the staff, proposed by Viscount Portal of Hungerford, K.G., G.C.B., O.M., D.S.O., M.C., and seconded by Mr Joseph Nissim, and a vote of thanks to the chairman for presiding at the meeting, proposed by Mr T. M. Bland, were unanimously accorded.

BRUSH ELECTRICAL ENGINEERING COMPANY, LIMITED

ORDERS EXCEED DELIVERY RATE

The annual general meeting of the Brush Electrical Engineering Co. Ltd., was held, on the 23rd instant, at Loughborough, Sir Ronald W. Matthews, the chairman, presided.

The following is an extract from his circulated statement. The unsatisfactory results for the year ended December 31, 1946, arose in great part from declining turnover, coupled with expanding overheads arising from the rebuilding of a peace-time staff, and the report also disclosed that a not unsatisfactory profit had been made on trading up to September 30, 1947. He therefore proposed to confine his observations chiefly to a survey of the prospects.

Last year he had referred to the decisions made on redesign with consequent retooling and new shop layout, feeling that they would ensure the financial well-being of the company. Those remarks had proved correct, although the adverse effects during 1946 had been greater than anticipated and the benefits of reorganisation had not been felt to any marked degree until early 1947.

The total order book was in the neighbourhood of 7,500,000, which would provide some 18 months' work at the rate of output which they were now achieving. That order book was naturally not spread equally over the whole of the company's departments; in some they had two or three years' work ahead of them and in others were able to give reasonably good deliveries. Nevertheless it was a gratifying fact that in spite of the substantial increase in output which had been achieved over the past twelve months orders were still coming in at a faster rate than that at which the company were delivering.

The report was adopted.

BIRMID INDUSTRIES LIMITED

INCREASED DEMAND

The ordinary general meeting of Birmid Industries, Limited, was held, on the 19th instant, at Birmingham, Mr Cyril C. Maudslay (the chairman) presiding.

The following is an extract from his circulated report:

The outstanding event of the year was undoubtedly the quite unforeseen and disastrous two weeks' shutdown in February last due to Government action in cutting off electric power for that period. This meant that all production and practically all revenue ceased, whereas expenses inevitably continued at a high level. The adverse financial effect of this stoppage was, of course, very serious and the consequences thereof have continued to some degree ever since.

Dealing now with the various sections of our products, all of them are of peculiar importance in the present grave economic position of the nation, in that all the factories under the control of Birmid Industries, Limited, are engaged in the fabrication of raw materials into a semi-finished condition and are, therefore, basic industries of fundamental importance to practically all sections of engineering and, to a large extent, of building, and thus form the foundations upon which these great industries rest. In consequence, the demand for our various products has steadily increased during the past year.

WIDE RANGE OF PRODUCTS

The present output from our various light alloy foundries, both sand and die, is at a higher level than at any time since the war ceased. More gratifying still is the ever-widening range of products in which our cast and wrought light alloys are employed. These remarks apply to the light alloy sand and die foundries at Birmingham; Aluminium Casting Company at Smethwick; Sterling Metals at Coventry and Nuneaton, and Perry Barr Metal Company at Oscott, and also to the rolling mills of Birmetals at Woodgate. In addition to the large demands of the automobile and heavy vehicle industry, both the aluminium and magnesium foundries, as also the rolling mills, supply increasing quantities of our products for agricultural tractors, mining machinery, electrical machinery, textile machinery, the food industry, the building trades, and so forth.

In the iron foundries of Midland Motor Cylinder Company and Dartmouth Auto Castings of Smethwick and of Sterling Metals, Coventry, we have one of the largest production groups of high-grade castings, chiefly for the automotive industry, in Great Britain. Their manufactures are chiefly cylinder blocks and heads, with, in addition, the lighter types of iron castings for the motor trade, such as exhaust manifolds, brakedrums and the like, and sundry light castings for many other trades, in which type of castings Dartmouth Auto Castings particularly specialise.

The rolling mills at Woodgate have also made a particularly gratifying changeover from war to peace production and our proprietary corrosion-resisting alloy "Birmabright" now forms a very large proportion of our output in the form of sheet, strip and sections. Time tends to prove more and more the outstanding suitability of this alloy for marine constructions for which it was originally evolved, but it is also highly suitable for many purposes in general engineering, as it has very attractive properties of work-hardening and deep-drawing, and takes a very high finish where decorative articles are required.

Our order books are very full, but with many of our raw materials the demand is much greater than the supply.

The report was adopted.

CARRERAS LIMITED

FUEL CRISIS AND INCREASED DUTY

The forty-fourth annual general meeting of Carreras, Limited, was held, on the 22nd instant, in London, Sir Edward Baron, chairman and managing director, in the course of his speech, said: During the first few months of the period under review, our production and sales continued to maintain and even surpass the high level achieved at the close of the previous year, despite the ever-present difficulties regarding supplies of materials for packing and wrapping.

However, the fuel crisis came upon us without warning, and, in common with most other manufacturers in London, we were forced to cease production entirely for three whole weeks. The next blow which befell us was the unprecedented increase in the tobacco duty last April. This was a staggering imposition and its effect was both immediate and far reaching.

To meet the trend of consumer demand we reintroduced a brand which some years ago had a wide popularity and a great reputation for high quality. I refer to Turf, which, in its new form, selling at 10 for 1s. 3d. not only maintains its former reputation, but I venture to say challenges comparison with any other cigarette in the same class. The demand for Craven "A," Craven Plain and Piccadilly No. 1 continues at a reasonably satisfactory level, taking all the circumstances into account.

EXPORT MARKETS

Our overseas trade continued at a most satisfactory level until certain countries, especially those in the sterling areas, became involved in economic difficulties similar to our own. At first the tendency was to place wholesale restrictions upon imports, but I am glad to say that wiser counsels have since prevailed and in some instances cigarettes and tobacco, among other semi-essentials, can now be shipped in limited quantities. We are hopeful that as time goes on the position will improve still further, and in the meantime new markets are constantly being explored. Our Canadian subsidiary is progressing favourably under its energetic and capable management and has more than held its own against keen competition.

We have had whole-hearted support from our employees throughout this troublesome twelve months, and it gives me considerable gratification to tell you that we have again paid them a bonus of six weeks' wages, plus long service awards.

We are very pleased at being able to maintain the dividend for the year at 35 per cent., as well as increasing our carry-forward, and incidentally our working capital, by a further £182,000. The fact that our financial position remains unimpaired, and is, in fact, stronger than twelve months ago, gives us additional cause for satisfaction when we reflect upon the storms we have had to weather. I should like to emphasise once again that our consistently conservative policy in the past has so buttressed our internal resources that we have successfully withstood the strains and stresses to which the present economic crisis has subjected us.

I trust that you will be satisfied with what has been accomplished. We know our products are first class, our relations with our employees were never better, and our financial position is extremely sound. This combination, therefore, gives us confidence to meet and overcome the present difficult times.

The report was adopted.

GOVERNMENT RETURNS

For the week ended December 20, 1947, total ordinary revenue was £51,753,000, against ordinary expenditure of £65,609,000, and issues to sinking funds £240,000. Thus, including sinking fund allocations of £11,109,891 the surplus accrued since April 1st is £94,402,638 against a deficit of £572,592,268 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1947-48	Receipts into the Exchequer (£ thousand)			
		April to Dec. 1946	April to Dec. 1947	Week ended Dec. 21, 1946	Week ended Dec. 20, 1947
ORDINARY REVENUE					
Income Tax	208,600	516,325	498,065	12,629	15,763
Sur-tax	80,000	22,517	27,105	970	1,700
Estate, etc., Duties	155,000	106,654	119,579	3,965	4,500
Stamps	57,000	25,424	37,480	1,680	950
N.D.C.	206,000	25,382	24,920	455	500
E.P.T.	1,000	258,780	186,485	4,770	4,000
Other Inland Rev.	1,000	168	120	...	...
Total Inland Rev.	588,600	955,250	893,754	24,469	27,413
Customs	742,460	444,568	573,555	13,436	12,668
Excise	668,540	404,900	422,200	4,700	4,100
Total Customs & Excise	1,411,000	849,468	995,755	18,136	16,768
Motor Duties	50,000	12,967	13,329	...	572
Surplus War Stores	95,000	101,688	132,972	13,372	...
Post Office (Net Receipts)	55,000	40,000	50,175	Dr.	10,000
Wireless Licences	11,000	5,270	6,370	4,800	4,980
Crown Lands	1,000	650	670	...	...
Receipts from Sundry Loans	21,000	22,211	19,264	66	15
Miscellaneous Receipts	270,000	29,819	196,003	516	1,964
Total Ord. Rev.	3,499,000	2,018,672	2,308,292	51,759	51,753
SELF-BALANCING REVENUE					
Post Office	144,230	92,100	101,180	7,100	6,980
Income Tax	49,000	134,048	16,488	1,301	269
E.P.T. Refunds	...	...	...	...	...
Total	3,692,230	2,244,820	2,425,960	60,160	59,002

Expenditure	Estimate, 1947-48	Issues out of the Exchequer (£ thousand)			
		April to Dec. 1946	April to Dec. 1947	Week ended Dec. 21, 1946	Week ended Dec. 20, 1947
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	525,000	352,284	362,006	5,058	4,050
Payments to N. Ireland	23,000	11,986	14,540	...	...
Issue to Nat. Land Fund	...	50,000	...	...	...
Other Cons. Fund Services	8,000	4,345	4,218	341	339
Total	556,000	418,615	380,764	5,399	4,389
Supply Services	263,514	216,177	220,015	61,851	61,220
Total Ord. Exp.	3,191,114	2,580,293	2,102,779	67,250	65,609

SELF-BALANCING EXPENDITURE	Estimate, 1947-48	Issues out of the Exchequer (£ thousand)			
		April to Dec. 1946	April to Dec. 1947	Week ended Dec. 21, 1946	Week ended Dec. 20, 1947
Post Office	144,230	92,100	101,180	7,100	6,980
Income Tax	49,000	134,048	16,488	1,301	269
E.P.T. Refunds	...	...	...	...	...
Total	338,344	280,641	222,047	75,651	72,858

After decreasing Exchequer balances by £150,237 to £2,044,022, the other operations for the week increased the gross National Debt by £37,721,527 to £26,007 million.

NET ISSUES (£ thousand)		550
P.O. and Telegraph	329	
P.T. Refunds	2	
Overseas Trade Guarantees Act, 1939, sec. 4 (1)	6,429	
Local Authorities Loans Act, 1945, sec. 3 (1)	6	
Sw Towns Act, 1946, sec. 12 (3)	10,000	
War Damage: Board of Trade	5,000	
Finance Acts, 1946 and 1947, Post-war Credits	1,410	
Finance Act, 1935, sec. 30 (1), 3% local loans stock	50	
	23,776	

Statistical Summary

CHANGES IN DEBT (£ thousand)		NET REPAYMENTS	
NET RECEIPTS		3% Def. Bonds	3,498
Treasury Bills	35,843	3% Def. Annuities	1,275
Nat. Savings	2,450	Other Debt	302
24% Def. Bonds	987	Internal	12,265
Tax Reserve Certs.	3,802	Ways & Means Advances	12,265
Other Debt	2,479		
Treasury deposits	9,500		
	55,061		17,340

* Including £2,913,000 paid off on maturity.

FLOATING DEBT (£ million)

Date	Treasury Bills		Ways and Means Advances		Treasury Deposits by Banks	Total Floating Debt
	Tender	Tap	Public Depts.	Bank of England		
1946						
Dec. 21	2120.0	2496.0	375.8	17.3	1688.5	6697.5
1947						
Sept. 13	2190.0	2499.9	357.1	4.25	1299.5	6347.7
" 20	2190.0	2533.0	327.7	8.0	1299.0	6357.6
" 26	2190.0	2557.1	322.3	...	1292.5	6361.9
Oct. 4	2200.0	2534.8	363.9	19.8	1267.0	6385.4
" 11	2220.0	2561.7	343.2	20.3	1253.5	6398.8
" 18	2230.0	2584.7	362.8	2.0	1252.5	6376.6
" 25	2230.0	2581.5	352.6	1.75	1252.5	6392.5
Nov. 1	2240.0	2543.4	354.8	...	1252.5	6379.4
" 15	2250.0	2539.3	337.7	...	1252.5	6340.2
" 22	2250.0	2579.7	339.1	6.8	1317.5	6493.1
" 29	2250.0	2561.0	338.6	...	1372.5	6487.1
Dec. 6	2250.0	2582.2	340.3	...	1367.5	6545.0
" 13	2250.0	2569.5	251.1	...	1367.5	6512.1
" 20	2250.0	2605.4	306.6	6.3	1377.0	6545.2

TREASURY BILLS (£ million)

Date of Tender	Amount			Average Rate of Allotment %	Per Cent. Allotted at Min. Rate
	Offered	Applied for	Allotted		
1946					
Dec. 20	170.0	280.3	170.0	9 11.92	46
1947					
Sept. 19	170.0	253.5	170.0	10 5.10	57
" 26	180.0	277.4	180.0	10 2.66	77
Oct. 3	150.0	299.9	150.0	10 1.39	49
" 10	180.0	291.3	180.0	10 1.36	47
" 17	170.0	268.9	170.0	10 1.87	54
" 24	170.0	285.0	170.0	10 1.52	46
" 31	170.0	289.3	170.0	10 1.38	43
Nov. 7	170.0	285.4	170.0	10 1.49	45
" 14	170.0	270.1	170.0	10 1.85	53
" 21	170.0	271.2	170.0	10 1.70	53
" 28	170.0	269.2	170.0	10 3.02	53
Dec. 5	170.0	300.5	170.0	10 2.26	38
" 12	170.0	289.8	170.0	10 2.66	45
" 19	170.0	274.1	170.0	10 2.89	50

On December 19th applications for bills to be paid on Monday, Tuesday, Wednesday and Saturday were accepted as to about 50 per cent. of the amount applied for at £99 17s. 5d. and applications at higher prices were accepted in full. (£170 million (maximum) of Treasury Bills are being offered for December 24th. For the week ended December 27th the Banks will be asked for Treasury deposits to an amount of £20 million (maximum).

NATIONAL SAVINGS (£ thousand)

	Week Ended		Totals Mar. 31 to
	Dec. 14, 1946	Dec. 13, 1947	Dec. 13, 1947
Savings Certificates:—			
Receipts	3,200	5,000	156,650
Repayments	2,200	2,500	101,750
Net Savings	1,000	2,500	54,900
Defence Bonds:—			
Receipts	3,470	1,295	52,965
Repayments	469	563	28,210
Net Savings	3,001	732	24,755
P.O. and Trustee Savings Banks:—			
Receipts	13,359	14,626	478,352
Repayments	16,302	14,299	445,230
Net Savings	Dr. 2,943	327	33,122
Total Net Savings	1,058	3,559	112,777
Interest on certificates repaid	385	450	19,315
Interest accrued on savings remaining invested	2,188	2,242	79,141

BANK OF ENGLAND

ISSUE DEPARTMENT

Notes Issued:	Govt. Debt	11,015,100
In Circulation	Other Govt. Securities	1438,196,228
In Bank, Department	Other Secs.	778,396
	Coin other than Gold	10,276
	Amt. of Fid. Issue	1450,000,000
	Gold Coin and Bullion (at 17s. 5d. per oz. fine)	247,833
		1450,247,833

BANKING DEPARTMENT

Capital	14,553,000	Govt. Secs. ...	316,374,256
Res.	3,489,688	Other Secs. :	
Public Deps.*.	12,368,421	Discounts and	
		Advances	4,886,000
Other Deps. :		Securities	18,941,860
Bankers	303,995,740		
Other Accts. ...	93,457,022		23,827,866
	397,452,762	Notes	87,098,710
		Coin	563,039
	427,863,871		427,863,871

Bankers to the Government in Kenya Colony and Uganda.
Head Office: 26 BISHOPSGATE, LONDON, E.C.2.

SUBSCRIBED CAPITAL...	...	£4,000,000
PAID-UP CAPITAL	...	£2,000,000
RESERVE FUND	...	£2,300,000

The Bank conducts every description of Eastern Banking business.
Trusteeships and Executorships also undertaken.

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Head Office, Montreal
Offices in New York and Paris

Incorporated in Canada in 1869 with Limited Liability.

Chief Office: OXFORD STREET, MANCHESTER.

ANNUAL INCOME	£16,300,000
ASSETS EXCEED	£97,000,000
DEBT EXCEED	£181,660,000

(1946 Accounts)

Incorporated in Egypt.
Liability of Members is Limited.

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Commercial Register No. 1 Cairo.

FULLY PAID CAPITAL	-	-	£3,000,000
RESERVE FUND	-	-	£3,000,000

London Office:

6 & 7 King William Street, E.C.4
Branches in all the Principal Towns in EGYPT and the SUDAN

BEIT RESEARCH FELLOWSHIP

Applications are invited for a Beit Research Fellowship. Duties will consist of economic and social research among the Africans in Southern Rhodesia with special reference to the problems of urbanization. The research will be under the joint direction of the Natal University College and the Federation of African Welfare Societies in Southern Rhodesia. The appointment will be for a period of not more than two years. The salary will be between £600 and £900, depending on qualifications including a good degree in Economics or Sociology and successful research experience. Further particulars may be obtained from the Secretary, Universities Bureau of the British Empire, 8 Park Street, London, W.1. Closing date for the receipt of applications is 31st December, 1947.

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		<i>(Incorporated in the Colony of Hongkong.)</i>	
CAPITAL ISSUED AND FULLY PAID UP	-	-	\$ 20,000,000
RESERVE FUNDS	-	-	\$ 6,000,000
RESERVE LIABILITY OF MEMBERS	-	-	\$ 20,000,000

Head Office : HONGKONG.
Chief Manager THE HONOURABLE A. MURPHY, C.B.E.

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Amyo	Ongchiao	*Koko	Mukden	*Sondoyaya	
Bangkok	Dairen	Kowloon	Tientsin	Sungai Pahan.	
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Bombay	Hankow	Kuala Lumpur	Peking	Tewau	
Brunel	Hankow	Kure	Shanghai	Tokyo Anson	
Cadiz	Hankow	Larban	Rangoon	(Parak)	
Canton High-	Lyons	London	Sagun	Tientsin	
land (Malaya)	Ibid	Lyons	Sandakan	Tsingtau	
Cebu	Ibid	Manila	San Francisco	*Yokohama	
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Paid-up Capital	...	...	...	...	...	\$12,500,000
Reserve Fund	...	...	...	...	...	\$24,000,000
Total Assets over	...	...	...	...	...	\$700,000,000

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at 31st March, 1947
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Established over 80 years.

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NEW ZEALAND

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UNIVERSITY OF BIRMINGHAM

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Applications are invited for the post of Assistant Lecturer in Economics in the Faculty of Commerce and Social Science. The appointment will be in Grade III, at a salary of £400-500, and will date from 1st October, 1978. Special qualifications in Economic Theory and Statistics would be an advantage.

Applications, giving the names of not more than three referees, should be addressed to the undersigned (from whom further particulars may be obtained) not later than 11th February. No special application form is issued.

The University, Edmund Street, Birmingham, 3. December, 1947. C. G. BURTON, Secretary.

CITY OF LEICESTER EDUCATION COMMITTEE
COLLEGE OF TECHNOLOGY AND COMMERCE

Principal: H. L. Haslegrave, Wh.Sc., M.A. (Cantab), Ph.D. Lond
M.Sc. (Eng.), M.I. (Mech.E.), M.I.E.E.

Applications are invited for the post of Lecturer in Industrial Management Subjects in the School of Commerce. Degree, or equivalent qualification, and recent industrial experience are essential. Salary in accordance with the Burnham Award for Technical Institutions. Details of the curriculum and other particulars may be obtained from the Director of the School of Commerce, The University of Birmingham, Edgbaston, Birmingham B15 2TT.

Details of the appointment and forms of application may be obtained from the Registrar, College of Technology and Commerce, 7 Newarke, Leicester, to whom they should be returned by 17th January 1948.

ELFED THOMAS, Director of Education
Education Department, Newarke Street, Leicester;